***OCC EXHIBIT\_\_\_\_\_\_\_***

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
| --- | --- | --- |
| In the Matter of the Application of TheDayton Power and Light Company forApproval of its Market Rate Offer.In the Matter of the Application of TheDayton Power and Light Company forApproval of Revised Tariffs.In the Matter of the Application of TheDayton Power and Light Company forApproval of Certain Accounting Authority.In the Matter of the Application of TheDayton Power and Light Company forWaiver of Certain Commission Rules.In the Matter of the Application of TheDayton Power and Light Company toEstablish Tariff Riders. | ))))))))))))))) | Case No. 12-426-EL-SSOCase No. 12-427-EL-ATACase No. 12-428-EL-AAMCase No. 12-429-EL-WVRCase No. 12-672-EL-RDR |

**DIRECT TESTIMONY**

**OF**

**JAMES D. WILLIAMS**

**On Behalf of**

**The Office of the Ohio Consumers' Counsel**

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***March 1, 2013***

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**ATTACHMENTS**

JDW-1 List of Previous Testimony Filed at the PUCO by James Williams

JDW-2 DP&L Response to OCC Interrogatory No. 75

JDW-3 DP&L Response to OCC Interrogatory No. 86

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# I. INTRODUCTION

***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.***

***A1.*** My name is James D. Williams. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio Consumers’ Counsel (“OCC”) as a Senior Consumer Protection Research Analyst.

***Q2. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.***

***A2.*** I am a 1994 graduate of Webster University, in St. Louis, Missouri, with a Master’s in Business Administration, and a 1978 graduate of Franklin University, in Columbus, Ohio, with a Bachelor of Science, Engineering Technology. My professional experience includes a career in the Air Force and over 17 years of utility regulatory experience with the OCC.

Initially, I served as a compliance specialist with the OCC and my duties included the development of compliance programs for electric, natural gas and water industries. Later, I was appointed to manage all of the agency compliance specialists who were developing compliance programs in each of the utility industries. After six years, my role evolved into the management of the OCC consumer hotline, the direct service provided to consumers to resolve complaints and inquiries that involve Ohio utilities.

My position has since evolved into the Senior Consumer Protection Research Analyst. In this capacity, I am responsible for researching and recommending positions on a host of policy issues that affect residential consumers. I have been directly involved in the development of comments in various rulemaking proceedings at the Public Utilities Commission of Ohio (“PUCO” or “the Commission”) and the Ohio Development Services Agency (“ODSA”) advocating consumer protections, utility service affordability, and the provision of reasonable access to essential utility services for residential consumers. I represent the OCC on the Consumer Protection Subcommittee of the National Association of State Utility Consumer Advocates (“NASUCA”) and have participated in the development of policy positions in that organization, including efforts to reduce disconnections, improve customer privacy, and reducing charges for paying utility bills.

Specifically related to this proceeding, my experience has involved helping formulate OCC positions in rulemakings on the subject of the Disconnection of Natural Gas, or Electric Service for Residential Customers, set forth in Ohio Admin. Code 4901:1-18 and the electric Percentage of Income Payment Plan Plus (“PIPP Plus”) rules set forth in Ohio Admin. Code 122:5-3. I represent the OCC on the Public Benefits Advisory Board (“PBAB”), a state mandated body that advises policy makers on low-income assistance matters.

***Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED BEFORE THIS COMMISSION?***

***A3.*** Yes. The cases in which I have submitted testimony and/or have testified before the Commission can be found in attachment JDW-1.

# II. PURPOSE OF MY TESTIMONY

***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

***A4****.* I am providing testimony on behalf of OCC and recommending that the Commission consider customer bill affordability prior to approving any aspect of the proposed Standard Service Offer (“SSO”) that impacts the amount of the electric bills for residential customers of Dayton Power and Light (“DP&L” or “the Utility”).

***Q5. WHAT ARE YOUR GENERAL RECOMMENDATIONS?***

***A5.*** I recommend that the Commission initiate a review of credit and collection policies and practices to examine ways to reduce the high number of disconnections being experienced by DP&L residential customers while keeping rates affordable. I also recommend additional bill payment assistance funding for residential customers.

***Q6.*** ***PLEASE SUMMARIZE YOUR QUALIFICATIONS IN REGARD TO ADDRESSING UTILITY SERVICE AFFORDABILITY ISSUES.***

***A6.*** I routinely review and analyze pleadings filed by the utilities concerning various customer service matters including the impact that rate changes will have on residential consumers. In addition***,*** I review reports such as the Ohio Poverty Report, U.S. Census Bureau reports, reports concerning the Low-Income Home Energy Assistance Program (“LIHEAP”), reports related to utility service affordability, and employment data from the Bureau of Labor Statistics (“BLS”) concerning the level of poverty and unemployment in the state. I also review reports from organizations such as the National Consumer Law Center (“NCLC”) related to utility affordability for at-risk populations including, but not limited to low-income Ohioans, the elderly, and those with medical needs.

# iii. AFFORDABILITY OF RETAIL ELECTRIC SERVICE

***Q7. DOES OHIO POLICY ADDRESS AFFORDABILITY IN REGARDS TO THE PRICE OF ELECTRICITY?***

***A7.*** Yes.

***Q8. WHAT IS OHIO POLICY REGARDING AFFORDABILITY OF ELECTRICITY?***

***A8.*** It is my understanding that R.C.4928.02(A) and (L), set forth the State policy concerning reasonably priced retail electric service:

(A) *Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and* ***reasonably priced*** *retail electric service; (Emphasis added.)*

and

1. ***Protect[ing] at-risk populations****, including, but not limited to, when considering implementation of any new advanced energy or renewable energy resources; (Emphasis added)*

Based on my understanding of this language, I recommend that the Commission advance the policy of the state (described above) by considering affordability of DP&L’s current electric rates when rendering its decision on the Application to establish an Electric Security Plan (“ESP”) in this case.

***Q9. WHAT IMPACT WOULD THE ESTABLISHMENT OF A NEW ELECTRIC SECURITY PLAN HAVE ON THE AFFORDABILITY OF RETAIL ELECTRIC SERVICE FOR RESIDENTIAL CUSTOMERS?***

***A9.*** As can be seen on Table 1 below, a significant number of DP&L residential customers are currently struggling to afford electric service under the existing Electric Security Plan (“ESP”) rates.[[1]](#footnote-1) Any proposed modification in the ensuing ESP rates that does not reduce the current rates or results in higher electric bills for DP&L’s residential customers will have a negative financial impact on them. Table 1 provides a summary based on PUCO and other 2011/ 2012 data of the number of residential customers who were disconnected for non-payment, customers on the low-income PIPP Plus, and the average number of customers on a monthly basis who were on a Commission-ordered payment plan. I consider these customers to be part of the at-risk population that R.C. 4928.02(L) specifically mentions.

**Table 1: DP&L Disconnections and Payment Plans**

|  |  |  |
| --- | --- | --- |
| **Description** | **Total (2012)** | **Percentage** |
| Disconnections for Non-payment[[2]](#footnote-2) | 34,389 | 7.5 |
| Number of Customers on PIPP Plus[[3]](#footnote-3) | 35,715 | 7.8 |
| Number of Customers on Payment Plans[[4]](#footnote-4) | 22,701/78,502[[5]](#footnote-5) | 17.3 |

Table 1 indicates that 34,389 residential customers of DP&L were disconnected for non-payment in 2012. In addition to the disconnections, another 35,715 (7.8 percent) of DP&L’s residential customers participated in the specialized PIPP Plus payment program in 2012. This is an increase of 1,670 customers from 2011. Finally, an additional 22,701 (5.0 percent) of DP&L’s residential customers were on other Commission-ordered payment plans during an average month in 2012 in an effort to avoid disconnection of service.[[6]](#footnote-6) Customers who have household incomes that exceed the PIPP guidelines are eligible to apply for other payment plans such as the one-ninth, one-sixth, and one-third payment plans set forth in Ohio Admin. Code 4901:1-18-05(B).

In order to qualify for these payment plans, customers must contact the utility and establish an inability to pay the bill and a desire to avoid further delinquency.[[7]](#footnote-7) There were a total of 78,502 customers on Commission-ordered payment plans in 2012.

Thus, approximately 32.6 percent of the total number of residential customers served by DP&L (up to 148,606 of the approximate 456,000 residential customers) were struggling or were unable to pay their electric bills in 2012. While there might be several reasons, including the sluggish recovery of the local economy, that result in customers struggling to pay electric bills, the numbers show the magnitude of the problem that customers are having to afford their electric service.[[8]](#footnote-8) The Commission approves the rates that DP&L charges its customers. The large number of customers struggling to make payment demonstrates the importance of affordability as a factor that the Commission should consider in rendering its decision on the proposed SSO in this case. To the extent that the proposed SSO does not result in major rate reductions for residential customers, then electric service is likely to continue to be unaffordable for many residential customers. Such a result would not advance the policies of the state, as discussed above.

***Q10. DOES ENROLLMENT ON Percentage of Income Payment Plan Plus ELIMINATE THE AFFORDABILITY CONCERNS FOR LOW-INCOME CONSUMERS?***

***A10.*** No.

***Q11. PLEASE EXPLAIN WHY THE AVAILABILITY OF THE Percentage of Income Payment Plan Plus Program DOES NOT ELIMINATE THE AFFORDABILITY CONCERNS FOR LOW-INCOME CONSUMERS?***

***A11.*** To qualify for PIPP Plus, customers must have a household income not exceeding 150 percent of the Federal Poverty Guidelines.[[9]](#footnote-9) In the PIPP Plus program, rather than paying the entire actual bill, PIPP Plus customers pay 6 percent of their monthly household income (or ten percent if their home is an all-electric dwelling) as a payment for their electric service, and the difference from the actual bill accrues as an arrearage for the customers.[[10]](#footnote-10) Customers are financially responsible for these arrearages; however, there are provisions for credits towards the arrearages if payments are made in-full and on-time.[[11]](#footnote-11)

Although PIPP Plus customers pay a percentage of their household income for electric service, rather than the actual bill, they are still financially responsible for the entire electric bill. Therefore, PIPP Plus can be an effective payment plan for the lowest-income customers, but is not necessarily the most effective payment plan for all at-risk low-income consumers. For example, a family of four with a household income at 150 percent poverty qualifies for PIPP, but the installment payment amount of $167.63[[12]](#footnote-12) per month would exceed the average DP&L PIPP Plus electric bill of $132 in 2012.[[13]](#footnote-13)

***Q12. HOW HAS THE AFFORDABILITY OF DP&L SERVICE CHANGED OVER THE LAST SIX YEARS?***

***A12.*** Table 2 below provides a comparison of the average residential bill amount, number of PIPP customers, number of PIPP disconnections, average disconnection amounts and arrearages, customers reconnected using the Commission winter reconnection procedures, and number of customers on extended payment plans from 2012 with comparable 2007 data.

**Table 2: Comparison of Affordability Data (2007 – 2012)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **2007** | **2012** | **Percentage****Increase** |
| Average Residential Customer Monthly Bill[[14]](#footnote-14) |  $95 |  $113 | 18.9 |
| PIPP Customers Disconnected [[15]](#footnote-15) |  2,648 |  5,023 | 90.0 |
| Customers Reconnected using Special Winter Order[[16]](#footnote-16) |  1,785 |  4,286 | 140.1 |
| Average Disconnection Amount[[17]](#footnote-17) |  $375 |  $469 | 25.0 |
| Average Amount Owed on Disconnection Notice[[18]](#footnote-18) |  $192 |  $272 | 41.7 |
| Average Arrearages Owed for more than 60 Days[[19]](#footnote-19) |  $410 |  $447 | 9.0 |
| Number of Customers on PIPP Plus[[20]](#footnote-20) |  21,242 |  35,715 | 68.1 |
| Number of Customers on Payment Plan[[21]](#footnote-21) |  76,367 |  78,502 | 2.8 |

Table 2 above demonstrates that the average DP&L residential bill has increased by approximately 19 percent over the last six years. As shown later in my testimony, DP&L’s residential customers went from paying electric bills that were below the average Ohio electric bill in 2008 to paying one of the highest average electric bills in the state today. Along with that increase there has been a 90 percent increase in the number of PIPP customers being disconnected for non-payment – a strong indicator that at-risk residential customers are not being protected. Furthermore, there has been a 140 percent increase in the number of customers who needed the special Commission winter reconnection procedures to have services reconnected during the winter months. The amounts owed at the time of disconnection have also increased by 25 percent on average and arrearage amounts have grown by 41 percent. Enrollment on the PIPP Plus program has grown by 68.1 percent. A 2.8 percent increase occurred in the number of customers who enrolled on Commission-ordered payment plans.

***Q13. DOES THE UNAFFORDABILITY OF ELECTRIC SERVICE RATES NEGATIVELY IMPACT RESIDENTIAL CONSUMERS?***

***A13.*** Yes it does.

***Q14. PLEASE DESCRIBE HOW THE UNAFFORDABILITY OF ELECTRIC SERVICE RATES CAN NEGATIVELY IMPACT RESIDENTIAL CONSUMERS?***

***A14.*** Unaffordable electric rates can lead to a loss of service. There can be serious health and safety concerns when residential customers lose access to electricity.[[22]](#footnote-22) This is especially true for disconnected customers who have young children, disabled, ill, or elderly living in the home.[[23]](#footnote-23) I am familiar with reports that conclude that *exposure to heat and cold kills thousands of people prematurely in the United States each year*.[[24]](#footnote-24) Even though PUCO data shows that in 2012, medical professionals certified that it would be especially dangerous to the health of 6,316[[25]](#footnote-25) DP&L customers if electric services were disconnected, there may have been even more people with the need for this protection. This is because there are limits on the number of medical certifications available per household and the duration of time in which medical certifications can be used.[[26]](#footnote-26)

Further demonstrating the health and safety concerns for the ***at-risk*** residential customers, approximately 34.4 percent of the medical certifications that were used in 2012 involved low-income PIPP customers. However, approximately 7.9 percent of DP&L customers are on the PIPP program. Therefore, a clear disparity exists in the need for medical certifications by the lowest income DP&L customers to prevent service disconnection. Affordable electric service promotes public health to the extent that customers are able to adequately heat their homes in the winter and cool homes in the summer.[[27]](#footnote-27)

***Q15. PLEASE DESCRIBE OTHER WAYS THAT UNAFFORDABILITY OF ELECTRIC SERVICE RATES CAN NEGATIVELY IMPACT RESIDENTIAL CONSUMERS?***

***A15.*** In addition to the health and safety issues discussed above, unaffordable electric service harms customers in financial ways that make maintaining utility service all the more difficult. For example, residential customers in the DP&L service territory are subject to a delayed payment charge[[28]](#footnote-28) of 1.5 percent per month if the bill is not paid by the due date. Between 2010 and 2012, residential customers paid $10,283,015 in delayed payment charges that could have been avoided if customers were able to pay their electric bill on time.[[29]](#footnote-29) In addition, customers who are behind in payments or are disconnected for non-payment can be assessed an additional security deposit to reestablish creditworthiness.[[30]](#footnote-30) These security deposits can be expensive (130 percent of the average annual monthly bill)[[31]](#footnote-31) and average $148.00 for DP&L residential consumers.[[32]](#footnote-32) For customers whose service was disconnected for non-payment, this security deposit can be another impediment to re-establishing service or may extend the time of disconnection.

In fact, deposit amounts have increased by 37 percent in just the last six years.[[33]](#footnote-33) In 2012, DP&L customers paid approximately $5,000,000 dollars in deposits to establish or reestablish creditworthiness.[[34]](#footnote-34) DP&L does not separately track if deposits are being collected to initiate, maintain, or as a condition to reconnect service.[[35]](#footnote-35) Furthermore, customers who are disconnected for non-payment are required to pay reconnection charges[[36]](#footnote-36) before service is restored. For the period 2010 through 2012, DP&L’s residential customers who were disconnected for non-payment paid approximately $1,623,154 in reconnection charges to have services restored.[[37]](#footnote-37) The bottom line is that the charges and fees associated with having services restored following a disconnection can be cost prohibitive for many consumers.

***Q16. ARE EXTRA CHARGES COLLECTED FOR PAYING BILLS FOR RESIDENTIAL CUSTOMERS?***

***A16.*** Yes.

***Q 17 WHAT ARE THE EXTRA CHARGES COLLECTED FOR PAYING BILLS FOR RESIDENTIAL CONSUMERS?***

***A17.*** Customers who pay the electric bill in person at an authorized agent are also subject to a $1.50 charge for making the payment.[[38]](#footnote-38) In 2012 alone, 341,272 payments were made at authorized agents[[39]](#footnote-39) at a total cost to residential consumers of approximately $511,908. Bill payments that are made electronically via credit card or electronic checks are subject to charges of $2.95 per payment.[[40]](#footnote-40) In 2012, 982,987 payments were made via credit card or electronic checks[[41]](#footnote-41) at a cost to customers of $2,899,812.[[42]](#footnote-42) These charges are often referred to as “convenience” fees and the Commission has not approved the level of the charge.

