Large Filing Separator Sheet

Case Number: 15-042-EL-FAC

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Exhibit 6-28. Summary of Actual Costs – Schedule 2, October 2014 through August 2015

The Dayton Power and Light Company
Case No. 15-0045-EL-RDR
Summary of Actual Costs

Line (A)	Description (B)	REC Expense (C)	Compliance Administration Expense (D)	Historical Yankee Costs (E)	Total Expenses (F)	Revenue (G)	(Over) / Under Recovery (H)	Carrying Costs (I)	Total (J)	YTD[1] (K)	Source (L)
1	Prior Period									($482,642)	Accounting Records
2	Oct-14	($104,082)	$992	$121,882	$18,792	($179,210)	($160,418)	($2,318)	($162,737)	($645,379)	Accounting Records
3	Nov-14	$177,108	($534)	$121,882	$298,456	($191,022)	$107,434	($2,437)	$104,997	($540,382)	Accounting Records
4	Dec-14	$167,715	$2,325	$121,882	$291,922	($282,582)	$9,340	($2,207)	$7,133	($533,248)	Accounting Records
5	Jan-15	$142,422	$628	$121,882	$264,932	($346,820)	($81,888)	($2,365)	($84,253)	($617,501)	Accounting Records
6	Feb-15	$153,666	$707	$121,882	$276,255	($335,001)	($58,746)	($2,665)	($61,410)	($678,912)	Accounting Records
7	Mar-15	($573,735)	$1,086	$121,882	($450,767)	($102,527)	($553,295)	($3,936)	($557,231)	($1,236,142)	Accounting Records
8	Apr-15	$76,505	$969	$121,882	$199,356	($56,511)	$142,845	($4,798)	$138,047	($1,098,095)	Corporate Forecast
9	May-15	$78,459	$969	$121,882	$201,310	($57,906)	$143,404	($4,228)	$139,176	($958,919)	Corporate Forecast
10	Jun-15	$89,600	$570	$121,882	$212,052	($212,052)	$0	($3,341)	($3,341)	($962,260)	Corporate Forecast
11	Jul-15	$112,381	$570	$121,882	$234,833	($234,833)	$0	($2,047)	($2,047)	($964,307)	Corporate Forecast
12	Aug-15	$107,344	$570	$121,882	$229,797	($229,797)	$0	($676)	($676)	($964,983)	Corporate Forecast
13	(Over) / Under Recovery									($964,983)	Line 12
14	Gross Revenue Conversion Factor									1.0072	Case No. 12-426-EL-SSO, WP-11, Col (C), Line 21
15	Total (Over) / Under Recovery with Carrying Costs									($971,931)	Line 13 * Line 14
							Jun-15	Jul-15	Aug-15		
16	Standard Offer Sales Forecast (kWh)						268,897,890	337,341,793	322,149,150	928,388,832	Corporate Forecast
17	AER Reconciliation Rate $/kWh									($0.0010469)	Line 15 / Line 16

[1] YTD = current month Total + previous month YTD total

Schedule 2: Column C of Schedule 2 reflects DP&L's actual REC expenses during the period of October 2014 through August 2015, which totaled $427,382. Column D of Schedule 2 reflects DP&L's actual Compliance Administration expenses for the same period, which totaled $8,851. Column E reflects the Historical Yankee Costs for October 2014 through August 2015. The REC expenses, compliance administration expense, and historical Yankee costs were combined for Total expenses of $1.777 million, as shown in column F. Column G reflects DP&L's actual revenues for October 2014 through August 2015 for a total of ($2.228) million. The difference between the Company's actual fuel costs and actual revenues results in an over-recovery in the amount of ($451,323), as shown in column H. Column I reflects the carrying costs for the period of October 2014 through August 2015, which total ($31,018). The over-recovery for the period of October 2014 through August 2015, the addition of the prior reconciliation over-recovery shown on line 1, and the addition of the carrying costs for the October 2014 through August 2015 period, resulted in a YTD over-recovery of ($964,983) (column K, line 13). DP&L's over-recovery stated above is then multiplied by the gross revenue conversion factor of 1.0072, resulting in total over-recovery with carrying costs of ($971,931), as shown on line 15. Line 16 reflects the Standard Offer Sales Forecast for the period of June through August 2015, totaling 928.389 million kWh. The Company derived its AER Reconciliation Rate of ($0.0010469) per kWh by dividing the total over-recovery with carrying costs of ($971,931) by its standard offer sales forecast for the period June through August 2015.

