BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for an Increase in Electric Distribution Rates	: : :	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 Dayton Power and Light Company for Approval of Revised Tariffs.	: :	Case No. 20-1653-EL-ATA

POST-HEARING BRIEF OF THE OHIO ENERGY GROUP

The Ohio Energy Group ("OEG") submits this Brief in support of its recommendations to the Public Utilities Commission of Ohio ("Commission") in this proceeding. OEG's members who are participating in this proceeding are: Cargill Incorporated, General Motors LLC, and TimkenSteel Corporation. These companies purchase electric distribution services from Dayton Power and Light Company d/b/a AES Ohio ("AES Ohio" or "Company"). OEG's recommendations are set forth below.

I. The Commission Should Adopt The Class Allocation Recommended By Both Staff And AES Ohio.

AES Ohio and Commission Staff agree regarding how any revenue requirement increase ultimately adopted in this proceeding should be allocated among customer classes. Specifically, AES Ohio/Staff recommend that the current allocation percentages among customer classes should be modified as follows:[1]

Rate Class	Current	AES Ohio Proposed	Staff Proposed
Residential	69.38%	66.70%	66.70%
Secondary	22.28%	23.93%	23.93%
Primary	6.36%	7.69%	7.69%
Primary Substation	0.47%	0.41%	0.41%
High Voltage	0.06%	0.02%	0.02%
Private Outdoor Lighting	1.07%	0.98%	0.98%
Street Lighting	0.26%	0.27%	0.27%
Total	**100.00%**	**100.00%**	**100.00%**

[1] Staff Ex. 1 at 27.

AES Ohio's/Staff's recommended class allocation is reasonable, consistent with fundamental cost of service ratemaking principles, and should be adopted by the Commission. AES Ohio was the only party to submit a cost-of-service study in this proceeding. And that cost-of-service study reflects that under current rates, significant subsidies are being paid by some customer classes for the benefit of other classes. For example, both Primary Substation and High Voltage customers are subsidizing other customer classes under current rates, with High Voltage far above the average rate of return as show in the chart below.[2]

Rate Class	Current		Proposed	
	%	Index	ROR	Index
Residential	-3.04%	0.77	7.71%	1
Secondary	-5.03%	1.27	7.71%	1
Primary	-8.51%	2.15	7.71%	1
Primary Substation	1.42%	-0.36	7.71%	1
High Voltage	24.41%	-6.17	7.71%	1
Private Outdoor Lighting	-19.61%	4.96	7.71%	1
Street Lighting	-3.30%	0.84	7.71%	1
Total	**-3.96%**	**1**	**7.71%**	**1**

AES Ohio/Staff's allocation methodology seeks to remedy the current subsidization issue by levelizing the class rates of return.[3]

The sole party opposing the AES Ohio/Staff class allocation methodology – the Office of the Ohio Consumers' Counsel ("OCC") - pushes for an arbitrary 63.1% allocation to the Residential class.[4] But that proposal is not founded in cost of service principles nor does it remedy current subsidization issues.[5] Indeed, OCC did not even advance a proposal for how any revenue requirement increase would be split among the non-residential classes.[6] Nor did OCC quantify the bill impacts to non-residential customers that would result from adopting its proposal.[7] Given that OCC's proposal will not eliminate and may in

[2] Staff Ex. 1 at 27.
[3] Staff Ex. 1 at 26-27.
[4] OCC Ex. 4 at 6:13-7:9.
[5] Tr. Vol. IV (January 27, 2022) at 841:23-842:12.
[6] Tr. Vol. IV (January 27, 2022) at 838:4-10.
[7] Tr. Vol. IV (January 27, 2022) at 836:10-16.

fact exacerbate current rate subsidies, the Commission should reject that proposal and instead adopt the AES Ohio/Staff class allocation, which adheres to fundamental principles of cost-based ratemaking and results in a reasonable allocation among customer classes.

II. The Commission Should Adopt AES Ohio's Proposal To Reduce Subsidies Resulting From The Company's Maximum Charge Provision.

