

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
The Dayton Power and Light Company) Case No. 12-426-EL-SSO
for Approval of Its Market Rate Offer.)

In the Matter of the Application of)
The Dayton Power and Light Company) Case No. 12-427-EL-ATA
for Approval of Revised Tariffs.)

In the Matter of the Application of)
The Dayton Power and Light Company) Case No. 12-428-EL-AAM
for Approval of Certain Accounting)
Authority.)

In the Matter of the Application of)
The Dayton Power and Light Company) Case No. 12-429-EL-WVR
For the Waiver of Certain Commission)
Rules.)

In the Matter of the Application of)
The Dayton Power and Light Company) Case No. 12-430-RDR
to Establish Tariff Riders.)

REPLY BRIEF

OF

DUKE ENERGY RETAIL SALES, LLC,

AND

DUKE ENERGY COMMERCIAL ASSET MANAGEMENT, INC.

The Dayton Power and Light Company (DP&L), through these proceedings, seeks approval from the Public Utilities Commission of Ohio (Commission) of a proposed Electric Security Plan (ESP) that fails to provide a competitively priced standard service offer and

impedes competition in Ohio’s electric generation market. The Commission should not approve the ESP as filed.

I. BACKGROUND

Duke Energy Retail Sales, LLC, (DER) is a wholly owned subsidiary of Duke Energy Corporation, a publicly traded corporation. DER provides, on a competitive retail basis, electricity and energy-related services to customers in Ohio. DER holds a certificate issued by the Commission to engage in the competitive sale of electric service. As such, it is a competitive retail electric service (CRES) supplier, as that term is defined under Ohio law.¹ DER currently serves customers in all electric service territories in Ohio, including those of AEP Ohio, Duke Energy Ohio, DP&L, and the FirstEnergy utilities – Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company.²

Duke Energy Commercial Asset Management, Inc. (DECAM), through subsidiaries, is the owner and operator of approximately 3,000 MW of gas-fired generation assets, located predominantly in the PJM-market footprint. DECAM is authorized by the Federal Energy Regulatory Commission to sell energy, capacity, and related products at wholesale. DECAM is also a wholesale auction participant, competing to provide full-service requirements and other products in response to wholesale auction solicitations.

II. RETAIL MARKET IMPACTS

DP&L contends that, if the Commission orders it to implement certain requested competitive enhancements, DP&L should be burdened with none of the associated costs.³ In reaching that conclusion, DP&L relies on a number of arguments. Among those arguments is

¹ R.C. 4928.01(A)(4).

² DER Ex. 1, at pp. 2-3.

³ DP&L Initial Brief, at pg. 97.

the assertion that no Commission rule requires such enhancements.⁴ DP&L even goes so far as to state that the “Commission should conclude that DP&L is in compliance with its rules, and there is thus no basis for the Commission to order additional enhancements.”⁵ But the Commission rules are not the only place to find requirements that are placed on utilities.

Ohio Revised Code (R.C.) Section 4928.02 lays out state policies, as they relate to the competitive electric market. Several of the policies, voted into law by the Ohio General Assembly, address the importance of support for the development of a functioning marketplace, including:

- Ensuring availability of comparable retail electric services, providing customers with options they may need
- Ensuring diversity of supplies and suppliers
- Giving customers effective choices
- Encouraging innovation and market access
- Encouraging cost-effective and efficient access to information
- Recognizing the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment

There is absolutely a “basis” for the Commission to order enhancements that would benefit the competitive retail market.

Furthermore, DER notes that DP&L has not proposed that the enhancement implementation process would be managed by the CRES providers, even though DP&L asks that such providers bear the costs. It would be unreasonable for such an outcome to be considered. The entity in charge of effectuating changes controls quality, timing, and cost. If

⁴ DP&L Initial Brief, at pg. 100.

⁵ DP&L Initial Brief, at 100.

DP&L were to have such control, it must also bear at least a substantial portion of the resultant costs. Noting that DP&L's systems still do not support meaningful retail competition after more than a decade of deregulation,⁶ the Commission should not only order DP&L to bear such costs but should establish a clear time schedule for functioning changes to be in place.

Finally, if the Commission determines that any part of the expense of competitive enhancements should be borne by CRES providers, it should also address how those expenses should be shared among the providers. Because the vast majority of the switched load in DP&L's territory is served by DP&L's affiliated CRES provider, it is critical that any cost sharing be based upon actual load served. It might be easier, and thus tempting, to charge an even amount per supplier operating in the territory. But, for a supplier with only a small share of the market, such an increase in the expense of operation would likely result in a decision to exit the market.

In addition, the allocation would have to be adjusted periodically, so that new entrants to the competitive market also pay their share. Without such regular updates, the pre-existing CRES providers would carry the burden for newer providers, resulting in a competitive advantage for those new entrants.

In order for the imposition of additional costs not to have a deleterious impact on the retail market, the sharing of costs among suppliers must be done over time and must be based on the then-current market share of then-existing suppliers.