Exhibit 6-29. Projected Monthly Cost Calculation – June through August 2015

The Dayton Power and Light Company
Case No. 15-0045-EL-RDR
Projected Monthly Cost Calculation

Line (A)	Description (B)	Jun-15 (C)	Jul-15 (D)	Aug-15 (E)	Total (F)	Source (G)
1	REC Expense	$ 89,600	$112,381	$107,344	$ 309,325	Corporate Forecast
2	Compliance Administration	$570	$570	$570	$1,710	Corporate Forecast
3	Total AER Expense	$ 90,170	$112,951	$107,914	$311,035	Line 1 + Line 2
4	Gross Revenue Conversion Factor				1.0072	Case No. 12-426-EL-SSO, WP-11, Col (C), Line 2
5	Total Projected AER Costs				$313,274	Line 3 x Line 4
6	Standard Offer Sales Forecast (kWh)				928,388,832	Corporate Forecast
7	AER Base Rate $/kWh				$0.0003374	Line 5 / Line 6

Schedule 3: This schedule reflects DP&L's estimates of the monthly expenses it expected to incur during the period June through August 2015. As shown on line 1 of Schedule 3, the category included DP&L's forecasted REC expense for June through August 2015, which totaled $309,325 (column F). As shown on line 2 of Schedule 3, DP&L included forecasted compliance administration expenses for the same period, which totaled $1,710. This results in total AER expense for June through August 2015 of $311,035, as shown on line 3. Line 4 reflects its Gross Revenue Conversion Factor of 1.0072. The Company then calculated its total projected AER costs by multiplying the total AER expense of $311,035 by the gross revenue conversion factor as shown on line 5. The Company reflected its Standard Offer Sales Forecast for the period of June through August 2015, totaling 928.389 million kWh on line 6. The Company then divided the total projected AER costs by the Standard Offer Sales Forecast to calculate the AER base rate of $0.0003374 per kWh as shown on line 7.

Exhibit 6-30. Historical Yankee REC Costs – Schedule 4, June through August 2015

The Dayton Power and Light Company
Case No. 15-0045-EL-RDR
Historical Yankee REC Costs

Line (A)	Description (B)	2010 (C)	2011 (D)	2012 (E)	2013 (F)	2014 (G)	Total (H)	Source (I)
1	REC Output	1,322	1,336	1,532	1,343	703	6,236	Accounting Records
2	Fair Market Value (FMV) of Ohio SRECs	$400	$325	$260	$40	$68		Expert Report - Fair Market Valuation of Ohio Solar Renewable Energy Credits
3	Total FMV of RECs	$528,800	$434,200	$398,320	$53,720	$47,548	$1,462,588	Line 1 x Line 2
4	Quarterly Recovery Amount						$365,647	Line 3 / 4
5	Gross Revenue Conversion Factor						1.0072	Case No. 12-426-EL-SSO, WP-11, Col (C), Line 21
6	Total Quarterly Recovery Amount						$368,279.68	Line 4 *Line 5
				Jun-15	Jul-15	Aug-15		
7	Standard Offer Sales Forecast (kWh)			268,897,890	337,341,793	322,149,150	928,388,832	Corporate Forecast
8	Yankee Adjustment $/kWh						$ 0.0003967	Line 6 / Line 7

Schedule 4: Schedule 4 presents the calculation of the Yankee REC cost adjustment for the period June through August 2015. Line 1 reflects the REC Output for the years 2010 through 2014, totaling $6,236. Line 2 reflects the Fair Market Value of Ohio SRECs for the same period. The total FMV of RECs is derived by multiplying the REC output by the FMV of Ohio SRECs, totaling $1.463 million, as shown on line 3. The total FMV of RECs is divided by 4 to calculate the Quarterly Recovery Amount of $365.647, as shown on line 4. Line 5 reflects the Gross Revenue Conversion Factor. The quarterly recovery amount is multiplied by the gross revenue conversion factor to derive the Total Quarterly Recovery Amount of $368,280, as shown on line 6. Line 7 reflects the Standard Offer Sales Forecast for the period of June through August 2015 totaling 928.389 million kWh. The total quarterly recovery amount is divided by the Standard Offer Sales Forecast to calculate the Yankee adjustment of $.0003967 per kWh shown on line 8, which is used on Schedule 1 (discussed above) in the calculation of the forecasted AER rate.

Exhibit 6-31. Calculation of Carrying Costs – Workpaper 1, October 2014 through August 2015

The Dayton Power and Light Company
Case No. 15-0045-EL-RDR
Alternative Energy Rider
Calculation of Carrying Costs

