

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's)	
Investigation of Ohio's Retail)	Case No. 12-3151-EL-COI
Electric Service Market)	

**REPLY COMMENTS OF
THE DAYTON POWER AND LIGHT COMPANY**

The Dayton Power and Light Company ("DP&L" or "Company"), hereby submits the following comments in reply to initial comments previously filed by interested participants in this proceeding.¹ DP&L's comments are generally grouped within the Public Utilities Commission of Ohio's (Commission) proposed questions and not by party. The lack of a reply comment with respect to some or any aspect of another participant's comments should not be construed as agreement with the comments. DP&L's reply comments with respect to the Commission's questions on Market Design are set forth in part I below and DP&L's reply comments to the Commission's questions on Corporate Separation are set forth in part II.

I. Market Design

(a) Does the existing retail electric service market design present barriers that prevent customers from obtaining, and suppliers from offering, benefits of a fully functional competitive retail electric service market? To the extent barriers exist, do they vary by customer class?

DP&L's initial comments indicated that the Company does not believe that the existing retail market design presents any barriers that counter a fully functional competitive retail electric service market (the Market). The Industrial Energy Users (IEU) contend that the Commission has willingly impeded the development of the market by approving above-market

¹ For ease of citation, references to other participants' Initial Comments omit the words "Initial Comments of." Citations are in the form [party name or abbreviation] at [page number].

compensation for generation related services, specifically in the form of nonbypassable charges.

IEU 8. DP&L disagrees with IEU's position here and further, agrees with American Electric Power Ohio's initial comments (AEP-Ohio) in that a hybrid regulatory construct remains in effect today in Ohio. AEP-Ohio 5. The Commission has exercised authority to approve a recovery mechanism that maintains an electric distribution utility's (EDU) financial integrity and has done so with the EDU's commitment of a quicker transition to market combined with transfer of the EDU's generation assets to an unregulated affiliate. DP&L believes that a robust competitive market exists today and that no barriers exist for customers obtaining and suppliers offering benefits of a competitive market.

FirstEnergy Solutions (FES) claims that Ohio's market development has been hindered because not all EDUs have completed corporate separation. FES 8. Further, FES asserts that "EDUs were required to transfer their generation service to 'a fully separated affiliate of the utility'" and cites ORC §4928.17(A)(1) for this claim. FES 8. DP&L disagrees with FES' interpretation of that section of the Ohio Revised Code. Operating under functional separation is lawful.

Exelon contends within its initial comments that the implementation of a non recourse Purchase of Receivables program (POR) would eliminate a fundamental barrier for a functional competitive market. Exelon 6. DP&L disagrees with Exelon and notes that the current switching statistics within the state indicate the existence of a robust competitive retail electric service market. Thus the Commission should reject any arguments made to mandate that the EDUs should purchase CRES receivables until a statewide cost benefit study is conducted and it is demonstrated that a POR program is in the best interest of customers across the state.

(b) Does default service provide an unfair advantage to the incumbent provider and/or its generation affiliates?

DP&L agrees with AEP-Ohio's and FirstEnergy's comments in that the current law requires an EDU to provide default service through a standard service offer and this legal obligation cannot be modified unless the General Assembly amends Chapter 4928 of the Ohio Revised Code. Further, AEP-Ohio notes that the current law permits the existence of a generation affiliate and addresses competitive issues. Compliance with Ohio law does not provide an unfair advantage. AEP-Ohio 11-12.

(c) Should default service continue in its current form?

DP&L's initial comments indicated that the move to a generic, statewide default service would be unnecessary given the complex and differing rate plans approved by the Commission. IEU asserts that the Commission shows a pro-regulation bias by favoring the Electric Security Plan option (ESP) over the Market Rate Offer option (MRO). IEU further contends that the Commission resorts to utilizing qualitative "benefits" to assert the ESP is better in the aggregate over the MRO. IEU 10. DP&L disagrees. IEU fails to note that recent ESPs approved by the Commission contain a much faster transition to market than the MRO and thus, consumers will see a qualitative benefit of a faster transition to market. Further, consumers have the option to obtain service from one of several CRES Providers within Ohio if they so choose.

(f) How can Ohio's electric default service model be improved to remove barriers to achieve a properly functioning and robust competitive retail electric service electricity market?

DP&L's initial comments state that Commission approved utility specific rate plans should continue to be the avenue to ensure a properly functioning competitive market. IEU makes the claim that the elimination of all nonbypassable charges would have the effect of removing barriers to a properly functioning competitive market. IEU 23. DP&L disagrees with IEU's comment and argues that a robust competitive market currently exists and is demonstrated by current shopping statistics.

IEU suggests that Commission should signal that it is willing to entertain requests to eliminate shopping limitations on reasonable arrangements. IEU 24. DP&L disagrees with this suggestion. Reasonable arrangements are by their nature bundled service contracts. The Commission should not initiate new rules that would impact how those contracts are being implemented. To suggest that a customer that has signed a contract can break that contract to shop ignores the fact that the economic development contract was provided because the customer could not find a more competitive price in the market at the time the contract was signed. If a more competitive price had been available, the parties would not have entered into that contract. The Commission should reject any proposal that would permit a contract to be broken or terms to be modified simply because market conditions may have changed.

