BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Staff Proposal for An Economic Development Tariff Template	))))	Case No. 11-4304-EL-UNC

COMMENTS OF THE DAYTON POWER AND LIGHT COMPANY TO THE PROPOSED ECONOMIC DEVELOPMENT TARIFF TEMPLATE

The Dayton Power and Light Company ("DP&L" or "the Company") appreciates the opportunity to provide comments in response to the Entry dated July 15, 2011 in which the Public Utilities Commission of Ohio ("Commission" or "PUCO") solicited interested parties' comments on the Commission Staff's proposed Economic Development Tariff Template. DP&L's comments on the text of the proposed tariff itself appear in redline in the attached Exhibit A. In addition, the Commission's Entry also posed several policy questions relating to Economic Development matters. DP&L's comments with respect to those policy questions appear below.

1. **What is the proper amount of delta revenue which electric utilities should be permitted to recover under the proposed economic development tariff template?**

Section 4905.31 of the Ohio Revised Code ("O.R.C.") permits electric distribution utilities EDU to recover full delta revenues associated with economic development reasonable arrangements. Specifically, O.R.C. §4905.31(E) provides, in part: "[i]n the case of a schedule or arrangement concerning a public utility electric light company, such other financial device may include a device to recover costs incurred in conjunction with any economic development and job retention program of the utility within its certified territory, including recovery of revenue foregone as a result of any such program. . ." DP&L does not intend to make a wholesale departure from its position that an electric utility should recover 100% of delta revenues in the context of individually tailored reasonable arrangements entered into pursuant to §4905.31, or in the context of reasonable arrangements entered into under Staff's proposed tariff in which the Customer retains the right to shop. DP&L does, however recognize that in the context of more "uniform" economic development arrangements formed under the Staff's proposed tariff template in cases in which the customer waives its right to shop for the term of the service agreement, a different approach may be warranted. Therefore, in the interests of working with the Commission and the Staff to foster economic development in the State of Ohio, DP&L would propose a 90% / 10% allocation with 90% charged to customers and 10% charged to the electric utility to be an appropriate approach to delta revenue recovery in connection with economic development arrangements under the Staff's proposed standardized tariff which contain a customer's waiver of the right to shop.

2. **Electric utilities which do not own generation assets or which obtain generation through a market rate offer or a competitive bid process may not receive additional revenue through increased generation sales with which to offset the loss of delta revenue. Should there be a differential in the amount of delta revenue recovered by electric utilities, based upon whether they own generation assets or provide generation service through a competitive bid process?**

The purpose of economic development in the context of the electric utility industry is to provide discounted electric rates to incent business to expand within the state or move into Ohio from another location. The calculation of delta revenues should not be different whether a utility owns generation or not. The purpose of delta revenues is to make the supplier of the economic development contract whole with respect to what the customer would have paid absent the economic development incentive. If a utility does not own generation and thus has conducted a competitive bid to supply the standard service offer (SSO) generation in its control area, then the addition of the economic development customer has simply added more load to the SSO (albeit at a discounted rate). The delta revenue still remains the difference between the economic development rate and what the customer would have paid absent the economic development discount. If there are multiple generation suppliers supplying the new economic development load (as would be the case with respect to a competitive bid SSO) then the suppliers of the SSO load should receive the delta revenues in proportion to the amount of economic development load they serve.

If the economic development discount is a total rate discount that impacts the suppliers of Transmission, Distribution, and Generation services, the suppliers of those services should receive the delta revenues in proportion to what their rate would have been absent the economic development discount.

3. **Different electric utilities in this state already recover delta revenue from the various customer classes using different rate mechanisms. Should the Commission explore eliminating these differences for the collection of delta revenue so that delta revenue is recovered using a consistent rate design for all electric utilities?**

DP&L reads O.A.C. §4901:1-38-08 (A)(4) to require the delta revenue and any other cost associated with an economic development or unique arrangements to be "spread to all customers in proportion to the current revenue distribution between and among classes . . . " We believe this means when establishing the Economic Development Rider (EDR) the utility should review how it received total revenues over the previous 12 months. For discussion purposes, assuming a certain tariff class contributed 20% of the total utility revenues that tariff class would be assigned 20% of the cost associated with economic development and unique arrangements. The EDR rate for that tariff class would then be established by dividing that amount by the kWh forecasted sales for that tariff class. The EDR would be set as a kWh non-bypassable rate and applied during the future period. O.A.C. §4901:1-38-08 (A)(5) further states that the rider SHALL be updated and reconciled semi-annually, thus DP&L plans to refile its EDR every six months once the initial filing is made but that the rate should be set based on 12 months of revenue to provide rate smoothing to all tariff classes.