***Q18. DO THESE EXTRA CHARGES COLLECTED FOR PAYING BILLS CONTRIBUTE TO THE UNAFFORDABILITY OF ELECTRIC SERVICE RATES FOR RESIDENTIAL CONSUMERS?***

***A18.*** Each of these costs, which are often incurred by at-risk customers, has a negative impact on the affordability of electric service for residential customers. Based on research of the impact that the charges have on low-income customers and customers struggling financially due to illness, layoffs, and other reasons, the NASUCA recently sponsored a resolution urging the elimination of convenience fees for paying utility bills with debit and credit cards.[[43]](#footnote-43)

***Q19. HOW DOES THE DP&L DISCONNECTION DATA COMPARE WITH THE DISCONNECTION DATA OF OTHER OHIO ELECTRIC UTILITIES FOR 2012?***

***A19.*** Table 3 below provides a comparison of the DP&L disconnection data that was presented earlier with similar disconnection data involving other large Ohio electric utilities. Although DP&L is one of the smallest of the EDU’s operating in Ohio, DP&L has the largest percentage of customers being disconnected for non-payment, on payment plans, and defaulting on payment plans when compared to the data regarding residential customers of the other Ohio utilities.

**Table 3: Comparison of Electric Utility Disconnection and Payment Plan Data[[44]](#footnote-44) (2012)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Utility[[45]](#footnote-45)** | **Number of Customers** | **Number of Disconnections** | **Percentage of Customers Disconnected** | **Customers on Extended Payment Plans** | **Percentage of Customers on Extended Payment Plans** | **Total Defaults on Payment Plans** | **Percentage ofCustomer Defaults** |
| **DP&L** | 455,890 | 34,389[[46]](#footnote-46) | 7.5 | 22,701 | 5.0 | 7,382 | 32.5 |
| **CSP** | 674,006 | 45,969 | 6.8 | 24,761 | 3.7 | 2,003 | 8.1 |
| **OPCo.** | 605,446 | 37,718 | 6.2 | 16,767 | 2.8 | 1,242 | 7.4 |
| **OE** | 918,372 | 46,558 | 5.1 | 30,516 | 3.3 | 9,434 | 30.9 |
| **TE** | 271,999 | 9,508 | 3.5 | 10,930 | 4.0 | 2,002 | 18.3 |
| **CEI** | 660,757 | 17,169 | 2.6 | 20,720 | 3.1 | 4,142 | 20.0 |

As shown in Table 3 above, the residential customers of DP&L are far more likely to be disconnected for non-payment than customers of the other electric utilities. Whereas approximately 7.5 percent of all DP&L customers were disconnected in 2012, disconnections for other electric utilities averaged 4.8 percent. Even though DP&L has approximately 205,000 fewer residential customers compared to CEI, DP&L disconnected over twice the number of residential customers disconnected by CEI in 2012. In addition, whereas 32.5 percent of DP&L customers who were on extended payment plans defaulted on payments, the average default rate for the other Ohio electric utilities was only 16.94 percent. The high disconnection rates for residential customers of DP&L -- when compared with disconnection rates for residential customers of the other electric utilities -- leaves little doubt about the unaffordable nature of DP&L’s electric service.

***Q20. IS THE HIGH PERCENTAGE OF DP&L CUSTOMERS THAT WERE DISCONNECTED IN 2012 ISOLATED TO JUST A SINGLE YEAR?***

***A20.*** Unfortunately the high percentage of DP&L customers that were disconnected in 2012 is not unique to that year. Ohio Revised Code 4933.123 requires each energy company to file a written report with the PUCO and provide the OCC an annual report that includes among other requirements, reporting of the total number of disconnections for non-payment for the period June 1st though May 31st of the following year.[[47]](#footnote-47) I have summarized the number of disconnections that were reported by the different electric utilities for the last three years as shown in Table 4.

**Table 4: Comparison of State Disconnection Numbers (Electric Utilities[[48]](#footnote-48))**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Case No.** | **DP&L** | **AEP** **Ohio** | **CEI** | **OE** | **TE** | **Total** |
| **10-1222-GE-UNC**6/1/2009 –5/31/2010 | 40,640 | 87,162[[49]](#footnote-49) | 22,310 | 48,876 | 10,446 | 209,434 |
| **11-2682-GE-UNC**6/1/2010 – 5/31/2011 | 35,744 | 68,526[[50]](#footnote-50) | 25,067 | 48,069 | 9,971 | 187,377 |
| **12-1449-GE-UNC**6/1/2011 – 5/31/2012 | 36,996 | 110,224 | 19,622 | 47,559 | 9,975 | 224,376 |
| **Avg. # Customers[[51]](#footnote-51)** | **455,981** | **1,273,457** | **662,430** | **919,447** | **272,339** | **3,583,654** |
| Current Disconnection Rate | 8.1% | 8.6% | 3.0% | 5.2% | 3.7% | 6.3% |
| Disconnection Rate Change from 2011 | .3% | 3.2% | -.8% | -.06% | - | 1.1% |
| 3 Year Average Disconnection Rate | 8.3% | 7.0% | 3.4% | 5.2% | 3.7% | 5.8% |

The number of DP&L disconnections in the most recent reporting period (June 1, 2011 – May 31, 2012) was 36,996 representing a disconnection rate of 8.1 percent. AEP Ohio had a slightly higher disconnection rate of 8.6% for the period. The disconnection rate for the other electric utilities varied from 3 percent to 5.2 percent. However, in reviewing the number of disconnections over a three-year period, I observed that the DP&L disconnections are a much higher percentage of total customers than the other Ohio electric utilities. I calculated a disconnection rate of 8.3 percent for DP&L which was significantly higher than any of the other Ohio electric utilities which averaged together was approximately 4.8 percent.

