BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for Approval to Defer Distribution Decoupling Costs.	: :	Case No. 20-0140-EL-AAM

THE DAYTON POWER AND LIGHT COMPANY'S APPLICATION FOR APPROVAL TO DEFER DISTRIBUTION DECOUPLING COSTS

The Dayton Power and Light Company ("DP&L") is a public utility and electric light company as defined by Sections 4905.02 and 4905.03(C) of the Ohio Revised Code ("R.C."), an electric distribution utility as defined by R.C. 4928.01(A)(6) and is subject to the jurisdiction of the Public Utilities Commission of Ohio ("Commission").

1. DP&L respectfully requests the accounting authority to defer as a regulatory asset/liability the Company's distribution decoupling costs pursuant to R.C. 4905.13, and related sections, as well as ¶ 3 of the June 18, 2018, Stipulation and Recommendation in Case No. 15-1830-EL-AIR. Section 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts shall be kept.

2. On April 11, 2018, DP&L proposed to implement "revenue per customer" decoupling as part of DP&L's Distribution Rate Case (Case No. 15-1830-EL-AIR).

3. The June 18, 2018 Stipulation and Recommendation ("Stipulation") from that Distribution Rate Case established that DP&L was authorized to implement “Revenue Decoupling.” Recovery would come through the Decoupling Rider that was established in

DP&L's third Electric Security Plan case ("ESP III") (Case No. 16-0395-EL-SSO). The Stipulation set forth the following methodology for Revenue Decoupling:

"a. Revenue Decoupling shall employ a revenue per customer ('RPC') methodology and is applicable to tariff classes D17, D18, and D19 only. The calculation of the allowed RPC allocates the Stipulated Revenue Requirement to each tariff class based on the revenue allocations in the Staff Report and divides the result by the test year number of customers as filed in DP&L's Application. The resulting RPC is shown and calculated on Exhibit 4;

b. The Decoupling Rider will be set to zero with the implementation of this distribution rate case;

c. Beginning on January 1, 2019, the Decoupling Rider will be effective with a rate (or credit) calculated by taking the difference between the Stipulated Revenue Requirement applicable to tariff classes D17, D18, and D19 and the Allowed Revenue Requirement. The Allowed Revenue Requirement will be calculated by multiplying the number of customers as of September 30, 2018 by the RPC that is shown in Exhibit 4;

d. For subsequent annual true-ups, the Decoupling Rider rate or credit will be calculated by taking the difference, whether positive or negative, between the updated Allowed Revenue Requirement (calculated by multiplying the updated number of customers by the RPC) and actual base distribution revenues for tariff classes D17, D18, and D19 in the calendar year. The

Decoupling Rider will be reconciled on a calendar year basis and will be effective April 1st of each year;

e. The Decoupling Rider deferral balance (whether over or under) will include carrying costs at DP&L's Stipulated Cost of Debt;

f. The Decoupling Rider tariffs will be automatically implemented 60 days after the filing of the Company's Decoupling Rider filings, unless suspended by the Commission. The Decoupling Rider is subject to reconciliation or adjustment, including but not limited to, increases or refunds. Such reconciliation or adjustment shall be limited to the twelve-month period upon which the rates were calculated, if determined to be unlawful, unreasonable, or imprudent by the Commission, or the Supreme Court of Ohio, in the docket those rates were approved or the docket where the audit of those rates occurred;

g. The Decoupling Rider will be charged based on a percentage of base distribution revenue for each applicable tariff class individually; and

h. Pursuant to the Stipulation approved by the Commission in Case No. 17-1398-EL-POR, with the implementation of this distribution rate case, DP&L shall not be entitled to double collect the same revenue reductions through lost distribution revenues and decoupling charges simultaneously."

Stipulation, § III, 3.

4. That Stipulation was signed/unopposed by the overwhelming majority of the parties to the case, including all of the customers who intervened in the case. The Commission approved that Stipulation without modification. Sept. 26, 2018 Opinion and Order, ¶ 104. No party sought rehearing in that case on the issue of whether Revenue Decoupling was reasonable or lawful.