(i) What changes can the Commission implement on its own under the existing default service model to improve the current state of retail electric service competition in Ohio?

The OCC recommends that the Commission's ESP versus MRO test should be modified to include only direct and quantifiable costs and benefits. OCC 15. DP&L disagrees and argues that certain qualitative benefits exist and must be evaluated, such as a faster transition to a competitively bid SSO within the context of an ESP.

(j) What legislative changes, if any, including changes to the current default service model, are necessary to better support a fully workable and competitive retail electric service market?

OCC states that under Section 4928.143(C)(2)(a) of the ORC, a utility has the ability to withdraw its ESP application if the PUCO modifies it. The OCC concludes that this provision creates uncertainty and instability that may thwart the functioning competitive market. OCC 16. DP&L disagrees with the OCC. The legislature understood the utility's need to withdraw its proposal if the proposal is modified in such a way that it is no longer something the utility can implement and support. Further, striking this portion of the ORC would have the effect of

creating additional uncertainty and instability for the EDUs whose task is to provide reliable default service.

(I) Should the Commission consider standardized billing for electric utilities?

FES advocates standardized billing among Ohio EDUs, claiming that current hurdles and limitations “unnecessarily require all participants in the competitive market to incur additional costs that reduce available customer savings.” FES 19. This argument ignores the significant cost that would be incurred to bring all Ohio EDUs to operate under the same automatic billing options and format. Such costs would have to be passed on to customers in the form of higher distribution rates. FES prefers to move these “reduced savings” from the customers that choose a CRES provider (and who are therefore experiencing savings, as evidenced by their choice to switch) to all customers, regardless of their shopping status. This proposal shows no regard to how the increased distribution costs may compare to the additional savings customers may or may not experience. This suggestion has little to no benefit for customers. Further, billing systems are complex and programming changes are costly. Even if the Commission directed more uniform billing provisions, the Ohio EDU billing systems will never be exactly the same. DP&L cautions the Commission not to direct EDUs to implement costly changes simply for CRES provider convenience at the expense of higher rates for customers.

FES also asserts that “All EDUs should be required to enable percent-off billing.” FES 19. This suggestion is yet another attempt to push CRES Provider administrative responsibilities and costs onto the EDU.

Retail Energy Supply Association (RESA) suggests that the CRES Providers should be permitted to provide the billing function. RESA 30. The Commission should carefully weigh the costs and benefits of permitting CRES Providers to offer consolidated billing. Billing

systems are complex and offer more than just issuance of a monthly bill. Utility billing systems coordinate reconnection and disconnection procedures, administer payment agreements, and implement the low-income program, among other utility administrative actions. Turning over all of these functions to CRES Providers would require significant re-writing of the Ohio Administrative Code. Further, if all of these regulated functions are offered by CRES Providers, the Commission should consider all of the implications of regulating and auditing CRES provider compliance with the rules and perhaps the manner in which CRES Providers are certified by the state.

II. Corporate Separation

(a) Whether an electric utility should be required to disclose to the Commission any information regarding the utility's analysis or the internal decision matrix involving plant retirements, capacity auction, and transmission projects, including correspondence and meetings among affiliates and their representatives?

DP&L agrees with AEP-Ohio's comment in that this requirement should not be an obligation of the EDU upon generation separation and that the generation affiliate is not subject to regulation by the Commission. AEP-Ohio 21. Several other parties' comments are similar.

(b) Should a utility's transmission affiliate be precluded from participating in the projects intended to alleviate the constraint or should competitive bidding be required?

DP&L's initial comments argue that a transmission affiliate should not be precluded from participating in a project within its service territory as the affiliate is typically most familiar with the EDU's service territory. DP&L agrees with AEP-Ohio's comment that precluding an EDU's affiliate from participating would have the effect of diminishing competition in this area. AEP-Ohio 23.

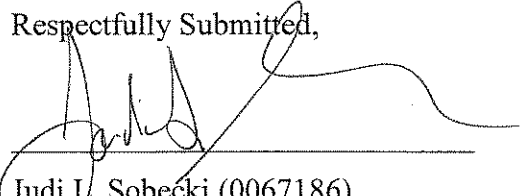
(f) Are shared services within a 'structural separation' configuration causing market manipulation and undue preference?

DP&L's position is congruent with that of AEP-Ohio's in that the existing code of conduct is adequate to address the issue posed by shared services within structural separation. AEP Ohio
25.

Conclusion

DP&L appreciates the opportunity to provide comments and urges the Commission to adopt the recommendations set forth above as well as in its initial comments.

Respectfully Submitted,



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Summary: Reply Comments electronically filed by Mr. Robert J Adams on behalf of The Dayton Power and Light Company