***Q21. DOES THE HIGH POVERTY LEVEL IN DAYTON EXPLAIN WHY DP&L HAS SUCH EXTRAORDINARILY HIGH DISCONNECTION RATES?***

***A21.*** While it may be true that Dayton has a poverty level of 32.5 percent, other Ohio electric utilities provide service in cities that have poverty levels that exceed Dayton; yet the disconnection numbers are not close to DP&L.[[52]](#footnote-52) For example, the poverty level in Cleveland[[53]](#footnote-53) is 32.6 percent. Even with a Cleveland population that is 177 percent greater[[54]](#footnote-54) than Dayton, the CEI disconnection rate is 2.6 percent. The poverty level in Youngstown[[55]](#footnote-55) is 33.8 percent; yet the Ohio Edison disconnection rate is 5.1 percent. The poverty level in Athens[[56]](#footnote-56) is 53.3 percent; yet the Columbus Southern Power disconnection rate is 6.8 percent. Additional economic information is provided later in this testimony. My point is that other Ohio electric utilities operate in areas with high poverty rates and are able to maintain lower disconnection numbers.

***Q22. HOW DOES THE ELECTRIC BILL FOR DP&L RESIDENTIAL CUSTOMERS COMPARE WITH THE ELECTRIC BILL OF CUSTOMERS IN OTHER PARTS OF OHIO (ASSUMING A USAGE OF 750 KWH PER MONTH)?***

***A22.*** According to the PUCO Ohio Utility Rate Survey of January 15, 2013 (attached herein as JDW-17), DP&L residential electric bills are 10.9 percent higher than the average electric bill in the state. An average electric bill across eight Ohio cities was $96.87 assuming usage of 750 KWH. However, DP&L electric bills are $107.42 (the second highest in the state behind Columbus Southern Power) for the same usage. However, DP&L electric bills were 5.8 percent below the average electric bill in the state five years ago. According to the PUCO Ohio Utility Rate Survey of January 15, 2008 (attached herein as JDW-18), a DP&L electric bill with a usage of 750 KWH was $76.98 compared with a state average of $81.45. Electric rates have increased from $0.10 per KWH in 2008 to $0.14 per KWH today in DP&L service territory. Table 5 provides an electric bill comparison from January 2008 with January 2013.

The Ohio Utility Rate Survey reflects the bills based on the rates that have been approved by the PUCO. If the Commission were to approve the DP&L ESP as filed, the bill impact for a residential consumer using 750 KWH is $2.81 per month.[[57]](#footnote-57) The residential bill would increase to $110.23 per month or 13.8 percent higher than the average residential bill in the eight cities included in the survey. However, DP&L has also filed an application to recover storm costs and the projected bill impact is $2.08 per month.[[58]](#footnote-58) The impact of the ESP and the storm cost recovery case could result in a DP&L customer using 750 KWH paying $112.31 per month – almost 16 percent higher than the state average bill.

**Table 5: Ohio Energy Bills – Residential Customers**

**Major Ohio Cities (January 2008 Compared with January 2013)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **January**  | **2008** | **January**  | **2013** |
| **City** | **Electric Bill\*** | **Per KWH** | **Electric Bill\*** | **Per KWH** |
| Akron | $89.43 | $0.12 | $93.53 | $0.12 |
| Canton | $62.97 | $0.08 | $100.33 | $0.13 |
| Cincinnati | $81.57 | $0.11 | $87.07 | $0.12 |
| Cleveland | $83.93 | $0.11 | $91.16 | $0.12 |
| Columbus | $78.56 | $0.10 | $110.33 | $0.15 |
| **Dayton\*\*** | **$76.98** | **$0.10** | **$107.42** | **$0.14** |
| Toledo | $88.69 | $0.12 | $91.57 | $0.12 |
| Youngstown | $89.43 | $0.12 | $93.53 | $0.12 |
| Average | $81.45 | $0.11 | $96.87 | $0.13 |

\* Assumed 750KWH

\*\* Emphasis added.

***Q23. DOES THE ECONOMY IN THE DP&L SERVICE TERRITORY CONTRIBUTE TO CONCERNS ABOUT ELECTRIC AFFORDABILITY?***

***A23.*** Yes.

***Q24. HOW DO THE ECONOMIC CONDITIONS IN THE DP&L SERVICE TERRITORY CONTRIBUTE TO CONCERNS ABOUT ELECTRIC AFFORDABILITY?***

***A24.*** The Ohio poverty level is 14.8 percent which is higher than the national average poverty level of 14.3 percent.[[59]](#footnote-59) The poverty level in the DP&L service territory is even higher than the Ohio average. For example, the poverty level in Montgomery County is 16.0 percent.[[60]](#footnote-60) The poverty level in the city of Dayton is 32.5 percent.[[61]](#footnote-61) Making matters even worse, the unemployment levels in some parts of DP&L’s service territory are above the state unemployment levels. Table 6 provides comparative economic information for parts of the DP&L service territory.[[62]](#footnote-62) In addition, Table 6 provides information on the percentage of income that median income households in different locations across the DP&L service territory spend on electric service. A customer served by DP&L with a median household income of $48,071 spends approximately 2.7 percent of their income on electric service. However, a customer in the city of Dayton with a median household income of $28,843 spends approximately 4.4 percent of their annual income on electric costs.

