

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE DAYTON POWER AND LIGHT
COMPANY FOR AUTHORITY TO RECOVER
CERTAIN STORM-RELATED SERVICE
RESTORATION COSTS.

CASE NO. 19-662-EL-RDR

FINDING AND ORDER

Entered in the Journal on October 23, 2019

I. SUMMARY

{¶ 1} The Commission finds that the Dayton Power and Light Company's application for authority to recover certain storm-related restoration costs should be approved, subject to Staff's recommended adjustments.

II. DISCUSSION

{¶ 2} The Dayton Power and Light Company (DP&L or the Company) is a public utility and an electric distribution utility as defined under R.C. 4905.02 and R.C. 4928.01, respectively. Therefore, DP&L is subject to this Commission's jurisdiction.

{¶ 3} R.C. 4928.141 mandates that an electric distribution utility shall provide a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric service, including a firm supply of electric generation service, to all consumers within its certified territory. The SSO may be established as a market rate offer under R.C. 4928.142 or an electric security plan (ESP) under R.C. 4928.143.

{¶ 4} As part of DP&L's most recent ESP proceeding, the Commission approved a nonbypassable Storm Cost Recovery Rider (SCRR). *In re the Dayton Power and Light Co.*, Case No. 16-395-EL-SSO (*ESP III*), Opinion and Order (Oct. 20, 2017). The SCRR is used as a placeholder for DP&L to file an application to recover the prudently incurred costs from major storms and allows the Company to recover all operating and maintenance (O&M) expenses incurred from storms that are determined to be "Major Events" as defined by Ohio Adm.Code 4901:1-10-01. Pursuant to the amended stipulation and recommendation

(Stipulation) ultimately adopted by the Commission in *ESP III*, DP&L is required to file its annual SCRR by April 1 of each year, and Staff is to complete its audit with the Commission's approval for rates to be effective around August 1 of each year.

{¶ 5} On April 1, 2019, DP&L filed an application to recover 2018 storm-related restoration costs through the SCRR. DP&L's application identifies four qualifying weather events that impacted the Company during 2018: one in October, one in November, and two separate storms in the last five days of December. DP&L explains that it has included the first two storms in the application for 2018 costs and proposes to include the latter two with 2019 storm expenses. DP&L additionally explains that, because the costs reflected in the application include the removal of union straight time labor but not the removal of straight time labor equivalents, the Company intends to amend its application to include the straight time labor equivalent removals as soon as those costs have been finalized and verified. As indicated by the submitted schedules and workpapers, DP&L proposes to recover the O&M expenses and carrying charges, which together represent a total SCRR revenue-requirement of \$5,234,210. As proposed in the application, DP&L's residential customers would see a fixed monthly charge of \$0.65 for the 12 month recovery period; non-residential customers and private outdoor lighting customers would see a fixed monthly charge of \$2.25 and \$0.13, respectively, for the same period.

{¶ 6} On April 12, 2019, Ohio Consumers' Counsel (OCC) filed a motion to intervene on behalf of DP&L's residential customers.

{¶ 7} On July 16, 2019, Staff filed an unopposed motion for an extension of time to complete its audit and for approval of rates. Therein, Staff explained that it would need sufficient time to review the Company's anticipated, but not yet filed, amended application and requested an extension—until October 1, 2019—for completion of the audit and implementation of rates.

{¶ 8} By Entry dated July 18, 2019, the attorney examiner granted Staff's motion and ordered Staff to complete its audit and file its review and recommendation no later than August 30, 2019. The attorney examiner also granted OCC's motion to intervene.

{¶ 9} On July 26, 2019, DP&L filed its amended application for recovery of 2018 storm-related service restoration costs through the SCRR. In the amended filing, DP&L asserts that, in its previously anticipated attempt to include straight time labor equivalent removals, the Company performed an in-depth labor analysis for the pay periods in which storms occurred. DP&L states that the analysis was based on the Stipulation in *ESP III*, which indicates that "prudently-incurred expenses that are incremental to base rates would be considered for recovery [including,] among other things, the amounts over the first forty hours of labor in a given week as well as overtime paid to union and management employees." According to DP&L, the analysis shows that the Company incurred expenses greater than an equivalent base rate amount by more than the total storm labor expenses. Therefore, the Company is seeking all storm related labor costs as incremental to base rates. Given the schedules and workpapers submitted with the amended application, DP&L proposes to recover a total SCRR revenue requirement of \$5,385,918; the Company's residential customers would see a fixed monthly charge of \$0.67 for the 12 month recovery period; non-residential customers and private outdoor lighting customers would see a fixed monthly charge of \$2.32 and \$0.14, respectively, for the same period.

{¶ 10} On August 14, 2019, Staff filed its recommendation (Staff Recommendation) regarding both the original and amended applications (together, Application). Staff reports that it examined the as-filed schedules for consistency with previous storm rider cases to ensure proper accounting and regulatory treatment was applied and otherwise conducted its financial audit through a combination of document review, interview, and interrogatories. Through this review, Staff found that the Company appropriately included in its SCRR only those restoration costs due to major storms in Ohio, with the exception of

adjustments totaling \$146,598 for expenses relating to meals (\$6,560), labor (\$126,908), stock issuance (\$10,683), and stores handling (\$2,447).

{¶ 11} In addition to these adjustments, Staff relayed two non-financial recommendations. First, Staff notes that this proceeding is the third in which Staff has recommended disallowances for stock issuance and returns (Materials & Supplies) as a result of deficient supporting documentation. Thus, Staff recommends that the Commission order the Company to take steps to improve the Materials & Supplies process and to provide to Staff, within 120 days of the issuance of the Commission's Order, a written action plan detailing how improvements in that process will be achieved; Staff offers to work with DP&L on any needed areas of improvement. Second, upon observing that DP&L and Staff were unable to adhere to the April 1 to August 1 timeline set forth in *ESP III* despite their collective efforts to do so, Staff asks that the Commission order the Company to work with Staff with regard to filing timely amendments to the application. Staff avers that timely amendments would allow it ample time to review the proposals and still meet the requirements as outlined in the *ESP III* Stipulation.

{¶ 12} Ultimately, Staff recommends that the SCRR be approved subject to the noted adjustments, which reduce the major storm expense for 2018 by \$146,598. Per the Staff Recommendation, this reduces the annual revenue requirement to \$5,234,367, which in turn reduces the monthly billed amount for residential customers to \$0.65 from \$0.67. Similarly, the monthly billed amount for non-residential customers is lessened to \$2.25 from \$2.32, and the rate for private outdoor lighting changes to \$0.13 from \$0.14.

{¶ 13} By Entry dated August 28, 2019, the attorney examiner issued a procedural schedule to assist the Commission in our review of the Application. The Entry directed the parties to file initial comments by September 6, 2019, and to file reply comments by September 13, 2019.

{¶ 14} On September 4, 2019, OCC filed a motion to extend the procedural schedule and request for expedited treatment. OCC represented that it was awaiting responses to discovery requests, which it expected to receive on September 9, 2019, that were necessary to the filing of initial comments. OCC further argued that extending the schedule would provide time to explore potential settlement and would provide parties appropriate due process without inappropriate delay. OCC requested that the deadline for filing initial comments be extended to September 20, 2019, and reply comments be extended to October 4, 2019.

{¶ 15} By Entry issued September 6, 2019, the attorney examiner granted OCC's motion and extended the deadline for filing initial and reply comments to September 20 and October 4, 2019, respectively.

{¶ 16} Despite its motion, OCC filed initial comments on September 6, 2019. Therein, OCC expressed support for the Staff Recommendation's downward adjustment of \$146,598 and offered two additional recommendations. First, OCC recommends that the Commission should prohibit DP&L from charging customers interest for the storms that occurred in December 2018. OCC states that DP&L should have included the costs of the December 2018 storms in its Application and faults the Company for not doing so; OCC states that deferring the expenses from those storms for future collection unnecessarily increases consumer costs due to additional interest charges. OCC argues that consumers should not be burdened with additional charges due to DP&L's delay and urges the Commission to prohibit DP&L from charging customers interest on 2018 storm expenses that the Company defers for collection in its 2019 SCRR filing. Second, OCC proposes that the Commission require DP&L to publicly report its methodology for determining whether a storm qualifies as major storm event. OCC asserts that both consumers and Staff would benefit from such a requirement, as it would ensure consistency in DP&L's categorization of storms and in its reporting of reliability performance.

{¶ 17} DP&L filed its reply comments pursuant to the extended schedule on October 4, 2019. DP&L does not contest the Staff Recommendation. Instead, the Company replies only to OCC's comments regarding OCC's own additional recommendations.

{¶ 18} With regard to OCC's arguments that DP&L should not be permitted to charge interest for the 2018 storms not included in the Application, the Company disagrees and points to the Stipulation approved in *ESP III* for support. Per DP&L, the Stipulation states that "carrying charges at the last approved cost of debt would be accrued from the point of deferral until recovery begins." *ESP III*, Opinion and Order (Oct. 20, 2017) at ¶ 14; Stipulation at 19. On the other hand, states DP&L, there is no requirement that the annual SCRR filing include all major event storm costs from the prior year. DP&L explains that, because storm costs can lag due to invoicing and internal verification and accounting, the Company is seeking more accurate cost recovery by leaving the December storms out of this Application. In DP&L's view, it should not be penalized via disallowed recovery of otherwise appropriate interest or carrying costs for exercising caution to ensure customers are charged accurately for storm costs through the rider. DP&L additionally argues that the issues raised by OCC's comments are more appropriately addressed when the Company actually applies to recovery the carrying charges associated with the December storms, i.e., in DP&L's next SCRR application. At the very least, the Company asserts that it should be allowed to recover carrying costs associated with the December storms through rate implementation in this case.

