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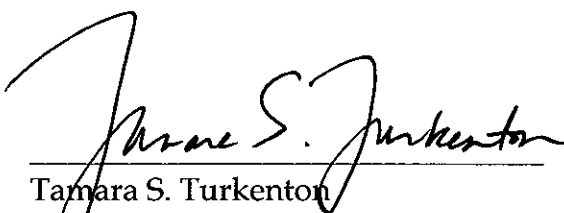
May 8, 2015

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

RE: *In the Matter of the Application of the Dayton Power and Light Company to Update its
Transmission Cost Recovery Rider-Non-Bypassable, Case No. 15-361-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 Transmission Cost Recovery Rider, in Case No. 15-361-EL-RDR.



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Lipthart
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

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**Dayton Power and Light Company
Case No. 15-361-EL-RDR (TCRR-N)**

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 or Company) 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.

On March 16, 2015, DP&L filed the annual update of its TCRR-N. On April 28, 2015, DP&L filed an amendment to its application to correct various errors contained in its original application.

As part of its application, DP&L is proposing to include certain operating reserve charges that it is being assessed by PJM. In addition, DP&L is requesting authority to include in a future TCRR-N filing, the remaining Transmission Cost Recovery Rider-Bypassable (TCRR-B) balance as well as future adjustments to prior TCRR-B costs, as of January 1, 2016.

The proposed updated rates would be effective from June 1, 2015 through May 31, 2016. The TCRR-N rider is expected to generate \$65.8M in revenues during this timeframe. This is \$3.2M lower than the revenues that would be collected under current rates for the same timeframe.

Staff Review

Staff has completed its review of the March 16, 2015 TCRR-N filing, as amended on April 28, 2015. The Staff's investigation was designed to ensure that the Company's policies and practices comport with sound ratemaking principles and Commission policies, confirm that its books and records are reliable sources of cost data, and ultimately determine if the Application request is just and reasonable. Based on that investigation, the Staff concludes that the proposed TCRR-N rates, included in the amended filing, reflect the current and projected costs through May 31, 2016.

DP&L proposed to include Operating Reserves, solely to the extent that DP&L incurs this charge as a transmission owner, in the TCRR-N. Based on the Company's response to Staff's inquiries, PJM bills operating reserve costs to Load Serving Entities (LSE), Generators and Transmission Owners. The operating reserve cost that is being included by DP&L in this application is a Balancing Operating Reserve Local Constraint Charge, a charge assessed directly to DP&L as a PJM transmission owner. Staff has verified that this charge is included on DP&L's EDC bill from PJM. As a result, Staff believes that in

this application including this charge in the TCRR-N is appropriate and does not result in a double billing of this specific operating reserve charge. Even so, when the Company experiences transmission constraints, DP&L should employ all non-cost solutions to avoid these charges. Moreover, Staff encourages DP&L to confirm with PJM the appropriateness of any future charges.

Staff recommends to the Commission that DP&L's proposal to include the remaining balance of TCRR-B (Bypassable) as of January 1, 2016 in the TCRR-N (Non-Bypassable) be denied at this time. 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, the Staff believes 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 addressed at this time. Staff recommends to the Commission that DP&L file a proposal in its last TCRR-B filing.

Conclusion

Staff recommends that the application filed March 16, 2015 and amended on April 28, 2015 be approved, subject to Staff's recommendations in this Letter, and become effective on a bills rendered basis beginning on June 1, 2015.