III. WHOLESALE MARKET IMPACTS

DP&L's proposed ESP also negatively – and needlessly – impacts the wholesale market in Ohio. According to DP&L, it is a “rapid” transition to market for it not to reach 100%

⁶ DER Ex. 1, *passim*.

competitive pricing for retail service until June 1, 2016, more than three years from now.⁷ And it demands this lengthy transition in spite of the fact the competitive generation service was deregulated with the passage of Senate Bill 3 in 1999.

DECAM participates in the wholesale auctions that are currently held by other utilities around the state, as do several other wholesale market participants. DP&L, by itself, is already the smallest utility service territory by load, and the amount of load proposed by DP&L to be served competitively pales in comparison to the FirstEnergy and Duke Energy Ohio utilities' auction-based loads. Without the possibility of serving a not-insubstantial load, it is reasonable to conclude that many of those wholesalers would not find it worth the cost to participate. The result, with fewer bidders, would be higher prices.

DP&L argues that it needs to serve this group of customers to support its financial integrity, but this is an illogical argument. DP&L has also proposed nonbypassable charges to support its financial integrity, and such charges result in DP&L being indifferent to the standard service offer load being served competitively.

DP&L's argument is indisputably contrary to the legislatively determined state policies.⁸

IV. CONCLUSION

DER and DECAM respectfully request that the Commission modify DP&L's proposed ESP to place the costs of retail enhancements on DP&L or, alternatively, to require allocation of any CRES provider funded enhancement costs on the basis of load served, and to require an immediate shift to 100 percent auction-based pricing for DP&L's standard service offer of competitive retail electric service.

⁷ DP&L Initial Brief, at pg. 63.

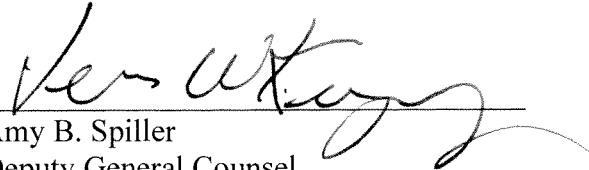
⁸ R.C. 4928.02.

Respectfully submitted,

DUKE ENERGY RETAIL SALES, LLC

and

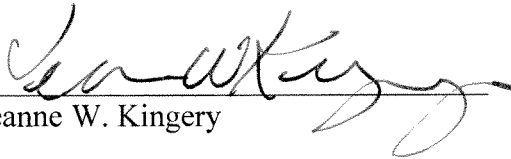
DUKE ENERGY COMMERCIAL ASSET
MANAGEMENT, INC.

A handwritten signature in black ink, appearing to read "Amy B. Spiller", written over a horizontal line.

Amy B. Spiller
Deputy General Counsel
Jeanne W. Kingery
Associate General Counsel
139 East Fourth Street
1303-Main
Cincinnati, Ohio 45202
(513) 287-4359 (telephone)
Amy.Spiller@duke-energy.com
Jeanne.Kingery@duke-energy.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 5th day of June, 2013, by U.S. mail, postage prepaid, or electronic mail, upon the persons listed below.


Jeanne W. Kingery

Judi L. Sobecki
The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432
Judi.sobecki@dplinc.com

Counsel for The Dayton Power and Light
Company

William L. Wright
Thomas McNamee
Devin Parram
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, Ohio 43215
william.wright@puc.state.oh.us
thomas.mcnamee@puc.state.oh.us
devin.parram@puc.state.oh.us

Counsel for PUCO Commission Staff

Matthew W. Warnock
J. Thomas Siwo
Bricker & Eckler LLP
100 South Third Street
Columbus, Ohio 43215
mwarnock@bricker.com
tsiwo@bricker.com

Counsel for OMA Energy Group

M. Anthony Long
Senior Assistant Counsel
Honda of America Mfg., Inc.
24000 Honda Parkway
Marysville, Ohio 43040
Tony_Long@ham.honda.com

Counsel for Honda of America MFG, Inc.

Samuel C. Randazzo
Joseph E. Olikier
Frank P. Darr
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
sam@mwncmh.com
joliker@mwncmh.com
fdarr@mwncmh.com
mpritchard@mwncmh.com

Counsel for Industrial Energy Users-Ohio

Jay E. Jadwin
American Electric Service
Corporation
155 Nationwide Blvd. Suite 500
Columbus, Ohio 43215
jejadwin@aep.com

Counsel for AEP Retail Energy Partners
LLC

Thomas J. O'Brien
Bricker & Eckler LLC
100 South Third Street
Columbus, Ohio 43215-4291
tobrien@bricker.com

Counsel for Ohio Hospital Association

Mark Hayden
First Energy Service Corp.
76 South Main Street
Akron, Ohio 43308-1890
haydenm@firstenergycorp.com

Counsel for FirstEnergy Solutions Corp.

Charles J. Faruki
Jeffrey S. Sharkey
Faruki, Ireland and Cox PLL
500 Courthouse Plaza. S.W.
10 North Ludlow Street
Dayton, Ohio 45402
cfaruki@ficlaw.com

Counsel for The Dayton Power and Light
Company

David F. Boehm, Esq.
Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
dboehm@BKLawfirm.com
mkurtz@BKLawfirm.com

Counsel for Ohio Energy Group

M. Howard Petricoff
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
P. O. Box 1008
Columbus, Ohio 43216-1008
mhpetricoff@vorys.com

Counsel for Exelon Generation Company,
LLC; Exelon Energy Company, Inc.;
Constellation Energy Commodities
Group, Inc.; and Constellation NewEnergy,
Inc.

