Ohio | Public Utilities Commission

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December 17, 2021

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of the Application of the Dayton Power & Light Company d/b/a AES Ohio to Implement its Infrastructure Investment Rider,* Case No. 21-1110-EL-RDR.

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed in Case No. 21-1110-EL-RDR.

K. S

Krystina Schaefer
Chief, Grid Modernization & Retail Markets
Rates & Analysis Department
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

Dayton Power & Light d/b/a AES Ohio
Case No. 21-1110-EL-RDR

On November 2, 2021, the Dayton Power and Light Company d/b/a AES Ohio ("AES Ohio") filed an application ("Application") in Case No. 21-1110-EL-RDR to populate its Infrastructure Investment Rider ("IIR"), which had previously been authorized as a placeholder rider in Case No. 08-1094-EL-SSO, et al.

On June 16, 2021, the Commission issued an Opinion and Order approving a Stipulation and Recommendation ("Stipulation") in Case No. 18-1875-EL-GRD, et al., that approved Phase 1 of the Company's Smart Grid Plan and authorized the recovery of prudently incurred costs associated with the project through the IIR, up to a capped amount.[1]

The Stipulation (Exhibit 2) set forth the estimated revenue requirement associated with the project, which includes a defined credit for the stipulated amounts estimated for the operational benefits.[2]

Per the Stipulation, the project costs will be allocated and charged to customers through the IIR as a percentage of base distribution revenues. The Stipulation also established an annual audit cycle and defined the minimum scope of the audit requirements.[3]

In the current case, the Company proposes:

> to implement the IIR rate on January 1, 2022, providing a 60-day review period for the PUCO Staff. AES Ohio will file quarterly updates to the rider on or about the same day as the first of February, May, August, and November with rates effective 60 days after filing unless otherwise suspended by the Commission. Further, because the Commission's Order approving the Stipulation permitted IIR recovery to commence upon approval, year 1 of the Smartgrid Phase 1 plan will run from July 1, 2021 through June 30, 2022. To align the year 1 recovery period of January 1, 2022 through June 30, 2022 with the year 1 of the Smartgrid Phase 1 Plan, AES Ohio proposes to recover the year 1 R&D Asset and return O&M savings over a six-month period. After year 1, the ensuing implementation and recovery periods will be congruent. All other assets included for recovery in year 1 will be amortized according to the date certain for that filing.[4]

As proposed in the Application, the revenue requirement is $1,198,926, which results in the following monthly rate impacts: $0.55 for residential customers (1,000 kWh), $47.29 for primary service customers (1,000 kW; 500,000 kWh), and $20.25 for high voltage customers.[5] More details on typical bills are

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[1] See *In the Matter of the Application of the Dayton Power and Light Company for Approval of its Plan to Modernize its Distribution* Grid, Case No. 18-1875-EL-GRD, et al., Opinion and Order (June 16, 2021).

[2] *In the Matter of the Application of the Dayton Power and Light Company for Approval of its Plan to Modernize its Distribution* Grid, Case No. 18-1875-EL-GRD, et al., Stipulation and Recommendation at Exhibit 2 (October 23, 2020).

[3] *Id.* at 7-9.

[4] Application at ¶ 10.

[5] *Id.* at Exhibits 3 and 4.

included in Application Exhibit 4. As part of the Application, the Company also included a proposed calculation to apply carrying costs on the monthly over/under balances collected through the IIR.[6]

Staff agrees with the Company's requested quarterly update timing and the associated 60-day auto approval process for new rates becoming effective. Staff also agrees with the Company's request to use the fiscal year (July through June) as the true-up and reconciliation period for the annual audit cycle. Staff further agrees with the treatment of the R&D asset and operational benefits credit in year one. In general, this quarterly rate true-up cycle is consistent with the other authorized smart grid and capital investment riders for the electric distribution utility companies in Ohio. The use of the fiscal year as the annual timeframe for the IIR makes sense, based on the timing of the Commission's decision, and will also allow for the better utilization of Staff resources, since the annual audits will not all be at the end of the calendar year. The R&D asset is a relatively small dollar amount, so will have a minimal rate impact if amortized over a six-month period. Further, netting the year one operational benefits over a six-month period will facilitate the return of the estimated operational benefits to customers sooner.

However, Staff further recommends that the Company be ineligible for carrying charges on over- and under-recoveries through the IIR, since the rider rates will be updated on a quarterly basis (with a 60-day auto approval process), if approved, and is already subject to an annual true-up and reconciliation for the annual audit cycle.

Staff recognizes that as originally approved the IIR was intended to recovery the prudently incurred costs associated with approved smart grid plans. The IIR costs and revenues were to be trued up on a two-year basis.[7] Given the two-year true up cycle, when the IIR was initially approved – over a decade ago – the IIR was eligible for carrying charges for any over- or under-recovery at the Company's approved cost of debt from the most recent distribution rate case.[8] Staff notes that the Commission modified the two-year true up cycle when it approved the Stipulation in Case No. 18-1875-EL-GRD, et al. and established the annual true-up and reconciliation for the annual audit cycle.

Further, if the Company is authorized to update rates on a quarterly basis with an automatic approval process, as proposed by the Company and supported by Staff, then there will be more frequent opportunities for the Company to update the rates to reflect actual spending and true-up for quarterly over/under collections, which Staff believes negates the need for carrying charges because it significantly reduces the regulatory lag, as compared to the originally contemplated two-year true up cycle. Therefore, Staff recommends that the Commission approve the Application except for the Company's proposal to include carrying charges.

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[6] *Id.* at Exhibit 3 WPA-1.

[7] *In the Matter of the Dayton Power and Light Company for Approval of its Electric Security Plan,* Case No. 08-1094-EL-SSO, et al., Stipulation and Recommendation at 5 (February 24, 2009).

[8] *In the Matter of the Dayton Power and Light Company for Approval of its Electric Security Plan,* Case No. 08-1094-EL-SSO, et al., Opinion & Order at 5 (June 24, 2009).