BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for a Finding That Its Current Electric Security Plan Passes the Significantly Excessive Earnings Test and More Favorable in the Aggregate Test in R.C. 4928.143(E).	: : :	Case No. 20-0680-EL-UNC

THE DAYTON POWER AND LIGHT COMPANY'S APPLICATION FOR A FINDING THAT ITS CURRENT ELECTRIC SECURITY PLAN PASSES THE SIGNIFICANTLY EXCESSIVE EARNINGS TEST AND MORE FAVORABLE IN THE AGGREGATE TEST IN R.C. 4928.143(E)

This Application seeks a Commission finding that The Dayton Power and Light Company's ("DP&L") current Electric Security Plan ("ESP") passes the prospective significantly excessive earnings test ("SEET") and the more favorable in the aggregate ("MFA") test in R.C. 4928.143(E).

1. DP&L's currently-operative ESP was established in Case. No. 08-1094-EL-SSO. Dec. 18, 2019 Finding and Order, ¶ 27 (Case No. 08-1094-EL-SSO). In that case, the Commission ordered DP&L to make a filing regarding whether that ESP passes the prospective SEET and MFA test in R.C. 4928.143(E). Id., ¶ 41.

2. This application is supported by the following evidence:

    a. Direct Testimony of Gustavo Garavaglia M.; and

    b. Direct Testimony of R. Jeffrey Malinak.

That testimony demonstrates three key points.

3. First, DP&L's current ESP passes the SEET in R.C. 4928.143(E) because DP&L is not expected to have significantly excessive earnings for the forecast period of 2020-2023. As explained in the testimony of Witness Malinak, the applicable SEET safe harbor is 12.4%; and

the applicable SEET threshold is 16.6%. As explained in the testimony of Witnesses Garavaglia and Malinak, the SEET threshold was calculated by increasing the mean ROEs earned by a proxy group by a 1.5 multiplier, plus a 100 basis-point adder. As also demonstrated in the Testimony of Witness Malinak, DP&L's projected ROE over the applicable period is below both the safe harbor and the SEET threshold. DP&L's ESP thus passes the prospective SEET test in R.C. 4928.143(E).

4. Second, DP&L also passes the MFA test in R.C. 4928.143(E) because DP&L's ESP is more beneficial to customers than a hypothetical MRO because:

a. The quantifiable benefits under the Aggregate Price Test establishes that the ESP is more favorable than the hypothetical MRO. During the forecast period, DP&L would be able to collect a bypassable financial integrity charge under a hypothetical MRO that is greater than what DP&L is collecting under the nonbypassable Retail Stability Charge ("RSC"). Under an MRO, DP&L would also have a right to collect from customers certain environmental clean-up costs associated with DP&L's interest in Hutchings, which are not recoverable under DP&L's ESP.

b. DP&L's ESP also has numerous non-quantifiable benefits that would not be available under an MRO. Those benefits include, but are not limited to: (1) ESP I affords customers protection against excessive rates through application of a SEET to provide refunds, whereas an MRO does not; (2) ESP I provides flexibility, whereas choosing an MRO is an irreversible decision; (3) ESP I avoids the "death spiral" that can arise under an MRO due to the bypassable nature of the financial integrity charge; and (4) ESP I would reduce rate shock that can arise under an MRO because ESP I allows gradual recovery of grid modernization investments through a rider, rather than the infrequent but significant increases if costs were to be recovered through base distribution rate cases under a hypothetical MRO.

DP&L's ESP has numerous benefits to customers that would not be available under an MRO, thus, demonstrating that the current ESP is more favorable in the aggregate than a hypothetical MRO.

5. Third, if the Commission nevertheless were to conclude that DP&L's ESP failed either test, then "the commission may terminate the electric security plan" and "may impose such conditions on the plan's termination as it considers reasonable and necessary to accommodate the transition from an approved plan to the more advantageous alternative." R.C. 4928.143(E). In that situation, the Commission should exercise its discretion to retain the RSC because the RSC is foundational to DP&L's ability to maintain its financial integrity, and a Commission order invalidating the RSC would make it impossible for DP&L to continue to provide safe and reliable service.

WHEREFORE, DP&L requests that the Commission find that DP&L's current ESP passes the SEET and MFA test in R.C. 4928.143(E).

Respectfully submitted,

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