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November 17, 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 seventh 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

David Lipthratt
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. 15-0043-EL-RDR (RR-N)

Background

Pursuant to the September 4, 2013, Opinion and Order in Case No. 12-0426-EL-SSO, et al., the Reconciliation Rider Nonbypassable (Rider RR-N) is intended to allow Dayton Power & Light (DP&L or Company) to recover any deferred balance that exceeds ten 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 ten percent threshold for each individual rider.

In the Second Entry on Rehearing, the Commission explained that the "ten percent threshold operates as a 'safety valve' in the event of increasing deferral balances and a decreasing SSO customer base."

DP&L's Applications to Update Rider RR-N

DP&L filed an application to implement Rider RR-N on May 1, 2014. Subsequently, DP&L filed an application every quarter to shift costs from bypassable riders to Rider RR-N. In each application, DP&L conveyed the following:

> "The market structure in Ohio places DP&L in a situation in which it seeks to recover costs from customers that caused the costs to be incurred; however, those same customers have the ability [to] shop and avoid these costs which were incurred on their behalf. Ever increasing unrecovered balances are being assigned to an ever decreasing group of customers."

DP&L's Sixth Application filed on July 17, 2015 sought to update Rider RR-N to include approximately $3.7 million in deferrals from Riders FUEL and AER. To date, the Commission has not approved DP&L's Sixth Application. Therefore, DP&L continues to charge all of its customers the RR-N rate approved in the Commission's May 20, 2015 Order.

DP&L's Seventh Application to Update Rider RR-N

On October 16, 2015, DP&L filed its Seventh Application to update Rider RR-N to encompass any reconciliation of over/under recovered balances to date, rendering the Sixth Application moot. The Seventh Application to update Rider RR-N includes deferral balances exceeding the ten percent threshold of the base amount of the FUEL rider (Case No. 15-0042-EL-FAC) in the amount of $9,516,932 and the RPM rider (Case No. 15-0046-EL-RDR) in the amount of $435,036, along with a prior period reconciliation in the amount of $(1,381,984). The Company applied carrying charges of 4.943% to the total amount of the balances exceeding ten percent of the base amount of each rider included in Rider RR-N. The proposed Rider RR-N rate for the period of December 1, 2015 through February 29, 2016 is $0.0023583 per kWh.

Staff Review

Staff reviewed the deferral balance exceeding ten percent threshold of the base amount of both the FUEL and RPM riders. Staff also confirmed the Company's prior period adjustment.

Staff continues to have concerns with the forecast used to determine the threshold of the base amounts of the FUEL rider. A review of actual fuel costs for June 2015 through August 2015 reveals that the actual fuel costs were 77% higher than the Company's forecasted fuel costs for the same time period. High variances can lead to more costs shifted to a non-bypassable rider versus a bypassable rider.

Staff also conducted a trend analysis of DP&L's SSO customer count. Staff believes that DP&L's SSO customer count remained stable in 2015. Staff does not believe that DP&L currently faces a risk of an *ever decreasing* group of customers bearing the cost of ever increasing deferral balances. DP&L incurred the costs reflected in the FUEL and RPM deferral balances on behalf of its SSO customers, and therefore, Staff believes that DP&L's SSO customers should bear these costs.

Ninety-seven percent (97%) of the dollars approved for recovery through Rider RR-N have originated in the FUEL Rider, which is expected to end on December 31, 2015. Therefore, Staff believes that Rider RR-N's function as a 'safety valve' should become unnecessary going forward.

Recommendation

Staff recommends to the Commission that DP&L should recover costs from customers that caused the costs to be incurred. Therefore, Staff recommends that DP&L's Seventh Application to update Rider RR-N be denied. Staff believes that DP&L should be allowed to recover all of the charges requested in the Seventh Application, plus carrying charges, through the respective bypassable riders. Therefore, DP&L should recover the full $9,516,932 deferral balance exceeding the ten percent threshold of the FUEL rider through the bypassable FUEL rider and the $435,036 deferral balance exceeding the ten percent threshold of the RPM rider through the bypassable RPM rider. To mitigate impacts on DP&L's SSO customers, Staff recommends that DP&L be allowed to extend the FUEL and RPM Riders for up to a six month wrap-up period. Staff recommends that the Commission direct DP&L to work with Staff regarding the conclusion of Rider RR-N including the associated timelines with the wrap-up period. Rider RR-N should be updated to credit the prior period reconciliation amount already collected from all customers.