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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1094-EL-SSO
Approval of its Electric Security Plan)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1095-EL-ATA
Approval of Revised Tariffs)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1096-EL-AAM
Approval of Certain Accounting Authority)
Pursuant to Ohio Rev. Code 4905.13)

In the Matter of the Application of)
The Dayton Power and Light Company for) Case No. 08-1097-EL-UNC
Approval of its Amended Corporate)
Separation Plan)

DIRECT TESTIMONY OF GREGORY C. SCHECK

ON BEHALF OF

STAFF OF PUBLIC UTILITIES COMMISSION OF OHIO

February 3, 2009

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1 DIRECT TESTIMONY OF GREGORY C. SCHECK

2

3 1. Q. Please state your name, employer and business address.

4 A. My name is Gregory C. Scheck. I am employed by the Public Utilities
5 Commission of Ohio, 180 East Broad Street, Columbus, Ohio 43266-0573.

6 2. Q. What is your current position at the Commission?

7 A. I am a Utilities Specialist in the Policy and Market Analysis Division of the
8 Energy and Environment Department. I am responsible for analyzing issues and
9 providing recommendations pertaining to demand forecasting, demand side management,
10 energy efficiency, demand reductions, and advanced metering infrastructure.

11 3. Q. What are your qualifications as they relate to your testimony in this
12 proceeding?

13 A. I have worked at the Commission since 1985 in various capacities. Most of
14 that time I have spent reviewing and evaluating demand forecasts, demand side
15 management applications, and advanced metering issues.

16 4. Q. What is the purpose of your testimony in this proceeding?

17 A. I will address the Applicant's ESP filing with respect to its proposed CCEM
18 proposal, labeled as Book II.

19 **CCEM – Customer Conservation and Energy Management Programs**

20 5. Q. What is your knowledge or understanding of the Company's proposed
21 CCEM plan?

1 A. The Applicant's acronym CCEM is presented as Book II of the Company's
2 Application: Customer Conservation and Energy Management Programs. The Company
3 has included an advanced metering and smart grid deployment plan to be integrated with
4 its Energy Efficiency and Demand Response Programs.

5 6. Q. Do you believe that the Company's proposed Advanced Metering and
6 Smartgrid deployment benefit-cost analysis should be integrated with the Company's
7 energy efficiency and demand response programs?

8 A. They should be integrated with the Company's Advanced Metering and
9 Smart Grid plan only to the extent that those energy efficiency and demand response
10 programs are dependent upon an advanced metering deployment. Most of the energy
11 efficiency and demand response programs that the Company has proposed are not
12 dependent upon advanced metering and smart grid deployment. Therefore, the benefits
13 from most of these programs would be obtained independent of the proposed Advanced
14 Metering and Smart Grid deployment plan and consequently should not be included in the
15 Advanced Metering and Smart Grid business case analysis.

16 7. Q. What are the Company's proposed energy efficiency programs that are not
17 dependent upon the Company's proposed Advanced Metering and Smart Grid
18 deployment?

19 A. Residential

- 20 1. Lighting
21 2. HVAC Diagnostic & Tune-up
22 3. HVAC Rebates

1 4. Appliance Recycling

2 5. Appliance Rebates

3 6. Low Income Affordability

4 B. Non-Residential

5 1. Prescriptive Rebates

6 2. Customized Rebates

7 8. Q. What do these energy efficiency programs represent in terms of dollars
8 saved?

9 C. Except for the energy savings related to the Home Energy Display
10 program, the majority of over 90 percent of the societal benefits
11 labeled, **“Improved Utilization Efficiency”** represented in Book II,
12 Customer Conservation and Energy Management Programs, p. 20,
13 come from programs that are not dependent upon the Company’s
14 Advanced Metering and Smart Grid deployment. The 15-year net
15 present value of the Improved Utilization Efficiency programs are
16 estimated to be around \$390 million.

17 9. Q. What would be the effect of removing over 90 percent of the Improved
18 Utilization Efficiency benefits from Company’s Advanced Metering and Smart Grid
19 business case analysis in justifying the prudence of going forward with the Advanced
20 Metering and Smart Grid deployment plan?

21 A. The effect of removing most of the **“Improved Utilization Efficiency”**
22 benefits from the Company’s analysis would likely produce an AMI and Smart Grid

1 business case result that would not be cost-effective. Obviously, the capital and O&M
2 costs of approximately \$119 million for deploying the Energy Efficiency and Demand
3 Response programs should be backed out of this analysis as well. The costs and the
4 benefits of the Energy Efficiency and Demand Response Programs not associated with the
5 Advanced Metering and Smart grid proposal should be evaluated separately

6 10. Q. Are there any other issues that you have with the Company's Advanced
7 Metering deployment plan?

8 A. Yes, the Company has estimated the capital costs for the deployment of
9 roughly 523,000 meters at \$255 million. This would suggest that the capital costs
10 associated with metering alone would be approximately \$487.58 per endpoint. In
11 addition, the Company has estimated that the O&M costs associated with the advanced
12 metering deployment to be \$63.1 million over the same time period. Adding the O&M
13 deployment costs to the capital costs would bring the total metering costs to approximately
14 \$318 million, reflecting a metering endpoint cost of approximately \$608. Compared to
15 other Advanced Metering Infrastructure business cases, the metering costs appear quite
16 high, especially for residential consumers.

17 11. Q. What are the proposed costs of the Smart Grid deployment for the Company
18 from the time period 2009 through 2015?

19 A. The Company is proposing to spend approximately \$41.6 million in Smart
20 Grid capital costs over this time period. In addition, the Company is planning on
21 spending approximately \$4.35 million on Smart Grid O&M deployment costs over this
22 same time period.