AES Ohio currently has a Maximum Charge provision within its Secondary and Primary rates, which the Company is proposing to rename the "Low Load Factor Provision" and to modify in this proceeding such that it only targets customers with monthly load factors of 10% or lower.[8] The Maximum Charge provision is aimed at mitigating the impacts of demand charges on low load factor Secondary and Primary customers.[9] Under that provision, if the standard tariff rate that a Secondary or Primary low load factor customer would otherwise pay in a given month is higher than the Maximum Charge rate set forth in the tariff, then that low load factor customer only pays the Maximum Charge rate in that month. The difference between the standard tariff rate that the customer would otherwise pay, and the Maximum Charge rate is then paid by other Secondary and/or Primary customers. The Maximum Charge provision thus results in cost-shifting from low load factor customers to higher load factor customers.[10]

While a version of the Maximum Charge provision has been in AES Ohio's rates for several decades,[11] the Maximum Charge provision was only triggered about 4,000 times per month prior to the AES Ohio's 2015 distribution base rate case, Case No. 15-1830-EL-AIR.[12] After the 2015 rate case, however, that number suddenly rose to about 21,000 times per month, an over 500% increase.[13] When asked why the amount of triggering instances skyrocketed after 2015, AES Ohio posited that because the last rate case was resolved via settlement, the Maximum Charge Rate inadvertently remained the same.[14]

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[8] Direct Testimony of Tyler A. Teuscher at 9:9-21.
[9] Tr. Vol. IV (January 27, 2022) at 770:14-18.
[10] Tr. Vol. IV (January 27, 2022) at 771:9-17.
[11] Tr. Vol. IV (January 27, 2022) at 770:19-22.
[12] Tr. Vol. IV (January 27, 2022) at 772:1-5.
[13] Tr. Vol. IV (January 27, 2022) at 772:5-9.
[14] Tr. Vol. IV (January 27, 2022) at 772:10-22.

As a result, under current rates, customers with monthly load factors up to 28% trigger the provision.[15] In this case, AES Ohio seeks to remedy the overuse of the Maximum Charge provision by setting a 10% low load factor threshold, which is estimated to reduce the amount of triggering instances to about 12,000 times per month.[16] Importantly, AES Ohio is not proposing to bring the level of triggering events back down to pre-2015 rate case levels in this case. Mr. Teuscher stated that the *"intent of the proposal in this case is to make sure that only those customers that have the atypical usage characteristic that need that protection, receive it."*[17]

Staff recognizes the Maximum Charge provision cost-shifting issue and is amenable to attempting to rein in that provision somewhat in this proceeding.[18] However, Staff believes that the rate impacts of adopting AES Ohio's 10% threshold on some customers are too high.[19] Staff proposes a different Maximum Charge rate that would provide would a lower reduction in triggering events than proposed by AES Ohio and would result in a 20% load factor threshold.[20]

While it is reasonable for Staff to seek to mitigate large rate increases, Staff's 20% threshold does not sufficiently remedy the cost-shifting resulting from the Maximum Charge provision. As Mr. Teuscher testified, under Staff's proposal *"the low load factor rate would be set too low and therefore too many customers would trigger the low load factor provision."*[21] Mr. Teuscher noted that *"[w]hile Staff's methodology may slightly reduce the number of customers triggering the provision, it will still result in a greater number of occurrences than would provide for fair and reasonable rates for the class of customers. Staff's proposal will maintain the provision for customers that do not need this protection while shifting additional costs onto other secondary and primary customers."*[22] Staff's approach does not go far enough

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[15] Tr. Vol. VI (February 1, 2022) at 1198:3-10.
[16] Tr. Vol. IV (January 27, 2022) at 773:6-14.
[17] Tr. Vol. IV (January 27, 2022) at 773:2-5.
[18] Tr. Vol. VI (February 1, 2022) at 1186:22-23.
[19] Tr. Vol. VI (February 1, 2022) at 1186:19-1187:1.
[20] Tr. Vol. VI (February 1, 2022) at 1212:5-8.
[21] Supplemental Testimony of Tyler A. Teuscher at 10:3-4.
[22] Supplemental Testimony of Tyler A. Teuscher at 10:11-15.

to reduce the current overuse of the Maximum Charge provision. Accordingly, the Commission should adopt AES Ohio's approach instead.

CONCLUSION

WHEREFORE, for the foregoing reasons, the Commission should adopt OEG's recommendations in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing POST-HEARING BRIEF OF THE OHIO ENERGY GROUP was served upon the persons listed below via electronic transmission this 4th day of March, 2022.

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