BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company to Increase Its Rates for Electric Distribution.	))))	Case No. 20-1651-EL-AIR
In the Matter of the Application of The Dayton Power and Light Company for Accounting Authority.	))))	Case No. 20-1652-EL-AAM
In the Matter of the Application of The Dayton Power and Light Company for Approval Of Revised Tariffs.	)))	Case No. 20-1653-EL-ATA

OBJECTIONS TO THE STAFF REPORT OF INVESTIGATION
BY OHIO PARTNERS FOR AFFORDABLE ENERGY
AND SUMMARY OF MAJOR ISSUES

Ohio Partners for Affordable Energy ("OPAE"), a party to the above-captioned cases, hereby submits these objections to the Staff Report of Investigation ("Staff Report"), and a summary of major issues in these cases. The Staff Report was filed with the Public Utilities Commission of Ohio ("Commission") on July 26, 2021 in these matters concerning the applications of the Dayton Power and Light Company d/b/a AES Ohio ("DP&L") for an increase in electric distribution rates, for tariff approval, and for approval to change accounting methods. DP&L filed the Prefiling-Notice of the intent to increase electric distribution rates on October 30, 2020, and the Application on November 30, 2020.

OPAE submits the following objections to the Staff Report.

OBJECTIONS

I. **OPAE objects to the Staff Report recommendation that DP&L's revenue increase be between the range of $61,115,418 and $66,665,151 (a range of 25% to 27% increase in base rate revenues). Staff Report at 44, Schedule A-1, Page 1 of 1.**

The Staff Report recommends DP&L's revenue increase be between 25% on the lower bound and 27% on the upper bound. Staff Report at 44. This revenue increase is excessive given that it is based on inordinate rates of return and costs of common equity. It is also based on costs that are not correctly attributed to the cost of rendering public utility service during the test period.

II. **OPAE objects to the Staff Report recommendation that the rate of return be set in the range of 7.05% to 7.59% and the cost of equity between 9.28% and 10.29% because these ranges provide an excessive return when compared to the risk faced by DP&L as a provider of monopoly electric distribution service. Staff Report at 21, 22.**

The Staff Report fails to quantify the level of reduction of the rate of return that is appropriate given the reduced risk to DP&L, as a provider of monopoly electric distribution service and as a recipient of cost recovery through various riders, and is therefore not just and reasonable. In DP&L's case, the risk associated with generation investments, which have significant capital costs and face a volatile market, are no longer a component of regulated rates. The Staff Report errs in not recommending a rate of return that reflects the minimal risk faced by DP&L for purposes of establishing a return on DP&L's investment to provide monopoly electric distribution service.

In addition to providing monopoly electric distribution service, DP&L has benefited from distribution cost recovery riders that eliminate the risk of recovery for certain costs associated with the electric distribution system. The riders are designed to guarantee recovery of costs in a manner apart from traditional base rate recovery, i.e., the riders provide for current dollar-for-dollar cost recovery. As a result, the distribution utility faces little risk, as opposed to the traditional regulatory compact that had a risk premium because utilities were only provided with the opportunity to recover their costs, not guaranteed cost recovery. Because Ohio's current regulatory regime guarantees current recovery of certain costs, the appropriate allowed rate of return, along with the cost of equity, should be adjusted downward to reflect the assured current recovery of various costs through riders.

III. OPAE objects to the Staff Report's increase in the customer charge and Staff's discussion regarding future calculations for the customer charge using data from advanced meters. Staff Report at 28.

The Staff Report recommends a residential customer charge of $9.75 which represents a 39% increase over the current residential customer charge of $7.00. Staff Report at 28. OPAE opposes high customer charges because lower-income households often live in smaller housing structures and may have lower consumption than higher-income households. Lower-income households also live in higher density housing and impose a lower distribution cost.