		MONTHLY ACTIVITY							Carrying Cost Calculation	
Line	Period	First of Month Balance	New AER Charges	Amount Collected (CR)	Net Amount	End of Month before Carrying Cost	Carrying Cost	End of Month Balance	Less: One-half Monthly Amount	Total Applicable to Carrying Cost
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
					(F) = (D) + (E)	(G) = (C) + (F)	(H) = (K) * (COD % / 12)	(I) = (G) + (H)	(J) = - (F) * .5	(K) = (G) + (J)
1	Prior Period							($482,642)	$0	$0
2	Oct-14	($482,642)	$18,792	($179,210)	($160,418)	($643,060)	($2,318)	($645,379)	$80,209	($562,851)
3	Nov-14	($645,379)	$298,456	($191,022)	$107,434	($537,945)	($2,437)	($540,382)	($53,717)	($591,662)
4	Dec-14	($540,382)	$291,922	($282,582)	$9,340	($531,042)	($2,207)	($533,248)	($4,670)	($535,712)
5	Jan-15	($533,248)	$264,932	($346,820)	($81,888)	($615,136)	($2,365)	($617,501)	$40,944	($574,192)
6	Feb-15	($617,501)	$276,255	($335,001)	($58,746)	($676,247)	($2,665)	($678,912)	$29,373	($646,874)
7	Mar-15	($678,912)	($450,767)	($102,527)	($553,295)	($1,232,206)	($3,936)	($1,236,142)	$276,647	($955,559)
8	Apr-15	($1,236,142)	$199,356	($56,511)	$142,845	($1,093,297)	($4,798)	($1,098,095)	($71,422)	($1,164,720)
9	May-15	($1,098,095)	$201,310	($57,906)	$143,404	($954,691)	($4,228)	($958,919)	($71,702)	($1,026,393)
10	Jun-15	($958,919)	$212,052	$83,510	$295,562	($663,357)	($3,341)	($666,698)	($147,781)	($811,138)
11	Jul-15	($666,698)	$234,833	$104,766	$339,600	($327,098)	($2,047)	($329,145)	($169,800)	($496,898)
12	Aug-15	($329,145)	$229,797	$100,048	$329,844	$699	($676)	$23	($164,922)	($164,223)

Workpaper 1: Workpaper 1 presents the calculation of the carrying costs that are applied to the (over)/under recovery balances reflected on Schedule 2 (discussed above) for the period October 2014 through August 2015, the total of which was then used to calculate the forecasted reconciliation adjustment rate of ($0.0003128). First, 50% of the net amount of AER costs (the new monthly AER costs minus the amount collected by the AER) is subtracted from the end of the month balance before carrying costs (beginning of the month balance plus the net amount of fuel rider costs) to derive the total monthly amounts that are applicable to carrying costs. The monthly carrying costs are calculated by multiplying the amounts under the Total Applicable to Carrying Cost column by 4.943%, which is the weighted cost of debt that became effective January 1, 2014, then dividing the result by 12. These amounts are then flowed through to Schedule 2 and included in the calculation of the forecasted reconciliation adjustment rate.

Review of DP&L's Alternative Energy Rider Results for the 2014 Review Period

Larkin reviewed DP&L's AER workbooks for the 2014 review period. Because DP&L's AER costs are trued-up to actuals, Larkin's review focused on the workbook for December 2014, which reflects DP&L's weighted average cost of RECs for the year.

With DP&L's assistance, Larkin tied the December 2014 journal entry into the Company's Annual Alternative Energy Portfolio Status Report for calendar year 2014, which DP&L filed on April 15, 2015 in PUCO Case No. 15-0171-EL-ACP.

On October 17, 2014, in Case No. 14-806-EL-RDR, the Company filed Schedules, Workpapers, and Tariffs for its AER. Included with that filing was a Schedule 2 which reflected actual 2014 costs from January through September. In addition, on January 15, 2015, in Case No. 15-0045-EL-RDR, made a similar filing in which Schedule 2 reflected actual 2014 AER costs from October through December. As part of the current review cycle, Larkin reviewed DP&L's actual costs for January through December 2014 from that filing, which are summarized in the following exhibit:

