

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The : Case No. 12-1832-EL-ESS
Dayton Power and Light Company for :
Establishing New Reliability Targets :

**STAFF COMMENTS ON DP&L'S PROPOSED RELIABILITY STANDARDS
SUBMITTED ON BEHALF OF THE PUBLIC UTILITIES COMMISSION OF
OHIO**

BACKGROUND AND SCOPE

On July 29, 2010, the Commission approved the current reliability standards for the Dayton Power and Light Company (DP&L or the Company) in Case No. 09-754-EL-ESS. The issues in that case were resolved in a Stipulation signed by DP&L, Staff, and the Office of the Ohio Consumers' Counsel. That stipulation included a requirement for DP&L to file a new application for reliability standards no later than June 30, 2012 and that, pending Commission approval, the new standards would become effective for calendar year 2013. Accordingly, on June 29, 2012 DP&L filed an application for new performance standards in Case No. 12-1832-EL-ESS. These staff comments apply to that application and are limited in scope to those topics with which Staff has an issue. Accordingly, if a topic is not addressed in these comments, Staff takes no issue with regard to that topic.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

Staff's findings are numbered and discussed below, along with related conclusions and recommendations.

1. DP&L's application incorrectly refers to the reliability standards as reliability "targets".

The caption for the instant case reads: "In the Matter of the Application of The Dayton Power and Light Company for Establishing New Reliability Targets". The term "reliability targets" appears again in the title of the application and repeatedly throughout the application. Although the use of this term may be a mere DP&L oversight, Staff believes the term "reliability targets" may have the effect of minimizing the seriousness of the matter at hand.

Reliability is addressed primarily in O.A.C. Rule 4901:1-10-10. Previous versions of this rule prescribed the methodology for setting reliability targets, which did not represent minimum performance levels and did not constitute rule violations when missed. By contrast, the current version of this rule prescribes a formal and public methodology for establishing reliability standards, representing minimum performance levels which, if missed in two consecutive years, do constitute rule violations.

Staff believes that in the interest of making sure the record is clear it is necessary to point out that the subject matter of this case are reliability standards under Rule 4901:1-10-10(B) not "reliability targets".

2. DP&L needs to improve its administration of reliability surveys.

Rule 4901:1-10-10 (B)(4)(b) of the Ohio Administrative Code (O.A.C.) requires electric utilities to conduct periodic surveys of their customers' perceptions and expectations concerning electric service reliability, and also requires that those surveys be conducted under Staff oversight. As part of that oversight Staff has provided guidelines, which include the following:

- The wording of the survey questions should be as prescribed by Staff;
- The surveys need to be administered separately to random samples of residential and small commercial customers;
- Each of these surveys (residential and small commercial) needs to contain a minimum sample size of 400 customers; and
- Each of these surveys (residential and small commercial) needs to be administered to one-quarter of the total sample (minimum of 100) during each of four consecutive calendar quarters.

Due to a delay in adopting a final set of survey questions, DP&L did not fully comply with the above guidelines when it administered the survey supporting its application in this case. Specifically, DP&L conducted the survey in a single session rather in four quarterly sessions. The purpose of administering the survey in four quarterly sessions is to avoid seasonal bias. Staff believes the lack of quarterly survey sessions may have reduced the reliability of survey results for use in establishing performance standards. Staff brought these issues to DP&L's attention in a letter dated October 10, 2012; and DP&L responded that it intends to conduct future surveys in accordance with Staff's guidelines. DP&L's commitment to do so, however, was conditioned on certain factors.

To ensure DP&L's firm commitment, Staff recommends that the Commission order DP&L to comply with Staff's survey guidelines.

3. The proposed standards are based (in part) on two years of performance data that are not representative of DP&L's current operations.

DP&L's proposed standards are based on the average of its performance during the five years 2007 through 2011. During the last three of those years (2009 – 2011), DP&L has been making substantial improvements to its vegetation management program, and is in the process of converting to a 5-year cycle program, whereby it will trim all overhead distribution circuits end-to-end at least once every five years. Staff believes this conversion will improve DP&L's reliability performance going forward. The first two years (2007 – 2008) do not reflect the impact of this conversion and Staff believes they distort the five-year average upon which the proposed standards are based because they are not representative of current operations. Staff therefore recommends the exclusion of performance for the years 2007 and 2008. Staff further recommends that the remaining three years (2009 – 2011) be used as the basis for calculating new reliability standards.

4. DP&L's proposed variability adder is no longer appropriate.

As discussed in DP&L's application, the Company's current performance standards are the product of a negotiated settlement. Staff's previous methodology was to calculate standards using a 10 percent adder which allowed for annual variations around a five-year historical average. In its application, DP&L calculates the adder

by taking the percent difference between its current negotiated standards and the associated five year average. DP&L then calculates its proposed standards by applying that adder to its most recent five-year average.

Staff does not believe it is appropriate to use the DP&L adder to calculate new reliability standards because it represents an artifact of a prior negotiated settlement. Since the new standards are based on a different time period than that for the current standards, Staff believes the DP&L adder does not appropriately allow for annual variation, and therefore recommends that the standard ten-percent adder should be used in the calculation of DP&L's new performance standards.

5. Based on the above findings, DP&L's reliability standards should be calculated based on a three-year average plus a ten percent adder.

The above-described calculations are presented in the table below.

Historical Performance	SAIFI	CAIDI
2009	0.76	104.31
2010	0.83	116.09
2011	0.81	120.61
Three-year Average	0.80	113.67
10 percent of Three-year Average	0.08	11.37
Average + 10 percent Staff-Recommended Standards	0.88	125.04

Staff notes that the above standards are more stringent than DP&L's current standards and further recommends that the above standards become effective for calendar year 2013.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** was served by electronic mail upon all parties of record, this 30th day of November, 2012.

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Summary: Comments electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO