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December 15, 2009

**VIA HAND DELIVERY**

Public Utilities Commission of Ohio  
Docketing Division, 11<sup>th</sup> Floor  
180 East Broad Street  
Columbus, Ohio 43215-3793

RE: Case No. 08-1094-EL-SSO  
Case No. 08-1095-EL-ATA  
Case No. 08-1096-EL-AAM  
Case No. 08-1097-EL-UNC

Dear Sir/Madam:

I am enclosing for filing with your agency, an original and twenty (20) copies of Initial Comments of the City of Dayton.

Please provide one (1) time-stamped copy of the enclosed document to the representative hand-delivering this information.

Very truly yours,

Andre T. Porter

Encl.

cc: Service Parties (w/Encl. via email)

Col. 12/15/09  
Columbus  
Cleveland  
Cincinnati  
Raleigh

Encl. 02 12/15/09

{H1726109.1}

**BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of  
The Dayton Power and Light Company for  
Approval of Its Electric Security Plan

Case No. 08-1094-EL-SSO

In the Matter of the Application of  
The Dayton Power and Light Company for  
Approval of Revised Tariffs

Case No. 08-1095-EL-ATA

In the Matter of the Application of  
The Dayton Power and Light Company for  
Approval of Certain Accounting Authority  
Pursuant to Ohio Rev. Code Section 4905.13

Case No. 08-1096-EL-AAM

In the Matter of the Application of  
The Dayton Power and Light Company for  
Approval of Its Amended Corporate  
Separation Plan

Case No. 08-1097-EL-UNC

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**INITIAL COMMENTS OF THE CITY OF DAYTON**

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This is to certify that the pages appearing are an  
accurate and complete transcription of a case file  
document submitted to this office.  
Testimony: *PR* Date: *12/15/08*

## **TABLE OF CONTENTS**

I)	INTRODUCTION.....	3
II)	THE COMMISSION SHOULD REQUIRE SEPARATE CHARGES FOR BOTH AUTOMATED METERING INFRASTRUCTURE & SMART GRID.....	3
III)	CUSTOMERS DESERVE EQUITY IN COST ASSESSMENT AND CUSTOMER CHARGES FOR AMI AND SMART GRID.....	4
IV)	ENTIRE COST OF BILLING SYSTEM SHOULD NOT BE ASSESSED THROUGH THE INFRASTRUCTURE INVESTMENT RIDER.....	7
V)	CONCLUSION.....	8

## **I) INTRODUCTION**

On October 10, 2008, the Dayton Power & Light Company (“DP&L”) filed an application for a standard service offer (“SSO”) to establish the rates, terms and conditions for electricity service provided to its retail customers. On December 10, 2008, the City of Dayton (“City”) filed a Motion to Intervene in the SSO proceeding in order to ensure that the concerns of the City, its residents and business citizens were represented. Prior to the commencement of hearings in the SSO proceeding, the City’s Motion to Intervene was granted.

As part of the SSO application, DP&L requested approval of its Customer Conservation and Energy Management (“CCEM”) programs. The CCEM programs included combined business cases for DP&L’s Advanced Metering Infrastructure (“AMI”) and Smart Grid proposals. An Opinion and Order issued on June 24, 2009, by the Public Utility Commission of Ohio (“Commission”), approving a stipulation executed by the parties to the SSO proceeding, required DP&L to develop independent and separate business cases for AMI and Smart Grid demonstrating a separate positive cost-benefit analysis for each proposal.

On August 4, 2009, DP&L filed business cases for the AMI and Smart Grid proposals. By entry dated November 19, 2009, the Commission Ordered that initial comments by Intervenor be filed by December 15, 2009. Accordingly, the City submits the following initial comments regarding DP&L’s AMI and Smart Grid proposals.

## **II) THE COMMISSION SHOULD REQUIRE SEPARATE CHARGES FOR BOTH AMI & SMART GRID.**

DP&L should be required to articulate with specificity, on its proposed Infrastructure Investment Rider (“IIR”) and on customer bills, the charges for AMI separate from the charges

and assessments for Smart Grid. Separately articulated charges are important for several reasons. First, without the charges being clearly identified on bills, customers will be unable to readily determine the fees they are paying for AMI and Smart Grid.

Second, the stipulation in the SSO proceeding requires the separation of the charges and assessments for AMI and Smart Grid. Paragraph 4(a) of the SSO stipulation provides that “DP&L will develop independent business cases for both its AMI and Smart Grid proposals, which include accompanying billing.” As a result of concerns raised by Intervenor in this proceeding, the stipulation was drafted so that DP&L would be required to separate and independently represent the AMI and Smart Grid components of its CCEM. Since, in its Order approving the SSO stipulation in this proceeding, the Commission required that separate business cases should be filed, the Commission should ensure that any rider it approves and resulting customer billing reflect separate charges for AMI and Smart Grid.

Third, while the Commission, DP&L, the City and other Intervenor have the benefit of participating in this proceeding and reviewing the business case and its accompanying schedules, most residential and business customers of DP&L are unlikely to have the time, financial resources, or technical ability to access the AMI and Smart Grid related information filed with the Commission and being exchanged between parties to this proceeding. Residential and business customers deserve better clarity with regards to assessed charges.

Finally, separate charges are important because they will provide clarity for customers regarding amounts paid with higher electricity demand. Although DP&L states in its application, that “half of the costs (for AMI and Smart Grid) are incurred because of the number of customers, rather than the amount of electricity each customer consumes,” it proposes a customer charge to be assessed based upon the amount of electric usage. *Executive Summary*,

pg. 9. If approved, customers would be assessed \$0.0004722 / kWh of energy consumed. Customers deserve clarity regarding the bases, whether it is AMI or Smart Grid, for any such demand based charge.