Exhibit 6-32, Summary of Actual Costs for January through December 2014

Line No.	Period	REC Expense	Compliance Administration Expense	Historical Yankee Costs	Total Expenses	Revenue	(Over)/Under Recovery	Carrying Costs	Total	Year to Date	Source
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
1	Prior Period									$ 2,151,647	Accounting Records
2	Jan-14	$ 228,317	$ 523	$ -	$ 228,840	$ (967,797)	$ (738,957)	$ 7,341	$ (731,616)	$ 1,420,031	Accounting Records
3	Feb-14	$ 228,317	$ 3,209	$ -	$ 231,526	$ (955,442)	$ (723,916)	$ 4,358	$ (719,558)	$ 700,473	Accounting Records
4	Mar-14	$ 223,705	$ (34,433)	$ -	$ 189,272	$ (790,365)	$ (601,093)	$ 1,725	$ (599,368)	$ 101,104	Accounting Records
5	Apr-14	$ 238,075	$ (35,996)	$ -	$ 202,079	$ (653,005)	$ (450,926)	$ (2,520)	$ (453,446)	$ (352,341)	Accounting Records
6	May-14	$ 196,728	$ 2,527	$ -	$ 199,255	$ (540,707)	$ (341,452)	$ (2,155)	$ (343,607)	$ (695,948)	Accounting Records
7	Jun-14	$ 213,910	$ 2,003	$ -	$ 215,913	$ (141,366)	$ 74,547	$ (2,713)	$ 71,833	$ (624,115)	Accounting Records
8	Jul-14	$ 166,130	$ 2,100	$ -	$ 168,230	$ (165,283)	$ 2,947	$ (2,565)	$ 383	$ (623,732)	Accounting Records
9	Aug-14	$ 192,304	$ (21,207)	$ -	$ 171,097	$ (156,172)	$ 14,924	$ (2,539)	$ 12,386	$ (611,346)	Accounting Records
10	Sep-14	$ 216,849	$ 25,699	$ 121,882	$ 364,430	$ (233,478)	$ 130,952	$ (2,249)	$ 128,704	$ (482,642)	Accounting Records
11	Oct-14	$ (104,082)	$ 992	$ 121,882	$ 18,792	$ (179,210)	$ (160,418)	$ (2,318)	$ (162,737)	$ (645,379)	Accounting Records
12	Nov-14	$ 177,108	$ (534)	$ 121,882	$ 298,456	$ (191,022)	$ 107,434	$ (2,437)	$ 104,997	$ (540,382)	Accounting Records
13	Dec-14	$ 167,715	$ 2,325	$ 121,882	$ 291,922	$ (282,582)	$ 9,340	$ (2,207)	$ 7,133	$ (533,248)	Accounting Records
14	2014 Totals	$2,145,077	$ (52,794)	$ 487,529	$2,579,812	$(5,256,430)	$ (2,676,617)	$ (8,278)	$(2,684,895)	$(2,887,526)	
Notes and Source:											
January through September 2014 amounts from the October 17, 2014 AER filing and October through December 2014 amounts from January 15, 2015 AER filing											
Year-to-Date amounts are based on the current month Total + previous month YTD Total											

<u>Historical Yankee Costs</u>

As shown in the table above, starting in September 2014, the Company's costs included the monthly amount of $121,882 related to the recovery of the costs associated with the Yankee Street solar photovoltaic facility ("Yankee"). Specifically, as discussed in the confidential response to LA-2014-1-93, in its second ESP, DP&L had requested a nonbypassable charge, or an Alternative Energy Rider - Nonbypassable ("AER-N") in order to recover the costs of Yankee. Historically, the Company had assigned a cost of $0 to the Yankee solar renewable energy credits ("SRECs") based on the expectation that it would recover the Yankee costs through the AER-N. However, the Commission denied DP&L's request for the AER-N and instead directed the Company to "consult with Staff to determine an appropriate methodology to recover through the AER the cost of past renewable energy resources used to serve its SSO customers."

Subsequent to the Company's consultation with Staff per the Commission's directive, in its AER filing dated July 18, 2014, DP&L proposed a methodology by which it would recover the past Yankee costs that was based on a report prepared by Charles River Associates ("CRA").[33] Specifically, DP&L commissioned CRA to estimate the fair market value of SRECs in Ohio during the period 2010 through 2013.[34] The Yankee facility began service in 2010 with a capacity of 1.1 MW. In its evaluation of Ohio SRECs, in addition to relying exclusively on market prices, CRA also took into account (1) the PUCO's Alternative Energy Portfolio Standard Report; (2) trading by brokers; and (3) SREC programs offered by utilities and aggregators. Pursuant to this approach, CRA developed the fair market values for Ohio SRECs shown in the exhibit below:

Exhibit 6-33. Fair Market Value of Ohio In-State SRECs by Year

[redacted]

In its July 18, 2014 AER filing, using CRA's estimated fair market value estimations, DP&L identified historical costs for Yankee which totaled approximately $1.4 million, which it proposed to recover over a four quarters beginning on September 1, 2014 as summarized in the following exhibit:

Exhibit 6-34. Recovery of Yankee Costs Over Four Quarters

2010	2011	2012	2013	Total
1,322	1,336	1,532	1,343	
$400	$325	$260	$40	
$528,800	$434,200	$398,320	$53,720	$1,415,040

Pursuant to this approach, the Company proposed that $365,647 be included in the rate going into effect on September 1, 2014. However, this amount was based on including Yankee's 2014 costs of $47,548 in the calculation as well as shown on Schedule 4 from the Company's AER filing dated October 17, 2014 and replicated in the exhibit below:

[33] Charles River Associates is a global consulting firm which offers economic, financial and strategic expertise to major law firms, corporations, accounting firms and governments worldwide.
[34] The report by CRA was included in the response to LA-2014-1-93.