DP&L appreciates the opportunity to provide comments with respect to the Staff's proposed economic development tariff template and the Commission's policy questions relating to economic development incentives in Ohio. For the reasons more fully explained above and in the attached redlined proposed tariff, DP&L respectfully requests that the Commission adopt DP&L's proposals.

Respectfully submitted,

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ECONOMIC DEVELOPMENT TARIFF

APPLICABLE:

This Tariff applies to any new or expanding mercantile customer that meets the requirements set forth below. The Customer must also receive funding or incentives from other local or state government or economic development agencies to qualify for this service. The Customer must enter into a Service Agreement with [the EDU] that will specify the terms and conditions of service in accordance with this Tariff.

Nothing in this Tariff precludes a Customer and [the EDU] from entering into an individually negotiated Economic Development arrangement under section 4905.31 of the Ohio Revised Code with terms which vary from the terms set forth in the Tariff, however, a Customer entering into a such individually negotiated Economic Development arrangement is not eligible for any of the incentives set forth in this Tariff through the duration of the individually negotiated Economic Development arrangement.

Any customer that is eligible for incentives under both Sections A and B below, shall choose which incentive structure it would like to take service under for the term of its Service Agreement.

Subject to the terms of the Service Agreement, the Customer shall receive these discounts for a five-year period and may continue for successive one-year periods unless otherwise suspended by the Public Utilities Commission of Ohio. Nonetheless, the term shall not exceed a total of 10 years.

[The EDU] may agree to waive any Contribution In Aid of Construction that would normally apply for new or upgraded service. If such an agreement is reached, this amount will be recovered through [the EDU]'s Economic Development Rider (EDR).

A. Economic Development Incentive

This provision is available to any ~~economic development~~ mercantile customer that: (1) creates or increases minimum annual payroll by at least $5 million ~~or more~~ and adds at least 75 permanent, new employees based in Ohio, and /or (2) makes a capital investment in Ohio of at least $50 million along with a job retention commitment of base employees through the duration of the Service Agreement~~tariff~~. ~~The customer must also receive funding or incentives from other local or state government or economic development agencies~~. The C~~c~~ustomer will be billed according to the appropriate electric utility tariff schedule and shall receive one or both of the following Incentives:

1. **Payroll and Jobs*:**

Payroll Created or Increased	$5-$10 million	>$10-$17.5 million	>$17.5 million
Minimum new employees	75	100	125
Discount year 1-3	10%	12%	15%
Discount year 4-5	5%	7%	10%

*The discount will be based on the lower of payroll or number of new employees.

2. Capital Investment:

Investment	Discount	Term
$50 - $99 million	2%	5 years
$100 - $149 million	3%	5 years
$150 - $199 million	4%	5 years
Over $200 million	5%	5 years

The discounts will apply to the total monthly bill, including generation, transmission, and distribution, calculated pursuant to the electric utility tariff rates, subject to all riders including the ~~economic development rider~~ (EDR) for new and existing mercantile customers. If a Customer is expanding they will receive the discount on the new load.