**Table 6: Comparison of Economic Information**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Location** | **Persons Below Poverty (Percentage)[[63]](#footnote-63)** | **Unemployment Level 2010 (Percentage)[[64]](#footnote-64)** | **Median Household Income[[65]](#footnote-65)** | **Electric Costs as a Percentage of Annual Income[[66]](#footnote-66)** |
| United States | 14.3 | 8.9 | $52,762 | - |
| Ohio | 14.8 | 10.1 | $48,071 | 2.7 |
| Dayton | 32.5 | 10.7[[67]](#footnote-67) | $28,843 | 4.5 |
| Fayette County[[68]](#footnote-68) | 18.5 | 11.5 | $39,263 | 3.3 |
| Montgomery County | 16.0 | 11.1 | $44,585 | 2.9 |
| Clinton County[[69]](#footnote-69) | 14.8 | 16.4 | $47,264 | 2.7 |

***Q25. SHOULD DP&L’S FINANCIAL PERFORMANCE OVER THE LAST SEVERAL YEARS BE CONSIDERED IN REGARD TO THE AFFORDABILITY OF THE RATES IN DP&L’S PROPOSED ELECTRIC SECURITY PLAN?***

***A25.*** This issue is addressed in the testimony of OCC Witness, Dr. Daniel J. Duann.

# IV. RECOMMENDATIONS

***Q26. DO YOU HAVE ANY RECOMMENDATIONS FOR HOW YOUR AFFORDABILITY CONCERNS CAN BE ADDRESSED BY THE COMMISSION?***

***A26.*** Yes.

***Q27. WHAT ARE YOUR RECOMMENDATIONS FOR HOW AFFORDABILITY CONCERNS CAN BE ADDRESSED BY THE COMMISSION?***

***A27.*** I recommend that the Commission consider affordability in rendering a decision in this case. Consideration of affordability should include a review into the credit and collection policies and practices of DP&L to seek ways to reduce the overall number of disconnections for non-payment. While many of these policies are governed by the Ohio Admin Code 4901:1-18, these are minimum service standards. The Company can adopt other policies that are more conducive in helping reduce the number of disconnections. A review is necessary to ensure proper balance between the cost-effectiveness of different policies and practices, and the public interest in reducing the number of disconnections. Affordability is not an issue that is confined to just low-income families in the DP&L service territory. In fact, families in Dayton with incomes at the median household income levels do not even qualify for the low-income PIPP Plus program.[[70]](#footnote-70) To the extent these families get behind in electric payments, the Company is only obligated to offer one of the extended payment plans described earlier.

***Q28. PLEASE ELABORATE ON THE SCOPE OF THE REVIEW YOU ARE RECOMMENDING TO REDUCE THE NUMBER OF DISCONNECTIONS?***

***A28.*** I am recommending a review by the PUCO Staff, DP&L, OCC and other interested stakeholders to seek cost effective ways to enhance the current credit and collection policies and practices to reduce disconnections. The review should be performed with full disclosure in an open and public environment.[[71]](#footnote-71) DP&L customers should not be held responsible for complying with classified credit and collection policies and practices in which they have no knowledge.

The review should consider the possibility of suspending disconnections during inclement weather, adjusting due dates when possible, reducing payment plan costs, suspension of delayed payment charges, and reducing bill payment charges. Suspension of disconnections during times of especially hot or cold weather is necessary given the health and safety concerns mentioned earlier. The review should also consider suspending disconnections when temperatures are below 32 degrees or higher than 90 degrees Fahrenheit.[[72]](#footnote-72) Furthermore, the review should include an examination of the effectiveness of medical certifications for customers who have chronic illnesses.[[73]](#footnote-73)

The high number of customers who default on payment plans indicates that more customized payment plans may be needed to help reduce the number of defaults. Customized payment plans might include lower out-of pocket upfront payments and/or the use of ceiling amounts so that customers who are not eligible for PIPP Plus are able to pay an amount not to exceed say 5 percent of their monthly income[[74]](#footnote-74) to maintain service. Adjusted due dates can help customers, who have fixed incomes, avoid late payment charges by coinciding the due date for electric bill payment with the time during the month that income is available. Limiting additional bill payment charges can help make more resources available for actual payment of electric charges.

***Q29. DO YOU HAVE OTHER RECOMMENDATIONS THAT SHOULD BE CONSIDERED BY THE COMMISSION TO HELP REDUCE THE NUMBER OF RESIDENTIAL CONSUMERS WHO HAVE THEIR ELECTRIC SERVICE DISCONNECTED?***

***A29.*** Yes.

***Q30. WHAT OTHER MEASURES WOULD HELP REDUCE THE NUMBER OF DISCONNECTIONS?***

***A30.*** The Company has funded a bill payment assistance program at a level of $400,000 per year from 2009 through 2012.[[75]](#footnote-75) In addition, the Company has continued the $400,000 bill payment assistance through 2013.[[76]](#footnote-76) However, as seen in Table 3 and 4, the disconnection rate in DP&L’s service territory is the highest in the state despite the availability of bill payment assistance funds. This is not surprising considering that DP&L’s electric bills rival the highest in the state. The Commission should encourage DP&L to initiate a shareholder-funded bill payment assistance program to help residential customers avoid disconnection of service.[[77]](#footnote-77) Bill payment assistance can help make bills more affordable, reduce disconnections, and provide an opportunity for DP&L to enhance corporate citizenship. The bill payment assistance program should be in addition to all other financial assistance programs currently available to DP&L customers.[[78]](#footnote-78) DP&L should collaborate with the PUCO Staff and OCC concerning the qualifications, methods and agencies that are available to distribute the bill payment assistance throughout its service territory.

If DP&L would fund the bill payment program at a level of $1.5 million per year, benefit amounts of approximately $250.00 could help 6,000 or more low-income residential customers per year maintain electric service.[[79]](#footnote-79) DP&L should continue funding the bill payment assistance program at the $1.5 million per year level until such time as the trends in disconnection rates are more closely aligned with the disconnections of the other Ohio electric utilities.

