



**Public Utilities
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May 19, 2014

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

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PUCO

RE: *In the Matter of the Application of the Dayton Power and Light Company to Update its Transmission Cost Recovery Rider- Non-Bypassable (TCRR-N), Case No. 14-358-EL-RDR*

In the Matter of the Dayton Power and Light Company quarterly filing to modify its Transmission Cost Recovery Rider- Bypassable (TCRR-B) and its PJM RPM Rider, Case No. 14-661-EL-RDR

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by The Dayton Power and Light Company to update its Non-Bypassable Transmission Cost Recovery Rider (TCRR-N) in Case No. 14-358-EL-RDR, and the quarterly filing to modify its Bypassable Transmission Cost recovery Rider (TCRR-B) and its PJM RPM Rider, in Case No. 14-661-EL-RDR.

Sincerely,

Tamara S. Turkenton
Chief, Accounting & Electricity Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

180 East Broad Street
Columbus, Ohio 43215-3793

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Dayton Power and Light Company
Case No. 14-358-EL-RDR (TCRR-N)
Case No. 14-661-EL-RDR (TCRR-B and PJM RPM)

Overview

Pursuant to the Commission's Opinion & Order approved on September 4, 2013, in Case No. 12-426-EL-SSO, et. al., the Dayton Power and Light Company (DP&L) was authorized to separate its Transmission Cost Recovery Rider (TCRR) into a market based bypassable rider (TCRR-B) and a non-market based rider (TCRR-N). In that same case, DP&L was authorized to update its TCRR-B rider and its PJM RPM rider on a quarterly basis and to update its TCRR-N rider on an annual basis. The initial rates and tariffs for these riders became effective January 1, 2014.

DP&L filed the annual update of its TCRR-N on March 14, 2014, and pursuant to Commission rules, the proposed rates would become effective within 75 days of the application. As proposed, the rates would become effective June 1, 2014. On May 1, 2014, DP&L filed an amendment to its March 14, 2014 TCRR-N application to include certain under recovered TCRR-B costs as discussed below.

DP&L filed the quarterly update for the TCRR-B and PJM RPM riders on May 1, 2014, and requested the riders to become effective on June 1, 2014. In its May 1, 2014 TCRR-B filing, DP&L has proposed to shift approximately \$11.9M of under recovered TCRR-B costs into the TCRR-N rider. In addition, DP&L has proposed to modify the rate design of the Secondary class to better assign costs to the customers creating the costs.

Staff Review and Recommendations

TCRR-N

The proposed updated rates would be effective from June 1, 2014, through May 31, 2015. The TCRR-N rider is expected to generate \$69.6M in revenues during the June 1, 2014, through May 31, 2015 timeframe. This is \$593,118 higher than the revenues that would be collected under current rates for the same timeframe. Staff has completed its review of the March 14, 2014 TCRR-N filing and believes that DP&L has appropriately included only those costs and credits that are incurred as a result of serving its retail customers in Ohio. Staff recommends that the application filed March 14, 2014, be approved.

TCRR-B

The proposed updated rates would be effective from June 1, 2014 through August 31, 2014. Staff has reviewed the proposed TCRR-B rider and finds that the proposed Rider should be modified. In the Commission's Opinion and Order, Case No. 12-426-EL-SSO, et al., the Commission stated that DP&L should file with the Commission, a proposal at the end of the ESP term for appropriate collection of any uncollected TCRR balance, including whether the uncollected TCRR balance should be collected through

a bypassable or non-bypassable TCRR true-up rider. As a result, Staff recommends that pursuant to the Commission Order, DP&L's proposal to shift costs from the bypassable TCRR-B to the non-bypassable TCRR-N should not be approved. Staff agrees with DP&L that the proposed modification to the Secondary class rate design will better assign the costs to those customers that are creating the costs and recommends that the rate design modification be approved. The total costs to be recovered through the TCRR-B over the next quarter are approximately \$16M. The Staff recommends the Commission order DP&L to work with Staff on establishing an audit schedule. The Staff also recommends that with each quarterly filing, that DP&L include a redline version of the tariff sheets that are being modified, as well as schedules similar to those filed with the TCRR-N original application, including Schedules B-1, B-2 and B5.

As a result of Staff's recommendation in regard to DP&L's proposal to shift TCRR-B costs into the TCRR-N, Staff recommends to the Commission that the amended application filed in Case No. 14-358-EL-RDR on May 1, 2014 should be denied.

PJM RPM

The PJM RPM rider rates as proposed are projected to recover approximately \$1.8M over the next quarter. Staff has reviewed the proposed PJM RPM rates and finds that they appear to be reasonable, however, this Rider is subject to an annual audit and any adjustments approved by the Commission as a result of the audit. The Staff recommends the Commission order DP&L to work with Staff on establishing an audit schedule. The Staff also recommends that with each quarterly filing, that DP&L include a redline version of the tariff sheets that are being modified, as well as schedules similar to those filed with the TCRR-N original application, including Schedules B-1, B-2 and B5.

Summary of Recommendations

Staff recommends:

- The proposed TCRR-N rates as filed on March 14, 2014, in Case No. 14-358-EL-RDR, should be approved and become effective on June 1, 2014.
- The proposed TCRR-B rates filed on May 1, 2014, in Case No. 14-661-EL-RDR, should be modified to collect all TCRR-B costs through the TCRR-B Rider, and become effective June 1, 2014. The TCRR-B rider will be subject to an annual audit and DP&L should be ordered to work with Staff on establishing an audit schedule.
- The PJM RPM rider rates as filed on May 1, 2015, in Case No. 14-661-EL-RDR should be approved and become effective on June 1, 2014. The PJM RPM rider will be subject to an annual audit and DP&L should be ordered to work with Staff on establishing an audit schedule.

- With each quarterly update for the TCRR-B and PJM RPM riders, in addition to the schedules and workpapers included in the instant cases, DP&L should include a red-line version of the modified tariff sheets as well as schedules similar to those filed with the TCRR-N original application, specifically Schedules B-1, B-2 and B5.
- The application to amend the TCRR-N, filed on May 1, 2014, is not necessary under Staff's recommendations, and should not be approved.