Exhibit 6-35. Calculation of Yankee Quarterly Recovery Amount

2010	2011	2012	2013	2014	Total
1,322	1,336	1,532	1,343	703	
$400	$325	$260	$40	$68	
$528,800	$434,200	$398,320	$53,720	$47,548	$1,462,588
					4
					$365,647

The Commission approved DP&L proposed recovery of the Yankee historical costs in its Order and Opinion dated August 27, 2014 in Case No. 14-806-EL-RDR. In addition, the generation currently produced at Yankee is valued at market prices and SRECs that were generated during and after July 2014 were added to the AER weighted average cost of inventory ("WACI") using the offer price date from ICAP market sheets in each respective month. In its confidential response to LA-2014-1-93, DP&L stated in part:

[redacted]

Larkin also asked DP&L to provide the accounting support for the ($52,794) compliance administrative expense for 2014 from DP&L's October 17, 2014 and January 15, 2015 filings. DP&L's compliance administrative expense is addressed in a subsequent subsection of this chapter.

Review of Carrying Charges

RFP No. U14-FAC/AER-1 provides at Attachment 4, Item 3 that the auditor conduct:

> A review to verify the accuracy of calculations related to any carrying charges included in the Company's quarterly AER calculations.

For the DP&L's 2014 AER costs, carrying charges were based on a cost of debt of 4.943%.[35]

The Company's December 1, 2014 filing in Case No. 14-806-EL-RDR and its March 1, 2015 filing in Case No. 15-0045-EL-AER included Workpaper 1, which shows the calculation of carrying costs by month for the 2014 review period, as follows[36]:

[35] The Opinion and Order in Case No. 12-426-EL-SSO updated the cost of debt from 5.86% to 4.943% beginning in January 2014.

[36] DP&L's Workpaper 1, in its October 17, 2014 AER filing, included a carrying cost calculation using actuals through September 2014 and Workpaper 1in its January 15, 2015 filing included a carrying cost calculation using actuals from October through December 2014. Both Workpaper 1's also reflected projections into 2015, but for purposes of this review, Larkin tested the calculation of carrying costs on AER balances only for the months falling within the 2014 review period.

Exhibit 6-36. Summary of Carrying Costs for January through December 2014

		MONTHLY ACTIVITY							Carrying Cost Calculation	
Line No.	Period	First of Month Balance	New AER Charges	Amount Collected (CR)	NET AMOUNT	End of Month before Carrying Cost	Carrying Cost*	End of Month Balance	Less: One-half Monthly Amount	Total Applicable to Carrying Cost
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
					(F) = (D) + (E)	(G) = (C) + (F)	(H) = (K) * (COD % / 12)	(I) = (G) + (H)	(J) = - (F) * .5	(K) = (G) + (J)
1	Prior Period							$ 2,151,647	$ -	$ -
2	Jan-14	$ 2,151,647	$ 228,840	$ (967,797)	$ (738,957)	$ 1,412,690	$ 7,341	$ 1,420,031	$ 369,479	$ 1,782,168
3	Feb-14	$ 1,420,031	$ 231,526	$ (955,442)	$ (723,916)	$ 696,114	$ 4,358	$ 700,473	$ 361,958	$ 1,058,072
4	Mar-14	$ 700,473	$ 189,272	$ (790,365)	$ (601,093)	$ 99,380	$ 1,725	$ 101,104	$ 300,546	$ 399,926
5	Apr-14	$ 101,104	$ 202,079	$ (653,005)	$ (450,926)	$ (349,822)	$ (2,520)	$ (352,341)	$ 225,463	$ (124,359)
6	May-14	$ (352,341)	$ 199,255	$ (540,707)	$ (341,452)	$ (693,793)	$ (2,155)	$ (695,948)	$ 170,726	$ (523,067)
7	Jun-14	$ (695,948)	$ 215,913	$ (141,366)	$ 74,547	$ (621,401)	$ (2,713)	$ (624,115)	$ (37,273)	$ (658,675)
8	Jul-14	$ (624,115)	$ 168,230	$ (165,283)	$ 2,947	$ (621,167)	$ (2,565)	$ (623,732)	$ (1,474)	$ (622,641)
9	Aug-14	$ (623,732)	$ 171,097	$ (156,172)	$ 14,924	$ (608,808)	$ (2,539)	$ (611,346)	$ (7,462)	$ (616,270)
10	Sep-14	$ (611,346)	$ 364,430	$ (233,478)	$ 130,952	$ (480,394)	$ (2,249)	$ (482,642)	$ (65,476)	$ (545,870)
11	Oct-14	$ (482,642)	$ 18,792	$ (179,210)	$ (160,418)	$ (643,060)	$ (2,318)	$ (645,379)	$ 80,209	$ (562,851)
12	Nov-14	$ (645,379)	$ 298,456	$ (191,022)	$ 107,434	$ (537,945)	$ (2,437)	$ (540,382)	$ (53,717)	$ (591,662)
13	Dec-14	$ (540,382)	$ 291,922	$ (282,582)	$ 9,340	$ (531,042)	$ (2,207)	$ (533,248)	$ (4,670)	$ (535,712)
14	2014 Totals	$ (202,631)	$ 2,579,812	$ (5,256,430)	$ (2,676,617)	$ (2,879,248)	$ (8,278)	$ (2,887,526)	$ 1,338,309	$ (1,540,939)

Notes and Source:
Workpaper 1 from DP&L's October 17, 2014 AER Filing in Case No. 14-806-EL-RDR and January 15, 2015 AER Filing in Case No. 15-0045-EL-RDR
*The Opinion and Order in Case No. 12-426-EL-SSO updated the cost of debt (COD) from 5.86% to 4.943% starting in January 2014.