# v. CONCLUSION

***Q31. DOES THIS CONCLUDE YOUR TESTIMONY?***

***A31.*** Yes. However, I reserve the right to incorporate new information that may subsequently become available through outstanding discovery or otherwise.

**CERTIFICATE OF SERVICE**

It is hereby certified that a true copy of the foregoing *Testimony of James D. Williams* has been served via electronic transmission this 1stday of March 2013.

 */s/ Edmund (Tad) Berger*\_\_\_\_\_\_\_\_\_

 Edmund (Tad) Berger

 Assistant Consumers’ Counsel

**SERVICE LIST**

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1. *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan*, Case No. 08-1094-EL-SSO. [↑](#footnote-ref-1)
2. DP&L Response to OCC Interrogatory No. 75 (Attached herein as JDW-2). [↑](#footnote-ref-2)
3. DP&L Response to OCC Interrogatory No. 86 (Attached herein as JDW-3). [↑](#footnote-ref-3)
4. *In the Matter of the Commission’s Review of Chapters 4901-1-17 and 4901:1-18, and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code*, Case No. 08-723-AU-ORD, PIPP Plus Metrics Data reported to the PUCO Staff and is provided to OCC upon request. According to PIPP Plus Metrics Data, the average number of customers on Commission-ordered extended payment plans on a monthly basis. [↑](#footnote-ref-4)
5. DP&L Response to OCC Interrogatory No. 77 (attached herein as JDW-4) showed 78,502 customers on Commission-ordered payment plans in 2012. The 22,701 is the average number of customers on a Commission-ordered payment plan per month. [↑](#footnote-ref-5)
6. As shown in Table 3 later in this testimony, the 7.5 percent DP&L disconnection rate is much higher than the other Ohio electric utilities. [↑](#footnote-ref-6)
7. Ohio Admin. Code 4901:1-18-05(A). [↑](#footnote-ref-7)
8. The Ohio Poverty Report, Ohio Development Services Agency, February 2013 at page 10. [↑](#footnote-ref-8)
9. Ohio Admin. Code 122:5-3-02. [↑](#footnote-ref-9)
10. Ohio Admin. Code 122:5-3-04. [↑](#footnote-ref-10)
11. Id. [↑](#footnote-ref-11)
12. Annual income for a family of four at 150 percent of the federal poverty guideline is $34,574. With a 6 percent PIPP Plus payment level, the annual payment for electric is $2,011.50 or $167.63 monthly. [↑](#footnote-ref-12)
13. DP&L response to OCC Interrogatory No. 89 (Attached herein as JDW-5). [↑](#footnote-ref-13)
14. DP&L Response to OCC Interrogatory No. 90 (Attached herein as JDW-6). [↑](#footnote-ref-14)
15. DP&L Response to OCC Interrogatory No. 87 (Attached herein as JDW-7). [↑](#footnote-ref-15)
16. DP&L Response to OCC Interrogatory No. 81 (Attached herein as JDW-8) [↑](#footnote-ref-16)
17. DP&L Response to OCC Interrogatory No. 76 (Attached herein as JDW-9). [↑](#footnote-ref-17)
18. DP&L Response to OCC Interrogatory No. 83 (Attached herein as JDW-10). [↑](#footnote-ref-18)
19. DP&L Response to OCC Interrogatory No. 85 (Attached herein as JDW-11). [↑](#footnote-ref-19)
20. Refer to JDW-3. [↑](#footnote-ref-20)
21. Id. [↑](#footnote-ref-21)
22. Access to Utility Service, National Consumer Law Center, Fourth Edition, at 325. [↑](#footnote-ref-22)
23. Affordable Home Energy and Health: Making the Connections, AARP Public Policy Institute, June 2010, at 6. [↑](#footnote-ref-23)
24. Id, at 7. [↑](#footnote-ref-24)
25. According to the PIPP Plus Metrics Data provided by the PUCO Staff. [↑](#footnote-ref-25)
26. Ohio Admin. Code 4901:1-18-06(C) limits the number of medical certifications to three per household in any twelve-month period, each with a duration of up to 30 days. [↑](#footnote-ref-26)
27. Id, at 10. [↑](#footnote-ref-27)
28. Dayton Power and Light Tariff, Original Sheet No. D15, Page 1, (A)(1). [↑](#footnote-ref-28)
29. DP&L Response to OCC Interrogatory No. 95 (Attached herein as JDW-12). [↑](#footnote-ref-29)
30. Ohio Admin. Code 4901:1-17-04(B). [↑](#footnote-ref-30)
31. Ohio Admin. Code 4901:1-17-05(A). [↑](#footnote-ref-31)
32. DP&L Response to OCC Interrogatory No.98 (Attached herein as JDW-13). [↑](#footnote-ref-32)
33. According to JDW-11, average deposit amounts were $108 in 2007 and have increased 25 percent to $148 in 2012. [↑](#footnote-ref-33)
34. DP&L Response to OCC Interrogatory No. 97 (Attached herein as JDW-14). 34,389 x $148.00 = $5,089,572. [↑](#footnote-ref-34)
35. Id. [↑](#footnote-ref-35)
36. Dayton Power and Light Tariff, Second Revised Sheet No. D 26. [↑](#footnote-ref-36)
37. DP&L Response to OCC Interrogatory No. 92 (Attached herein as JDW-15). [↑](#footnote-ref-37)
38. http://www.dpandl.com/customer-service/account-center/payment-options/ [↑](#footnote-ref-38)
39. DP&L Response to OCC Interrogatory No. 102 (Attached herein as JDW-16). [↑](#footnote-ref-39)
40. Id. [↑](#footnote-ref-40)
41. Id. [↑](#footnote-ref-41)
42. Id. [↑](#footnote-ref-42)
43. National Association of State Utility Consumer Advocates, Resolution 2012-07 Urging Utilities to Eliminate “Convenience” Fees for Paying Utility Bills With Debit and Credit Cards and Urging Appropriate State Regulatory Oversight, November 13, 2012. [↑](#footnote-ref-43)
44. *In the Matter of the Commission’s Review of Chapters 4901-1-17 and 4901:1-18, and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code*, Case No. 08-723-AU-ORD, PIPP Plus Metrics Data Reported to the PUCO Staff and provided to the OCC. [↑](#footnote-ref-44)