B. Energy Intensive High Load Factor Provision

This provision is available to any new or expanding~~economic development~~ mercantile customer: (1) that adds or creates at least 75 new permanent Ohio employees (2) that has a minimum monthly demand of at least 5 MW, (3) that has an annual average load factor of at least 60 percent, and (4) where the C~~c~~ustomer's electric cost is at least 4 percent of its total operating and maintenance costs. ~~Any customer eligible for service under the Energy Intensive High Load Factor Provision shall be billed the lower of the total bill that results from applying the incentives in Section A of this tariff or Section B. The customer shall receive these discounts for a five-year period and may continue for successive one-year periods unless otherwise suspended by the Public Utilities Commission of Ohio. Nonetheless, the term shall not exceed a total of 10 years.~~

Customers served pursuant to this provision shall be billed the following total rate for all kWhs:

Electric Cost/ Tot Op Cost	**4%-9%**	**10%-19%**	**20%-29~~30~~%**	**30%-39~~40~~%**	**= or >40%**
LF 60-69~~70~~%	$0.055/kWh	$0.053/kWh	$0.051/kWh	$0.049/kWh	$0.047/kWh
LF 70-79~~80~~%	$0.054/kWh	$0.052/kWh	$0.050/kWh	$0.048/kWh	$0.046/kWh
LF ~~Over~~ 80% or Over	$0.053/kWh	$0.051/kWh	$0.049/kWh	$0.047/kWh	$0.045/kWh

Prices may be evaluated and revised annually by the Public Utilities Commission of Ohio due to market conditions or environmental rules and regulations.

Terms and Conditions

According to Sec. 4928.01 of the Ohio Revised Code, a~~n economic development~~ mercantile customer means a C~~c~~ommercial or Industrial customer if the electricity consumed is for nonresidential use and the customer consumes more than~~t~~ seven hundred thousand kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.

Capital Investment means an investment in production equipment including electrical equipment, buildings, etc., necessary for increases in productivity, efficiency, and quality.

New Employees means permanent and full-time employees or full-time equivalent employees that exceed Base Employees. New Employees must be hired within three years of the start of the economic development discount.

Base Employees means the average number of permanent and full-time employees of the C~~c~~ustomer for the three-month period immediately prior to the C~~c~~ustomer's application date for the economic development discount~~tariff~~.

Delta Revenue means the deviation resulting from the difference in rate levels between the otherwise applicable electric utility rate schedule and what the C~~c~~ustomer pays under this T~~t~~ariff.

The Customer's total operating and maintenance cost will be defined as the total operating and maintenance cost at the proposed new facility.

All economic development customers taking service under this Tariff must agree to commit to [the EDU]~~electric distribution utility~~ all ~~implemented energy efficiency and~~ peak demand response capabilities in a manner consistent with applicable statutes and rules at no cost to the utility for the duration of the Service Agreement~~economic development agreement~~. Economic Development Customers may be eligible to participate in [the EDU]'s energy efficiency programs.

[The EDU]~~electric utility~~ shall submit an annual report to the Commission that provides the customer name, funding customer received from other sources, % discount received, delta revenue accumulated over the last 12-month period and accumulated to date, as well as the number of new employees and associated payroll as determined by the tariff created during that period. The Customer must provide this information and any other information necessary to meet the requirements of OAC §4901:1-38-06 to the utility no later than February 1st of each year. If the payroll level for new jobs created is more or less than the original reported, then an appropriate adjustment will be made for the following year incentive discount.

The Customer may elect to retain the ability to participate in Electric Choice or may waive that right when signing the economic development Service Agreement. If the Customer retains the right to shop, [the EDU] will be permitted to recover 100% of the delta revenue associated with that arrangement. If the Customer waives its right to shop for the term of the Service Agreement, [the EDU] will be permitted to recover only 90% of the delta revenue resulting from this arrangement.

~~Delta Revenue resulting from this rider shall be allocated 20 percent to the electric utility and 80 percent to the electric utility's customers.~~

[The EDU] shall submit a standard form Service Agreement to be approved by the Commission that will be used for all economic development arrangements provided under this Tariff.

Customers that qualify for this Tariff will enter into a Service Agreement with [the EDU] that sets forth the terms and conditions of the Economic Development arrangement agreed to under this Tariff. The Service Agreement shall specify the fixed rate or discount that applies to the Customer and any other terms and conditions allowed for under this Tariff. These agreements will be maintained by [the EDU] and available for review by the Staff or Public Utilities Commission of Ohio upon request.

The availability of this T~~t~~ariff is subject to termination or suspension by the Public Utilities Commission of Ohio at any time.