Larkin recalculated the AER carrying costs for each month of 2014 using the 4.943% rate that applied in 2014. No exceptions were noted.

Status Relative to the 3% Provision in Section, 4928.64(C)(3), Revised Code/ Compliance with 2014 Renewable Energy Requirements

RFP No. U14-FAC/AER-1 provided standards for reviewing the Company's AER which included Attachment 4, Item 4, which states:

> A review of the Company's status relative to the 3% provision contained within Section, 4928.64(C)(3), Revised Code, and as further detailed in the Rule 4901:1-40-07, Ohio Administrative Code.

In accordance with Section 4928.64(C)(1) of the revised Ohio Code, the Commission annually reviews electric distribution utilities and/or electric services companies compliance with the benchmarks reflected in the Renewable and Solar Benchmarks exhibit above. As part of that review, the Commission identifies under-compliance or non-compliance that it determines is related to weather, equipment, resource shortages for advanced energy, or renewable energy sources, and which is outside a utility's or electric service company's control. Section 4928.64(C)(3) of the revised code states that:

> An electric distribution utility or an electric services company need not comply with a benchmark division (B)(1) or (2) of this section to the extent that its reasonably expected cost of that compliance exceeds its reasonably expected cost of otherwise producing or acquiring the requisite electricity by three percent or more. The cost of compliance shall be calculated as though any exemption from taxes and assessments had not been granted under section 5727.75 of the Revised Code.

DP&L provided its confidential Annual Compliance Plan Status Reports for 2014 in the response to LA-2014-1-107 as well as its related Annual Alternative Energy Portfolio Status Report that was filed with the PUCO on April 15, 2015 in Case No. 15-0171-EL-ACP. The Company's 2014 compliance report stated that DP&L achieved compliance by meeting the 2014 benchmark for the Ohio Renewable Portfolio Standard for both solar and non-solar renewables.

Ohio Revised Code Section 4928.643 specifies that a distribution utility's Renewable Energy Benchmarks must be based on sales made to standard offer retail customers in either (1) the last three years, or (2) the utility may choose for its baseline to be the kilowatt hours sold in the applicable compliance year. For DP&L, the Company's Renewable Energy requirement was calculated by applying the renewable energy standard multiplied by DP&L's 2014 retail sales sold under its standard service offer minus industrial consumer load under the economic growth rider.

To comply with this requirement, companies must surrender renewable energy credits (RECs) from qualified resources (Note: 1 REC = 1 MWh) equal to the renewable obligation. Given that RECs have a five-year lifetime following their acquisition, surplus unused credits can be carried over and consumed in a following year.

The Company's 2014 renewable requirement and compliance is summarized in the following table:[37]

Exhibit 6-37. 2014 Renewables Compliance Summary

	(A)	(B)	(C)
Line	Description	MWh Sales	Source
1	Baseline (2014 Sales)	4,038,806	Internal Records
2	2014 Statutory Compliance Obligation		
3	Renewable Energy Resource Benchmark	2.50%	ORC 4928.64(B)(2)
4	Solar Energy Resource Benchmark	0.12%	ORC 4928.64(B)(2)
5	2014 Compliance Obligation		
6	Non-Solar RECs Needed for Compliance	96,124	(Line 3 * Line 1) - Line 7
7	Solar RECs Needed for Compliance	4,847	Line 4 * Line 1
8	RECs Acquired for Compliance Year 2014		
9	Acquired Non-Solar RECs	96,124	Internal Records
10	Acquired Solar RECs	4,847	Internal Records

As shown in the above Exhibit, DP&L met each of the 2014 alternative energy compliance obligations. DP&L's confidential response to LA-2014-1-107 shows the facility, location, dates, and certificate numbers for the 96,124 Non-Solar RECs and 4,847 Solar RECs used to meet its 2014 renewables requirements. Consistent with DP&L's initial renewable compliance plan

[37] From page 2 of DP&L's 2014 Alternative Energy Portfolio Status Report filed on April 15, 2015 in Case No. 15-0171-EL-ACP.

approved by Commission order dated June 24, 2009 in the context of DP&L's Electric Security Plan ("ESP") (Case No. 08-1094-EL-SSO), DP&L satisfied its 2014 renewable energy requirements largely through the purchase of RECs. Specifically, DP&L worked with brokers who are active daily in trying to find willing buyers and sellers of renewable energy and/or associated RECs. DP&L also made direct purchases from renewable generation owners of RECs.