### **III) CUSTOMERS DESERVE EQUITY IN COST ASSESSMENT AND CUSTOMER CHARGES.**

- a. Customers that have already made reliability related investments should receive credits against similar Smart Grid investments proposed by DP&L.**

DP&L intends to invest and make improvements for distribution automation (\$114 million), substation automation (\$40 million), communications (\$23 million), and information technology (\$17 million). In its business case, DP&L states that the cost to customers of the Smart Grid will be the “net of the Company’s capital and operational savings solely due to their investment.” *Executive Summary, pg.3*. Although ultimately the Commission may determine that portions of these proposed investments are prudent, credits against charges and assessments under the IIR should be provided to customers that have made investments to enhance the reliability of electricity to their own facilities.

Based upon the lack of electrical redundancy and electrical backup systems serving critical water pumping stations and sewage treatment plants, the City has made several investments to enhance the reliability of electric power serving its facilities. For example, additional electric feeding and distribution lines were added to the Ottawa and Miami water treatment facilities. Additionally, back up generators have been added to several critical City facilities.

Proposed charges and assessments under the IIR should be modified to reflect investments made by customers, such as the City, to provide for credits against the IIR for prior

reliability enhancing investments and to prevent the assessments of charges for investments previously made.

- b. The energy charge component of the IIR should be revised so that high voltage customers are not required to pay a larger share of the costs for AMI and Smart Grid.**

Despite the fact that more than half of the costs for AMI and Smart Grid are based upon the number of customers, the proposed IIR rate structure requires higher payments from customers using larger volumes of electricity. Under DP&L's proposed IIR, each customer would pay a "customer charge." In 2010, residential customers would pay a customer charge of \$0.64 monthly and high voltage customers would pay \$19.19 monthly. The customer charge is based upon customer type and is not impacted by the volume of electricity consumed.

The energy charge, however, is based upon the volume of electricity consumed. Although residential and high voltage customers would pay the same amount per kWh, those customers with higher demand would end up paying more than those with a lower demand for electricity. In 2010, all customers would pay an energy charge of \$0.0004722 / kWh. In its business case, DP&L states that the proposed assessment structure is intended to "reflect the fact that nearly half of the costs (AMI and Smart Grid) are incurred because of the number of customers, rather than the amount of electricity each customer consumes." *Executive Summary*, pg. 9. DP&L proposes to collect nearly \$349 million under the energy charge assessment or 57% of the total to be recovered under the IIR.

Considering the math, high voltage customers will pay proportionally more under the energy charge. If, as DP&L has expressed in its application, half the AMI and Smart Grid costs will be incurred due to the number of customers rather than the amount of usage, it should not

place a larger burden on high voltage customers through the energy charge. Application of the energy charge may potentially lead to unintended results. For example, in the event of an unexpected prolonged spike in electricity demand due to an event outside the City's control, based upon the application of the proposed energy charge, DP&L would receive excessive energy charge payments from the City. This result is unacceptable to the City because, like other high voltage customers, it will pay more for AMI and Smart Grid when consuming regular amounts of electricity and it will pay dramatically more during uncontrollable events that cause increased demand. Accordingly, the energy charge should be revised or excluded to ensure equity between high voltage and residential customers.

**IV) THE ENTIRE COST OF THE BILLING SYSTEM SHOULD NOT BE ASSESSED THROUGH THE IIR.**

DP&L proposes to purchase, install, and deploy a new billing system as part of its AMI and Smart Grid project. To the extent that the billing system being implemented by DP&L is to be used for purposes other than AMI and Smart Grid or is to provide calculable benefits to DP&L other than for Smart Grid and AMI, costs for such system should not be assessed and charged to customers under the IIR.

Paragraph 4(c) of the SSO stipulation provides that the "IIR rate will recover any prudently incurred costs related solely to the Company's AMI and/or Smart Grid approved plans." *Emphasis added.* As stated in the business case, "the IIR is designed to recover the capital, O&M, depreciation, taxes and other costs associated with the new AMI, telecom, substation and distribution automation, and IT systems including a new billing system." It is probable that the new billing system to be implemented will have uses and benefits other than for supporting AMI and Smart Grid. For example, the billing system might be used to support enhanced billing functionality for general DP&L business and operations. If the billing system is

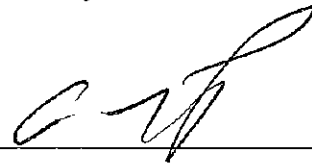


to be used for purposes other than AMI and Smart Grid, the Commission should ensure that the costs for the system are not billed entirely through the IIR.

## V) CONCLUSION

For the reasons stated above, the Commission should: (1) order DP&L to separate the AMI and Smart Grid charges and assessments on the IIR and customer bills; (2) provide customers with equity in costs assessments for AMI and Smart Grid including credits for reliability investments already made and revising or excluding the energy charge to the extent that it requires higher voltage customers to pay more for AMI and Smart Grid as compared to residential customers; and (3) order that costs for the billing system not be assessed through the IIR, to the extent the billing system is to be used for purposes other than AMI and Smart Grid.

Respectfully Submitted,



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### CERTIFICATE OF SERVICE

I hereby certify that a copy of the Motion to Intervene of the City of Dayton was served via electronic mail to the parties listed below on the 10th day of December, 2008.



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