{¶ 19} As to OCC's second recommendation, DP&L submits that OCC is requesting relief that has already been provided. DP&L maintains that the methodology for determining whether a storm qualifies as a major event storm is set forth both by Ohio Adm.Code 4901:1-10 and by the Stipulation, which incorporated the rule in establishing the SCRR to include O&M expenses incurred for all storms that are determined to be "Major Events," as defined in Ohio Adm.Code 4901:1-10-01. To the extent that OCC is requesting some other more detailed publication of methodology, DP&L contends that the request is

better suited to a different case, especially because the April 2018 storm used by OCC as an arguing point is not one for which the Company is seeking recovery. DP&L suggests that OCC raise its concerns in the annual reports docket from which it gleaned its information. See *In re the Annual Report Pursuant to Rule 4901:1-10-10 Electric Distribution System Reliability for the Year 2018*, Case No. 19-995-EL-ESS.

III. CONCLUSION

{¶ 20} Initially, the Commission observes that no party disputes the disallowances and non-financial recommendations contained in the August 14, 2019 Staff Recommendation. To the contrary, on the issue of Staff's proposed adjustments of \$146,598 for expenses relating to meals, labor, stock issuance, and stores handling, OCC fully supports Staff's findings and advocates their adoption. OCC is silent regarding Staff's non-financial recommendations, and DP&L does not contest any part of the Staff Recommendation. Given our review of the Application and the Staff Recommendation, the Commission finds that Staff's proposed disallowances are warranted and reasonable. Similarly, we find that Staff's non-financial recommendations are reasonable, as their implementation will foster a more efficient process for seeking and collecting accurate, appropriate storm-related costs through the SCRR pursuant to the timeline proposed by the Stipulation and approved by the Commission in *ESP III*.

{¶ 21} On the other hand, the Commission is not persuaded to follow the course of action promoted by OCC's comments. OCC urges the Commission alter a fundamental aspect of the SCRR—the ability to accrue carrying charges at the last approved cost of debt from the point of deferral until recovery begins—outside the process of the rider's creation and approval, i.e., *ESP III*. While it may be preferable to address all qualifying major events from a given year in a single annual application, neither the Stipulation nor the Opinion and Order in *ESP III* require this action. Additionally, the two storms at issue occurred within the last five days of the 2018 calendar year; it is not unreasonable to conclude that accurately identifying and verifying the expenses related to the two storms merit the delay of their

inclusion to the next annual SCRR application. The Commission similarly declines to OCC's invitation to require DP&L to publicly report its methodology for determining whether a storm qualifies as a major event. The methodology is already prescribed by the Ohio Administrative Code, and the Company is already required to publicly file the same.

{¶ 22} Accordingly, the Commission finds that DP&L's Application to recover storm-related restoration costs for 2018 does not appear to be unjust or unreasonable and should be approved subject to Staff's recommended downward adjustment of \$146,598. Additionally, DP&L should take steps to improve the Material and Supplies process and should provide Staff, within 120 days of this Finding and Order, a written action plan as recommended by Staff. And, in future proceedings, DP&L should work with Staff to adhere to the timeline set forth in the *ESP III* Stipulation, including the filing of and amendments to future SCRR applications. Finally, the Commission finds that it is not necessary to hold a hearing in this matter.

IV. ORDER

{¶ 23} It is, therefore,

{¶ 24} ORDERED, That DP&L's application be approved subject to Staff's adjustments and recommendations. It is, further,

{¶ 25} ORDERED, That DP&L be authorized to file two complete copies of tariffs in final form consistent with this Finding and Order. DP&L shall file one copy in this case docket and one copy in its TRF docket. It is, further,

{¶ 26} ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

{¶ 27} ORDERED, That DP&L shall notify customers via a bill message or bill insert within 30 days of the effective date of the tariffs. Additionally, DP&L shall submit a copy

of the customer notice to the Commission's Service Monitoring and Enforcement Department prior to its distribution to customers. It is, further,

{¶ 28} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 29} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

Sam Randazzo, Chairman
M. Beth Trombold
Daniel R. Conway
Dennis P. Deters

PAS/hac

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Case No(s). 19-0662-EL-RDR

Summary: Finding & Order that the Commission finds that the Dayton Power and Light Company's application for authority to recover certain storm-related restoration costs should be approved, subject to Staff's recommended adjustments electronically filed by Docketing Staff on behalf of Docketing