Therefore, any move to higher customer charges would shift costs from higher-income to lower-income households. The move to higher customer charges would result in the placement of an unjust burden of revenue responsibility upon low-income and low-use households. In addition, with fixed charges, customers are inclined to consume more rather than conserve because the increased cost of consumption may be minimal compared to the fixed charge. Volumetric charges are preferable to fixed charges, because customers see a benefit in conservation.

Fixed charges are regressive in nature in that they incorporate variable costs into a fixed charge, thus resulting in unjust and unreasonable bills for low users; most low-income customers use less than the average customer. Excessive customer charges also serve as a barrier to energy efficiency and renewable energy investments because they increase the cost-effectiveness and payback of these technologies. Utilities have used excessive customer charges to erect financial barriers to the installation of customer-sited renewable energy systems, and to thwart investments in energy efficiency. This is inconsistent with the policies adopted by the Ohio General Assembly in O.R.C. 4928.02, and is unjust and unreasonable.

Finally, OPAE is skeptical of Staff's recommendation to use demand data from advanced meters to calculate a customer charge in the future. Customer charges should only recover the fixed costs of serving a customer. Demand related costs should be collected through a volumetric rate.

IV. OPAE objects that the Staff Report did not recommend a solution for DP&L's inconsistency enrolling customers in extended payment plans following the submission of a medical certificate in compliance with Ohio Admin. Code 4901:1-18-06(C)(3)(e). Staff Report at 38.

Staff found that DP&L did not consistently enroll customers in an extended payment plan following the submission of a medical certificate in compliance with Ohio Admin. Code 4901:1-18-06(C)(3)(e). Despite this failure, which Staff did not address further, Staff found DP&L generally complied with Commission rules. DP&L must work with customers to enroll them in extended payment plans following the submission of a medical certificate. Not only is this a requirement of Commission rules but it can have life and death consequences since a customer that fails to enroll in an extended payment plan is subject to disconnection despite the medical certificate. Ohio Admin.

Code 4901:1-18-06(C)(3)(e). DP&L is required by rule to work with customers to avoid this outcome and Staff should have recommended a solution to ensure DP&L complies with the requirement moving forward.

V. OPAE objects to the failure of the Staff Report to endorse the demand side management ("DSM") programs proposed by DP&L. Staff Report at 17.

The Staff Report declines to approve the DSM programs proposed by DP&L but does not provide a rational for its disapproval. The Staff Report does analyze Staff's recommendation to decline deferral authority for DSM programs but not the outright rejections of the programs. Staff Report at 17-18.

The Staff position that customers should be denied access to the most cost-effective approach to providing electric service is in itself unjust and unreasonable. The Staff Report ignores the requirements of O.R.C. 4905.70:

> The public utilities commission shall initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption, promote economic efficiencies and take into account long-run incremental costs.

DSM is not an option, it is a requirement. The Staff Report should reflect current law. There are no mandates that a utility must achieve, but there is a requirement that utilities offer energy conservation programs. Failure to support some type of DSM program is unjust and unreasonable.

MAJOR ISSUES

Pursuant to Revised Code Section 4903.083, OPAE proposes the following summary of major issues:

1. The appropriate level of revenues that DP&L should be authorized to collect through rates;

2. The appropriate rate design and customer charges for residential customer charges;

3. The appropriate rate of return for ratemaking purposes;

4. The failure to include a DSM program as required by Revised Code 4905.70; and

5. The failure of Staff to recommend a solution to DP&L's failure to consistently role customers with medical certificates into extended payment plans as required by Ohio Admin. Code 4901:1-18-06(C)(3)(e).

/s/Robert Dove
Robert Dove (0092019)
Kegler Brown Hill + Ritter Co., L.P.A.
65 E State St., Ste. 1800
Columbus, OH 43215-4295
Office: (614) 462-5443
Fax: (614) 464-2634
rdove@keglerbrown.com

(Willing to accept service by email)
Attorney for OPAE

CERTIFICATE OF SERVICE

I certify that The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case on this the 25th day of August 2021.

/s/ Robert Dove
Robert Dove