1 12. Q. What are the expected benefits from the Company's proposed Advanced
2 Metering and Smart Grid deployment?

3 A. The Company is expecting benefits in operational savings and capital
4 deferrals of approximately \$52.8 million associated with their Advanced Metering and
5 Smart Grid deployment over the 2009 through 2015 time period and up to \$80 million in
6 benefits over the next 15 years.

7 13. Q. Do you have any concerns with respect to the Companies' AMI and Smart
8 Grid proposed deployment?

9 A. Yes. As stated in the Company's Application, the operational savings and
10 capital deferrals associated with their Advanced Metering and Smart Grid deployment only
11 represent approximately 15 percent of the total costs to deploy these advanced distribution
12 systems over the 2009 through 2015 time period. Extending the cost-benefit analysis
13 over 15 years would produce expected O&M savings and capital deferrals of \$80 million
14 representing approximately 22 percent of the costs. In either case, the quantifiable
15 benefits associated directly with reducing the Company's costs are quite small relative to
16 the total costs of deployment. In order for such a deployment to be considered cost
17 beneficial, a large part of the remaining costs would have to be dependent upon customers
18 greatly increasing their demand response and/or by their greatly increasing the value of
19 improved reliability from this deployment (see staff witness Lowell Miller's testimony
20 about distribution automation and improved reliability .

21 14. Q. Overall, do you think the Company's business case for Advanced Metering
22 and Smart Grid is likely to produce a positive result?

1 A. No. I would recommend to the Commission to not approve of the
2 Company's proposed Advanced Metering and Smart Grid portion of their CCEM plan due
3 to their high likelihood of not being cost-effective.

4 15. Q. Do you recommend that the Company proceed with the Energy Efficiency
5 and Demand Response programs not dependent upon an Advanced Metering and Smart
6 grid deployment?

7 A. Yes, as the Company will still be expected to reach its targets as stated in
8 Senate Bill 221 regarding energy efficiency and peak demand reductions for calendar year
9 2009.

10 16. Q. The Company claims that it may not be able to reach its annual energy
11 efficiency and peak demand reduction goals absent receiving approval for its Advanced
12 Metering and Smart Grid plans. Do you have an opinion regarding this claim?

13 A. Yes. Since I do not believe that the Company's proposed Advanced
14 Metering and Smart Grid plans are cost-effective, I would recommend the Company not go
15 forward with that investment. This would be my recommendation even if it would mean
16 that the Company would not be able to reach its annual energy efficiency and peak demand
17 reduction targets. Spending a large amount money to achieve a small amount of
18 incremental energy efficiency and demand reduction savings would not be prudent.
19 Rather, the Company should look at other ways and other programs to reach its annual
20 targets. One important component that the Company should explore is mercantile

1 customer initiated and sited energy efficiency that could be integrated towards the
2 Company's annual targets.

3 17. Q. Do you have any other recommendations to the Commission regarding the
4 Company's Advanced Metering and Smart Grid proposal of the CCEM part of their
5 application?

6 A. Yes, I would recommend that the Company review its cost-effective analysis
7 regarding its Advanced Metering and Smart Grid proposal and see if an improved business
8 case can be made with respect to either the operational savings or the costs associated with
9 the magnitude of these investments. If a better business case proposal can be made, I
10 would recommend that the Company refile regarding these issues.

11 18. Q. Do you have any other recommendations regarding the Company's cost
12 recovery proposal for its customer conservation and energy management programs?

13 A. Yes, the Company has requested to recover all lost revenues minus fuel
14 charges associated with its energy efficiency and demand response program investments.
15 My recommendation would be that the Company should not be allowed to collect any lost
16 revenues associated with generation. If the Company is able to avoid a generation sale to
17 its retail jurisdictional customers, the Company can sell that freed up in the wholesale
18 market to compensate them for those lost generation revenues. Other than that, I believe
19 the Company should be entitled to receive those portion of lost revenues associated with
20 distribution costs. The recovery period for any lost distribution revenues should be linked
21 to the particular lifetime of the technology measure being replaced.

1 19. Q. Do you have an opinion regarding the Company's request for a shared
2 savings with respect to their investing in energy efficiency and demand response
3 programs?

4 A. Yes. One of the primary reasons why a utility company would invest in
5 energy efficiency and demand response programs is to defer or avoid capital investments
6 in supply side resources, i.e. generation, transmission, and/or distribution facilities. To
7 the extent that a company can avoid new supply-side capital requirements, I would
8 recommend that the Company be able to earn a reasonable rate of return on their demand-
9 side investments. Such return should be capped at whatever the equivalent supply-side
10 investment return would be that is deferred or avoided. In this way, both supply and
11 demand-side resources will be treated the same.

12 20. Q. Do you have a projection of what the Company's energy efficiency and peak
13 demand reduction targets would be for calendar year 2009?

14 A. Yes, and they are provided in Attachment 1 of my testimony.

15 21. Q. Does this conclude your testimony?

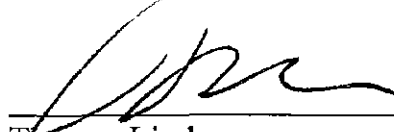
16 A. Yes, it does.

ATTACHMENT 1

Dayton Power & Light		
Year	EDU Seasonal Peak Load Summer (MW)	TOTAL END USE DELIVERY (MWh)
2006	3,240	14,799,427
2007	3,270	15,260,368
2008	3,299	15,467,655
SUM	9,809	45,527,450
3 Yr Average	3,270	15,175,817
2009 Reduction Targets	32.70	45,527

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the Testimony of Gregory C. Scheck was served this 3rd day of February, 2009 by electronic mail or, where no e-mail address is available, by regular U.S. mail, postage prepaid, upon the persons listed below.



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