5. The Commission subsequently ruled that DP&L could no longer implement the Decoupling Rider because that rider was originally established in ESP III, and DP&L withdrew and terminated that case pursuant to R.C. 4928.143(C)(2)(a). Dec. 18, 2019 Second Finding and Order, ¶ 36 (Case No. 08-1094-EL-SSO).

6. DP&L is still entitled to defer the distribution Revenue Decoupling costs, pursuant to the Revenue-Per-Customer methodology defined and approved in DP&L's Distribution Rate Case, starting December 19, 2019. DP&L should be permitted to defer those amounts because the parties to DP&L's Distribution Rate Case agreed in the Stipulation that DP&L could recover those base distribution amounts in a specific way, the Commission approved that Stipulation, and no party sought rehearing on that issue. R.C. 4903.10.

7. DP&L proposed a rate design in the Distribution Rate Case, but that methodology was modified in the Stipulation to include a Revenue Decoupling methodology. DP&L relied upon its right to recover its established base distribution revenues utilizing a rate design that incorporated a specific Revenue Decoupling methodology when DP&L signed that Stipulation. DP&L's approved Stipulated Revenue Requirement includes recovery through both base distribution rates, as well as the Revenue Decoupling mechanism. Absent deferral, DP&L is currently under earning its approved Stipulated Revenue Requirement. Because the deferral

balance can be positive or negative, all parties benefit from the continuation of this provision of the Stipulation.

8. In addition to DP&L's right to defer its distribution decoupling costs pursuant to the rate case Stipulation, DP&L's request to defer those amounts is consistent with Commission precedent and Ohio policy. For example, the Commission has held that the appropriate time to implement a decoupling rate design is during an electric utility's rate case. In Re Aligning Electric Distribution Utility Rate Structure with Ohio's Public Policies to Promote Competition, Energy Efficiency and Distributed Generation, Case No. 10-3126-EL-UNC, at ¶ 64 (August 21, 2013). In that case, the Commission determined that a "decoupling adjustment" is a form of "rate design." Id. ¶ 17. It was thus appropriate for the issue to be resolved in DP&L's rate case.

9. Moreover, the Commission has recognized that a decoupling adjustment is a better alternative to lost distribution revenues. In Re Duke Energy Ohio, Inc. for Approval of a Distribution Decoupling Rider, Case No. 11-5905-EL-RDR, at ¶10 (May 30, 2012).

10. DP&L's request to defer its distribution decoupling costs is also consistent with the policy of this state as described in R.C. 4928.66(D), 4928.471and 4928.02(A), and those amounts should be deferred consistent with that policy.

11. In addition, DP&L's request to defer its distribution decoupling costs is consistent with the Commission's approval of the recovery of decoupling costs for other Ohio utilities, including a Revenue-Per-Customer methodology. In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of a Distribution Decoupling Rider, Case No. 11-5905-EL-RDR; In the Matter of the Application of Ohio Power Company to Update Its Pilot

Throughput Balancing Adjustment Rider, Case No. 19-571 -EL-RDR. Further, the Commission recently approved the recovery of a form of revenue decoupling under an optional methodology provided for under a different statute. In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of a Decoupling Mechanism, Case No. 19-2080-EL-ATA and Case No. 19-2087-EL-AAM.

12. DP&L also requests authority to recover carrying costs on the deferred balance, based on DP&L's most recently-approved cost of long-term debt in the distribution rate case. DP&L proposes to record those amounts as a regulatory asset on its balance sheet, in accordance with the FERC Unified System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act ("USoA").

13. This Application requests only the authority for the accounting treatment described above. Recovery of any amounts deferred under this Application will be addressed in a separate proceeding. In such future proceeding, DP&L will propose a reasonable period of time to recover these amounts so as to not cause a significant impact to rates.

14. The requested change in accounting procedure will not result in any increase in any rate or charge. Therefore, the Commission may approve this application without a hearing.

WHEREFORE, DP&L asks the Commission to grant it the accounting authority described above.

Respectfully submitted,

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