In accordance with Ohio Administrative Code Section 4901:1-40-03(C), the Company also submitted its Ten Year Renewable Energy Benchmark Compliance Plan ("10-Year Plan) in conjunction with its Annual Alternative Energy Portfolio Status Report.[38] As stated in the 10-Year Plan, for purposes of developing benchmarks over the next 10 years, DP&L developed a forecast of standard offer sales based on the Company's recorded standard offer sales through December 31, 2014. DP&L's renewable energy and solar benchmarks for the next ten years are summarized in the exhibit below:

Exhibit 6-38. DP&L's Forecasted 10-Year Retail Sales and Renewables Requirements

	DP&L's Annual Baseline SB 221 Requirement*	SB 221 Compliance Requrement %		Renewable Requirement	Solar Requirement
Year	MWh	Renewable Energy Resource	Solar Energy Resource	Total MWh	Total MWh
2014	4,038,806	2.50%	0.12%	96,124	4,847
2015	4,038,806	2.50%	0.12%	96,124	4,847
2016	4,038,806	2.50%	0.12%	96,124	4,847
2017	4,038,806	3.50%	0.15%	135,300	6,058
2018	4,038,806	4.50%	0.18%	174,476	7,270
2019	4,038,806	5.50%	0.22%	213,249	8,885
2020	4,038,806	6.50%	0.26%	252,021	10,501
2021	4,038,806	7.50%	0.30%	290,794	12,116
2022	4,038,806	8.50%	0.34%	329,567	13,732
2023	4,038,806	9.50%	0.38%	368,339	15,347
	* Baseline SB 221 Requirements are based on average MWh standard offer sales				
	from either the preceding three calendar years or the applicable compliance year.				
	Requirements beyond 2014 are forecasted assuming annual sales in year 2015 and				
	later are recorded at 2014 levels, and are subject to change.				

[38] DP&L's Annual Alternative Energy Portfolio Status Report and Ten Year Renewable Energy Benchmark Compliance Plan were filed simultaneously on April 15, 2015 in Case No. 15-0171-EL-ACP.

REC Inventories

Pursuant to Ohio Revised Code §4928.65, RECs that were purchased by the Company are usable within a five-year period. Any RECs held by DP&L at December 31, 2014 that are in excess of its 2014 Benchmarks will be applied to future year benchmarks.

DP&L maintains separate REC inventories for DP&L and DPLER with a weighted average cost that is updated monthly. Prior to the 2014 review period, inventories for four types of RECs were maintained, including (1) non-Ohio, non-solar RECs; (2) non-Ohio solar RECs; (3) Ohio non-solar RECs; and (4) Ohio solar RECs. However, as discussed previously, with the passage of SB 310, the Company's requirement to purchase at least 50% of it renewable energy resources through facilities located in the State of Ohio has been eliminated. As a result, inventories are now maintained for the following two types of RECs:

(1) Non-Solar RECs,

(2) Solar RECs,

Larkin reviewed DP&L's Renewable Energy Credit Weighted Average Cost of Inventory ("REC WACI") worksheet, which was provided in the response to LA-2014-1-94. This document was discussed with DP&L representatives during Larkin's on-site interviews that were conducted on June 24, 2015. Among the issues discussed was that the REC WACI worksheet indicated that in January, April and June of 2014, various purchases totaling [redacted] solar RECs from [redacted] ("[redacted]"), were initially allocated to DP&L, then subsequently transferred to [redacted] in July 2014. Upon reviewing this data, Larkin requested that DP&L provide documentation related to the transfer of the [redacted] RECs to [redacted], including (1) the Company's basis for transferring the [redacted] RECs to [redacted] versus some other higher costs RECs; (2) the original purchase order for the RECs; and (3) the journal entries which reflects the transfer of the [redacted] RECs from DP&L to [redacted]. In its response to LA-2014-OS-13, the Company stated the following with respect to the transfer of the [redacted] RECs:

[redacted]

Larkin reviewed the memo[39] dated 5-10-2012, which indicated the Company purchased a total of [redacted] solar RECs at a cost of [redacted] per unit to be spread out between calendar years 2012 through 2016. The portion of this purchase that relates to 2014 was [redacted] RECs for firm delivery and up to an additional [redacted] RECs for Unit Contingent Delivery. In addition, the memo states that the RECs will be designated to [redacted] (see additional discussion below) and also includes the caption "DP&L will provide the paper Pending Credit". Larkin requested that DP&L clarify what this caption means and in response the Company stated [redacted]

[39] The referenced memo is actually an intercompany email which discusses the terms of the purchase of the solar RECs from [redacted].

[redacted].

