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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 Reconciliation Rider Nonbypassable, Case No. 15-0043-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the fifth application filed by The Dayton Power and Light Company, Case No. 15-0043-EL-RDR.

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

D.R. Bremer on behalf of David Lipthratt
David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

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Enclosure
Cc: Parties of Record

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Dayton Power and Light Company
Case No. 15-0043-EL-RDR (RR-N)

Background

Pursuant to the September 4, 2013, Opinion and Order in Case No. 12-0426-EL-SSO, et. al., Dayton Power & Light (DP&L or Company) filed its application to implement the Reconciliation Rider (RR-N) on May 1, 2014. The RR-N is intended to allow the Company to recover any deferred balance that exceeds 10 percent of the base amount of riders FUEL, RPM, AER, and CBT; however, the Commission required DP&L to file an application with the Commission seeking specific approval to defer for future recovery any amounts exceeding the 10 percent threshold for each individual riders.

Application

The application includes deferral balances exceeding the 10 percent threshold of the base amount of the FUEL rider (Case No. 15-0042-EL-FAC) in the amount of $1,719,204 and the CBT rider (Case No. 15-0044-EL-RDR) amounting to $4,167,081, along with a prior period reconciliation in the amount of $(316,503). The Company applied carrying charges of 4.943% to the total amount of the balances exceeding 10 percent of the base amount of each rider included in the RR-N. The proposed RR-N rate for all kilowatt hours for the period of June 1, 2015 through August 31, 2015 is $0.0015335 per kWh.

Staff Review

Staff reviewed the deferral balance exceeding the 10 percent threshold of the base amount of both the FUEL and CBT rider. Staff also confirmed the Company's prior period adjustment.

Staff identified an error in the workpapers filed in Case No. 15-0044-EL-RDR. Specifically, DP&L applied the incorrect auction supply rate to calculate the Revenue for April 2015 and May 2015 in Workpaper B-1. Therefore, in this application, the CBT Deferral Balance exceeding 10% Threshold should be adjusted from $4,167,081 to $3,743,977, which lowers the RR-N Rate from the proposed $0.0015335 per kWh to $0.0014175 per kWh.

In previous filings in the CBT rider, the Company forecasted over $14 million in revenues for January 2015. However, the Company only collected approximately $8 million in revenues. This difference and the associated under-recovery drives the entire CBT Deferral Balance exceeding 10% Threshold in this RR-N rider application. This difference stems from the Company failing to incorporate into its January 2015 forecast it's billing structure and the new auction blend process. The Company was aware of

these factors in September 2014 and should have incorporated them into its forecast. Adjusting for these factors in the workpapers in Case Nos. 14-0563-EL-RDR and 15-0044-EL-RDR results in nothing exceeding the 10% threshold for this quarter. Therefore, the CBT Deferral Balance exceeding 10% Threshold of $3,743,977 should not be deferred to the RR-N rider and instead should be collected through the bypassable CBT rider. Staff recommends to the Commission that it deny DP&L's request to defer balances exceeding the 10 percent threshold of the base amount of the CBT rider.

In previous filings, Staff had concerns with the forecast used to determine the threshold of the base amounts of the FUEL and CBT rider. The Company has worked with Staff to address these concerns by providing Staff with documentation on their forecasting methodology. However, many of these concerns still exist in this audit. In February 2015, the actual sales were higher than the Company's forecasted sales. As the variances grow, more costs could be placed into a non-bypassable rider versus a bypassable rider. Staff believes that by including typical bypassable costs in the reconciliation rider, shopping customers and the market could potentially be impacted.

Recommendation

Based on the above discussion, Staff recommends to the Commission that the new RR-N rate be $0.0003910 per kWh. The Company should continue to strive for accurate forecasts and incorporate any future auction blend process changes into its forecasted revenues, particularly in January 2016.