Ellis Jacobs
Advocates for Basic Legal Equality, Inc.
333 W. First Street, Suite 500B
Dayton, OH 45402
ejacobs@ablelaw.org

Counsel for Edgemont

Stephanie M. Chmiel
Michael L. Dillard
THOMPSON HINE LLP
41 S. High Street, Suite 1700
Columbus, OH 43215
Stephanie.Chmiel@ThompsonHine.com
Michael.Dillard@ThompsonHine.com

Counsel for Border Energy Electric
Services, Inc.

Joseph M. Clark
Counsel of Record
6641 North High Street, Suite 200
Worthington, OH 43085
joseph.clark@directenergy.com

Asim Z. Haque
Christopher L. Miller
Gregory J. Dunn
Alan G. Starkoff
Ice Miller LLP
250 West Street
Columbus, Ohio 43215

Asim.Haque@icemiller.com
christopher.miller@icemiller.com
gregory.dunn@icemiller.com
Alan.starkoff@icemiller.com

Counsel for Direct Energy Services, LLC
and Direct Energy Business, LLC

Trent A. Dougherty, Counsel of Record
Cathryn N. Loucas
Ohio Environmental Council
1207 Grandview Avenue, Suite 201
Columbus, Ohio 43212-3449
trent@theoec.org
cathy@theoec.org

Counsel for the OEC

James F. Lang
Laura C. McBride
N. Trevor Alexander
CALFEE, HALTER & GRISWOLD LLP
1400 KeyBank Center
800 Superior Ave,
Cleveland, OH 44114
jlang@calfee.com
lmcbride@calfee.com
tallexander@calfee.com

Richard L. Sites
General Counsel & Senior Director of
Health Policy
155 East Broad Street, 15th Floor
Columbus, OH 43215-3620
ricks@ohanet.org

Counsel for Ohio Hospital Association

M. Howard Petricoff
Stephen M. Howard
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
P. O. Box 1008
Columbus, Ohio 43216-1008
mhpetricoff@vorys.com
smhoward@vorys.com

Counsel for the Retail Energy Supply
Association

Maureen R. Grady
Melissa R. Yost
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
grady@occ.state.oh.us
yost@occ.state.oh.us

Counsel for The OCC

Colleen Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, Ohio 45839-1793
Cmooney2@columbusrr.com

Counsel for Ohio Partners for Affordable
Energy

Mark S. Yurick
Zachary D. Kravitz
Taft Stettinius & Hollister LLP
65 East State Street, Suite 1000
Columbus, Ohio 43215
myurick@taftlaw.com
zkravitz@taftlaw.com

Counsel for The Kroger Co.

Gregory J. Poulos
EnerNOC, Inc.
471 E. Broad Street
Columbus, Ohio 43215
gpoulos@enernoc.com

Counsel for EnerNOC, Inc.

Mark A. Whitt
Andrew J. Campbell
Whitt Sturtevant LLP
PNC Plaza, Suite 2020
155 East Broad Street
Columbus, Ohio 43215
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com

Vincent Parisi
Matthew White
Interstate Gas Supply, Inc.
6100 Emerald Parkway
Dublin, Ohio 43016
vparisi@igsenergy.com
mwhite@igsenergy.com

Counsel for Interstate Gas Supply, Inc.

Steven M. Sherman
Joshua D. Hague
Krieg DeVault LLP
One Indiana Square, Suite 2700
Indianapolis, Indiana 46204-2079
ssherman@kdlegal.com
jhague@kdlegal.com

Counsel for Wal-Mart Stores East, LP and
Sam's East, Inc.

Christopher L. Miller
Gregory H. Dunn
Asim Z. Haque
Ice Miller LLP
250 West Street
Columbus, OH 43215

Christopher.Miller@icemiller.com
Gregory.Dunn@icemiller.com
Asim.Haque@icemiller.com

Counsel for the City of Dayton, Ohio

Kimberly W. Bojko
Joel E. Sechler
Carpenter Lipps & Leiand LLP
280 Plaza, Suite 1300
280 North High Street
Columbus, Ohio 43215

Bojko@carpenterlipps.com

Attorneys for SolarVision, LLC

Christopher C. Thompson
USAF Utility Law Field Support Center
139 Barnes Drive, Suite 1
Tyndall AFB FL 32403-5319
chris.thompson.2@tyndall.af.mil

Attorney for FEA

Elizabeth H. Watts
Rocco O. D'Ascenzo
Duke Energy Business Services
155 East Broad Street
Columbus, OH 43215
Elizabeth.Watts@duke-energy.com
Rocco.D'ascenzo@duke-energy.com

Counsel for Duke Energy Ohio, Inc.

Scott C. Solberg
Eimer Stahl LLP
224 South Michigan Avenue, Suite 1100
Chicago, IL 60604
Ssolberg@eimerstahl.com

Counsel for Exelon Generation Company,
LLC