As noted in the passage above, the response to LA-2014-OS-13 stated that DP&L was inadvertently listed as the purchasing party on the agreement that was executed on May 23, 2012. Upon reviewing this document, which is titled Renewable Energy Credits Agreement ("Agreement"), Larkin confirmed that DP&L is listed as the buyer with [redacted] listed as the seller. Similar to the memo dated May 10, 2012, the Agreement is for [redacted] RECs at a price of [redacted] per unit, and with [redacted] RECs designated for 2014.

Also included in the response to LA-2014-OS-13 was a third document titled Acknowledgment and Agreement (Re: Renewable Energy Credits Agreement)[40] that is dated November 16, 2012. This document, which references the May 23, 2012 Agreement also indicates that DP&L was the buyer of the solar RECs where it states:

[redacted]

While the response to LA-2014-OS-13 and the intercompany memo attached to that response indicate that [redacted] was the intended recipient of the [redacted] RECs, the aforementioned officially executed agreements indicate that DP&L was the purchaser

The exhibit below provides a breakout of the solar REC purchases from [redacted] during 2014.[41]

[40] This document appears to be a Sales Leaseback Agreement between [redacted].

[41] These amounts were included in Attachment A from the response to LA-2014-1-94.

Exhibit 6-39. 2014 Summary of Solar REC Purchases from [redacted]

[redacted]

As shown in the table, in January, April and June 2014, DP&L purchased 163 RECs at [redacted] per unit for a total cost of [redacted]. The REC WACI worksheet indicates that the [redacted] RECs were initially allocated to DP&L in the months indicated, but in July 2014, all [redacted] RECs and the associated costs were transferred to [redacted].[42] Subsequent to that transfer, an additional [redacted] solar RECs, which brought the total to the [redacted] RECs indicated in the Agreement for 2014, were allocated directly to [redacted]. In addition, there was a final transaction for [redacted] more RECs in November 2014 bringing the overall total to [redacted] solar RECs at a total cost to [redacted] of [redacted]. As shown in the table above, this amount includes the [redacted] RECs that were initially allocated to DP&L then subsequently transferred to [redacted] in July 2014.

In addition to the [redacted] RECs, the REC WACI worksheet from the response to LA-2014-1-94 also reflects RECs purchases made from other counterparties, including (1) [redacted] with RECs priced at [redacted] per unit; (2) [redacted] with RECs priced at [redacted] per unit; and (3) [redacted] with RECs priced at [redacted] per unit. Larkin requested copies of the Renewables Energy Credits Agreements ("RECAs") that were associated with these counterparties in order to determine when these PAs were executed. DP&L provided copies of the RECAs, and for each of the aforementioned counterparties, Larkin noted that each RECA was executed in 2010, two years prior to the [redacted] RECs.

The exhibit below reflects the difference in price per REC and resultant savings that DP&L could have realized had the higher priced RECs been transferred to [redacted].

[42] The response to LA-2014-OS-13 included a copy of the journal entry which reflects the transfer of the [redacted] solar RECs to [redacted].

Exhibit 6-40. Difference in Price Per REC

[redacted]

As shown in the exhibit, had DP&L opted to transfer the [redacted] higher priced RECs, the Company could have achieved savings of [redacted].

As discussed above, DP&L's compliance requirement for solar RECs totaled [redacted] for 2014 and the Company retired these RECs using a weighted average cost of inventory amount of [redacted], which includes the Yankee RECs at market cost. Larkin tested DP&L's weighted average REC calculation, which is summarized in the exhibit below:

Exhibit 6-41. Summary of Cost of RECs Needed for Compliance in 2014

[redacted]

As shown in the exhibit, after including the Yankee RECs at market cost, the cost of the RECs retired to meet DPL's compliance requirement totaled [redacted]. Had the higher priced RECs reflected in Exhibit 6-38 above been transferred to [redacted], instead of the lower priced [redacted] RECs, the WACI for DP&L would have been lower.

Each REC used by DP&L for 2014 compliance can be tied to a PJM-GATTS certificate number.

For purposes of tying REC inventory quantities to PJM-GATTS REC quantity reports, DP&L and DPLER REC quantities are combined; however, DP&L's REC inventory details are sufficient to separately identify the DP&L and DPLER RECs.

For accounting purposes, the costs of DP&L's and DPLER's RECs are recorded separately. DP&L records the REC activity for each month in its general ledger. Details are input into the REC inventory spreadsheets to update the weighted average cost.

Administrative Cost and Allocation Between DP&L and DPLER

For 2014, DP&L reported renewables compliance administrative costs which totaled an overall credit amount of [redacted]. In response to follow up inquiries, DP&L provided the following breakout of compliance administrative cost:

t 6-42. 2014 Renewables Compliance Administrative Expense

[redacted]

Memorandum Of Findings And Recommendations

Our findings and recommendations are summarized in Chapter 1.