BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for Authority to Modify its Accounting Procedures For Certain Storm-Related Service Restoration Costs	)))))	Case No. 12-2281-EL-AAM

REPLY COMMENTS OF THE DAYTON POWER AND LIGHT COMPANY

Although DP&L filed this case (a request for deferral) in early August, OCC waited four months until after it saw this case posted on the Commission's agenda before it decided to file comments in the eleventh hour. Nevertheless, DP&L provides the following response to OCC's last minute non-persuasive attempt to suggest the Commission should reject DP&L's filing.

OCC's claim that the Commission should reject DP&L's Application because DP&L "has not provided any detailed information of [its] storm damage expense"[1] is unreasonable. DP&L's Application is for accounting authority to defer as a regulatory asset those distribution Operation and Maintenance ("O&M") costs associated with restoring service after the 2012 derecho. The Commission has this authority pursuant to O.R.C. §4905.13, which provides: "[t]he public utilities commission may, after hearing had upon its own motion or complaint, prescribe by order the accounts in which particular outlays and receipts shall be entered, charged, or credited."

The statute does not require the level of detailed information relating to storm damage expenses in the context of an application seeking accounting authority for a

---

[1] OCC Comments, p. 2

deferral. This proceeding is not an application seeking storm costs recovery, in which the Commission will have before it detailed documentation supporting the prudency and reasonableness of the expenses incurred by DP&L. The OCC and any other interested party will be afforded the opportunity to conduct a thorough review of the deferred expenses at that time. Moreover, the OCC's criticism is disingenuous. As the OCC is well aware through discovery, the Company was still receiving and categorizing invoices from the 2012 derecho restoration efforts at the time it filed its application. However, DP&L served interrogatory responses upon the OCC in which the Company provided an estimate of its expenses as of September 30, 2012.

Furthermore, the OCC can point to no requirement that detailed information relating to actual expenses be submitted in support of an application seeking approval of certain accounting authority. Indeed, Commission precedent dictates otherwise. Specifically, the OCC raised the same objections in Case Nos. 08-1332-EL-AAM (DP&L) and 08-1301-EL-AAM (AEP-Ohio Companies), in which applicants did not provide any estimate of the expected deferred expenses from Hurricane Ike, much less detailed accounting records. The OCC's arguments were rejected there, and the application to defer such storm expenses was granted in both cases. The Commission specifically reserved the right to determine the reasonableness of the deferred amounts in a future proceeding. The OCC's claim that the Commission should reject the Company's Application due to the lack of detailed expense information is unreasonable, unfounded, and should be rejected.

The OCC also asserts that DP&L's deferred O&M expenses should be reduced by the three-year average of O&M expenses associated with major storms. This assertion

should be rejected. Pursuant to O.A.C §4901:1-10-10(C)(3)(a), DP&L files its reliability standards performance report annually where the reliability indices (SAIFI and CAIDI) are reported with exclusions of major events as defined in O.A.C §4901:1-10-01(Q). The methodology DP&L is proposing in this application is tailored to be consistent with the reliability performance report calculation. This methodology is entirely reasonable. It assumes non-major storm expenses are recovered through base distribution rates; however it is appropriate to recover the costs associated with "major" or atypical storms through a separate recovery mechanism.

Another issue OCC takes with DP&L's Application is the cost of long-term debt that DP&L requests be applied to the deferred costs. It is appropriate to employ the most recently approved cost of long-term debt, 5.86%, in calculating carrying charges on costs that were incurred during the timeframe when this cost of debt was in place. The cost of long-term debt filed in DP&L's pending ESP application has not been approved, and it would therefore be inappropriate to apply it here. The OCC also insists that DP&L should only be permitted to apply carrying costs "to any unamortized balance for no more than twelve (12) months."[2] Yet the Company does incur and will continue to incur opportunity costs on the cash O&M expenditures that remain unrecovered. It is therefore reasonable to allow DP&L to recover such carrying charges in addition to the principle balance of the storm restoration costs until all such costs are recovered. Furthermore, DP&L presumes that the OCC's concern is that DP&L will delay recovery of such costs. However, DP&L has provided through discovery that "[t]he Company will most likely file for recovery of the June 2012 storm and Ike deferral before the end of 2012 in a

[2] OCC Comments, p. 4

single application."[3] For the foregoing reasons, each of the OCC's comments in this case should be rejected. The 2012 derecho was a major event as defined by §4901:1-10-01(Q) and was certainly a highly unusual and significantly damaging occurrence for many in Ohio and the Eastern US. DP&L's request to defer the total cost of the derecho, including carrying charges until the balance is recovered, is reasonable and should be granted.

Respectfully submitted,

Judi L. Sobecki (0067186)
Randall V. Griffin (0080499)
The Dayton Power and Light Company
1065 Woodman Drive
Dayton, OH 45432
Telephone: (937) 259-7171
Facsimile: (937) 259-7178
Email: judi.sobecki@dplinc.com
randall.griffin@dplinc.com

Attorneys for The Dayton Power and Light Company

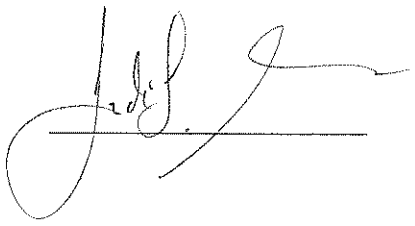
[3] DP&L's Fifth Supplemental Response to the OCC's Interrogatories and Requests for Production of Documents, served November 5, 2012.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served, via electronic mail, this 13th day of December, 2012, upon the following:

Melissa R. Yost
Larry S. Sauer
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
yost@occ.state.oh.us
sauer@occ.state.oh.us

William Wright
Attorney General's Office
Public Utilities Commission of Ohio
180 East Broad Street, 6th FL
Columbus, OH 43215
William.Wright@puc.state.oh.us



Summary: Reply Comments of the Dayton Power & Light Company in Response to Comments filed by the Office of the Ohio Consumers' Counsel electronically filed by Mrs. Claire E Hale on behalf of The Dayton Power and Light Company