

In the Matter of The Dayton Power and Light Company's Portfolio Status Report.) Case No. 10-303-EL-POR
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As an initial matter, although not relevant to the substance of the cost effectiveness of DP&L's programs, once again, the OCC complains that DP&L did not provide cost data in the collaborative meetings—this despite now having the data in front of it in this case. Once again, DP&L will restate its earlier response to this criticism:

when the OCC first inquired about the status of this information, it was too early in the program cycle to draw any conclusions from program cost data because the OCC's initial requests for the information came only shortly after programs had launched. There was simply no meaningful data to provide at that point. The first year of program implementation has passed, the information has been filed, and the OCC has it.

Turning to the substance, DP&L made a commitment by way of the Stipulation and Recommendation in Case No. 08-1094-EL-SSO, *et al.* ("ESP Stipulation") which it has and will continue to honor. Specifically, paragraph 27(A)(iii) of the ESP Stipulation provides: "The energy efficiency and demand response collaborative will discuss and consider all of OCC's ideas and suggestions, including: . . . The proposed benchmark that marketing, education and administration costs should be equal to or less than 25% of total program costs unless modified by the collaborative." (Emphasis added) Now that sufficient cost data is available to evaluate, DP&L is in a position to meaningfully "discuss and consider" the proposed 25% benchmark.

That said, DP&L never agreed that a 25% threshold should be blindly applied.¹ It is also important to note that 2009 was the first year of DP&L's programs and as such, DP&L prudently incurred start up costs in addition to ongoing program costs. When programs are first implemented it is logical to expect that initial administrative costs associated with start up activities are going to be higher and slowly ramp down.

Perhaps the bigger flaw in the OCC's Comments as they relate to cost effectiveness is the OCC's rigid adherence to the arbitrary "view that administrative costs

¹ The OCC's proposal that administrative costs which exceed an arbitrary 25% threshold should not be recoverable should be rejected outright by the Commission. At a minimum the issue should be deferred because this proceeding is an improper forum for a determination as to cost recovery. That subject is more properly addressed in the biennial Energy Efficiency Rider (EER) true-up proceeding.

for EE/PDR programs should not exceed 25% of the programs' budget," despite the Commission's development of more sophisticated measures of cost effectiveness—measures which DP&L used for purposes of its reporting. The Commission has expressed the view that the "[Total Resource Cost] test should be applied at the portfolio level."² With respect to individual programs, the Commission found that:

having additional information on the program level regarding the impact of a program on its participants, non-participants, and the sponsoring utility would enable the Commission to determine whether programs are optimally designed and balanced. Secondary cost effectiveness tests could provide this additional insight.³

The Commission then suggested three additional tests as "potential candidates to serve as secondary cost tests."⁴

In keeping with the Commission's preliminary recommendation, DP&L's third party evaluator, The Cadmus Group, calculated scores for all four tests and reported the results in the report. In addition, Cadmus calculated the societal cost test (SCT) score as well. As noted in its report, DP&L's portfolio passed all the cost-effectiveness tests, using three different savings estimates, with the exception of the RIM. But, as the Commission itself noted, "Most programs around the country have been shown to have negative RIM test results (Benefit/Cost ratio < 1.0)."⁵

Further, Cadmus calculated cost effective test results for each program individually and both the business and residential portfolios in total. In doing the

² *In the Matter of the Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures*, PUCO Case No. 09-512-GE-UNC, October 15, 2009 Finding and Order at p. 12.

³ *Id.*, at Appendix C, p. 3.

⁴ These are the utility cost test (UCT), the ratepayer impact test (RIM), and the participant cost test (PCT).

⁵ *Id.*, at p. 4.

analysis, the Cadmus report breaks down program costs as follows: incentives, DP&L staff, outside services and marketing, program development, external vendor evaluations, education/awareness building/market transformation and proof of concept. DP&L has provided a great deal of information related to costs and cost effectiveness because it is critically important to DP&L to control costs for its customers. DP&L has demonstrated that its programs are cost effective based on the tests selected by the Commission. This detailed cost-effectiveness analysis should be the one which is adopted by the Commission, and the OCC's arbitrarily selected 25% threshold should not be the standard by which the cost effectiveness of any program should be measured.

B. DP&L Reported its Results on Both an Annualized and Pro-rated Basis.

DP&L disputes the OCC's contention that "DP&L incorrectly relied on annualized demand [sic] savings rather than actual 2009 savings for meeting the benchmarks provided in S.B. 221."⁶ First, DP&L's portfolio status report contains results on both an annualized and pro-rated basis. Specifically, annualized savings totaled 115,279, and pro-rated savings totaled 40,442 MWh.⁷

DP&L acknowledges that banking only occurs if 2009 results are calculated on an annualized basis. If savings are calculated on a pro-rated basis, DP&L agrees that no banking occurs since the 2009 pro-rated energy savings total equaled 40,442 MWh, which is 3,477 MWh short of the benchmark of 43,919 MWh. However, under the pro-rated methodology, the remaining 74,837 MWh (115,279 MWh – 40,442 MWh) will be

⁶ OCC comments, at p. 5. DP&L assumes that the OCC meant "energy" savings, rather than "demand" savings in the quoted statement, since the remaining part of its discussion on this topic refers to energy savings.

⁷ See Portfolio Report at Appendix A; DP&L's position with respect to pro-rated versus annualized savings can be found at page 1-2 of the Portfolio Status Report.

realized in 2010. For example, if a CFL is purchased in November of 2009, two months of savings occur in 2009 and the remaining 10 months of savings occur in 2010. As a result, DP&L's Portfolio Status Report points out that under the pro-rated methodology, DP&L will have achieved 115,279 MWh toward a cumulative 2010 benchmark.

Finally, as described in the *Application of the Dayton Power and Light Company for a Finding that DP&L's Energy Efficiency Benchmark has Been Met or, in the Alternative, Application to Amend*, Case No. 09-1988-EL-EEC, annualizing savings should be an approved means by which energy efficiency savings are measured, as it is the predominantly accepted method within the industry, and annualizing savings reduces the administrative costs of implementing energy efficiency programs. The School Education program provides a good example of this. The OCC contends that DP&L should count the savings from its school education program in the year in which those savings occur. As DP&L's Portfolio Status Report explains, it is administratively more efficient to count all the school program savings in 2010. In partnership with collaborative member The Ohio Energy Project, energy-efficient kits were provided to teachers as a part of the program's energy efficiency curriculum. These kits were provided to teachers in October and November of 2009. The teachers, in turn, distribute the kits to students when they teach the energy efficiency curriculum.

Without conducting additional costly follow up surveys with teachers, it is not clear in exactly which month teachers distributed the kits to students, since school years do not match calendar years. A teacher receiving a kit in November 2009 may not distribute it until sometime in 2010. The only requirement is that the teachers distribute the kits prior to the end of the school year as the energy efficiency curriculum is taught.

While it is certainly possible to survey teachers as to when the kits were distributed, this would increase administrative burden and costs, as they would have to be surveyed prior to the end of the school year, in addition to the planned end of the school year surveys. Given the shared goal of controlling administrative costs for all customers, for administrative efficiency, these savings should be counted toward the 2010 benchmark.

C. Circuit Optimization Savings Should Count Toward Targets.

The OCC next contends that savings from DP&L’s circuit optimization program should not count toward DP&L’s energy efficiency benchmarks because it was not filed as part of DP&L’s comprehensive energy efficiency and peak demand reduction portfolio plan filed in the CCEM portion of DP&L’s ESP case. First, R.C. §4928.66(A)(2)(d) provides in part “[f]or the purposes of [satisfying EE/PD targets] . . . programs implemented by a utility may include demand-response programs, customer-sited programs, and transmission and distribution infrastructure improvements that reduce line losses. . . .” (Emphasis added). Thus, the express language of the statute already permits savings from any improvements resulting in a reduction in line losses to “count” toward the targets.

Second, circuit optimization energy savings are real, actual savings. Permitting the savings to count will encourage investments that have energy efficiency savings, thus providing “coherent, transparent means of giving appropriate incentives to technologies that can adapt successfully to potential environmental mandates” — an express policy goal of SB 221.⁸

⁸ R.C. §4928.02(J).

D. DP&L's Recommendations Regarding Continuation of Programs Are Properly Supported.

Despite proclaiming that “the programs by and large appear to be worthwhile,” oddly, the OCC contends that DP&L’s recommendation for continuation of the programs are baseless.⁹ DP&L’s 2009 Portfolio Status Report provides a thorough review of the activities and results associated with each implemented program. This information includes the program description, energy and demand performance, actual costs compared to plan, marketing activities, and the steps taken to ensure quality customer service. Further, DP&L’s evaluations provider, The Cadmus Group, conducted evaluation, measurement and verification activities for each of the implemented programs and calculated cost effectiveness results for five cost effectiveness tests. DP&L’s overall portfolio was found to be cost effective regardless of the savings assumptions used.

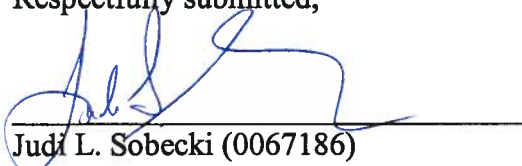
The straight-forward recommendation provided in Section 7-1 of DP&L’s portfolio report is appropriate and amply supported by: (1) the text of the Portfolio Status Report itself; (2) the successful implementation and customer participation in the programs; and (3) the fact that the programs are successfully producing cost-effective savings. The OCC’s criticism is disingenuous and should be rejected.

III. CONCLUSION

For the reasons explained above, DP&L respectfully requests that the Commission reject the OCC’s Comments and proposals, and issue an order finding that DP&L has complied with statutory energy efficiency and peak demand reduction benchmarks.

⁹ OCC Comments, at p.9-10.

Respectfully submitted,



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Summary: Reply The Dayton Power and Light Company's Reply Comments to Comments of The Office of the Ohio Consumers' Counsel electronically filed by Mrs. Karen M Boman on behalf of Sobecki, Judi L. Ms.