45. This comparison involved data from electric utilities only. Duke Energy Ohio data was not included in the calculations because the Company is a combination gas and electric utility. [↑](#footnote-ref-45)
46. Refer to JDW-2. [↑](#footnote-ref-46)
47. R.C. 4933.123(B)(1) – (B)(6). [↑](#footnote-ref-47)
48. Disconnection numbers for Duke Energy are not included because the reporting reflects natural gas and electric numbers. [↑](#footnote-ref-48)
49. In the original filing, disconnection numbers for CSP and OPC were reported as 46,072 and 41,090 respectively for a total of 87,162. [↑](#footnote-ref-49)
50. In the original filing, disconnection numbers for CSP and OPC were reported as 34,148 and 34,378 respectively for a total of 68,256. [↑](#footnote-ref-50)
51. Average number of residential customers over the three years. [↑](#footnote-ref-51)
52. http://quickfacts.census.gov/qfd/states/39000.html. [↑](#footnote-ref-52)
53. Id. [↑](#footnote-ref-53)
54. According to quickfacts.census.gov, the population in Cleveland is 393,806 compared with a Dayton population of 142,148. [↑](#footnote-ref-54)
55. Id. [↑](#footnote-ref-55)
56. Id. [↑](#footnote-ref-56)
57. DP&L Response to OCC Request for Production of Documents No. 52 (Attached herein as JDW-19). [↑](#footnote-ref-57)
58. In the Matter of the Application of The Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service Restoration Costs, Case No. 12-3062-EL-RDR, Application at 8 (December 21, 2012). [↑](#footnote-ref-58)
59. Ohio Quick Facts from the U.S. Census Bureau (Attached herein as JDW-20). [↑](#footnote-ref-59)
60. Montgomery County Quick Facts from the U.S. Census Bureau (Attached herein as JDW-21). Montgomery County is by far the most populated county in the DP&L service territory. [↑](#footnote-ref-60)
61. Dayton Quick Facts from the U.S. Census Bureau (Attached herein as JDW-22). Dayton is by far the most populated city in the DP&L service territory. [↑](#footnote-ref-61)
62. The comparison does not include data for every county in the DP&L service territory. [↑](#footnote-ref-62)
63. http://quickfacts.census.gov. [↑](#footnote-ref-63)
64. County profiles. www.odjfs.org. [↑](#footnote-ref-64)
65. Id. [↑](#footnote-ref-65)
66. Assuming constant usage of 750 KWH per month and the January 13, 2012 Ohio Utility Rate Survey cost for Dayton of $107.42 multiplied by 12 or $1,289 annually. [↑](#footnote-ref-66)
67. http://data.bls.gov/pdq/SurveyOutputServlet. [↑](#footnote-ref-67)
68. Fayette County Quick Facts from the U.S. Census Bureau (Attached herein as JDW-23). [↑](#footnote-ref-68)
69. Clinton County Quick Facts from the U.S. Census Bureau (Attached herein as JDW-24). [↑](#footnote-ref-69)
70. According to JDW-18, the average number of household members is 2.28 persons. To qualify for PIPP Plus, a family of three must have income below $28,635 according to the HEAP Application on the Ohio Department of Development website. http://development.ohio.gov/Community/ocs/Documents/HEAPApp.pdf [↑](#footnote-ref-70)
71. DP&L Response to OCC Request for Production of Documents No. 17 (Attached herein as JDW-25) indicates that the Company has designated its policies and practices as privileged and confidential. The review by the PUCO should include an open and public review of **all** credit and collection policies and practices. [↑](#footnote-ref-71)
72. *In the Matter of the Commission's Review of Chapters 4901:1-17 and 4901:1-18, and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code,* Case 08-723-AU-ORD, Consumer Groups Initial Comments, (September 10, 2008), at 89. [↑](#footnote-ref-72)
73. Id. at 94. [↑](#footnote-ref-73)
74. Id. at 86. [↑](#footnote-ref-74)
75. *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan*, Case No. 08-1094-EL-SSO, Stipulation and Recommendation, February 24, 2009, at 16. [↑](#footnote-ref-75)
76. *In the Matter of the Application of The AES Corporation, Dolphin Sub, Inc., DPL Inc. and The Dayton Power and Light Company for Consent and Approval for a Change of Control of The Dayton Power and Light Company,* Case No. 11-3002-EL-MER, Stipulation and Recommendation, September 19, 2011, at 6(b). [↑](#footnote-ref-76)
77. Qualifications for assistance should include any DP&L customer where the annual household income is at or below 200 percent of the federal poverty guidelines. [↑](#footnote-ref-77)
78. DP&L Response to OCC Interrogatory No. 103 (Attached herein as JDW-26). [↑](#footnote-ref-78)
79. According to JDW-3, the average disconnection notice amount was $272.00 in 2012. Assuming average benefits in the amount of $250, a reduction of 6,000 disconnections would decrease the current 7.5 percent disconnection rate to approximately 6.2 percent. While this number is still considerably higher than the three year average disconnection rate of any other electric utility in the state, changes in credit and collection policies and practices should also have an impact on reducing the overall number of disconnections to levels more commensurate with the other electric utilities. [↑](#footnote-ref-79)