

FILE

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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

2009 SEP 15 PM 4: 55

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

PUCO

In the Matter of the Application of the  
Dayton Power and Light Company for  
Approval of Revised Tariffs. )

Case No. 08-1095-EL-ATA

In the Matter of the Application of the  
Dayton Power and Light Company for  
Approval of Certain Accounting Authority )  
Pursuant to Ohio Rev. Code § 4905.13. )

Case No. 08-1096-EL-AAM

In the Matter of the Application of The  
Dayton Power and Light Company for  
Approval of Its Amended Corporate  
Separation Plan. )

Case No. 08-1097-EL-UNC

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REPLY TO DAYTON POWER AND LIGHT COMPANY'S MEMORANDUM IN  
OPPOSITION TO THE MOTION TO ESTABLISH A PROCEDURAL  
SCHEDULE AND HEARING DATE

BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), on behalf of the residential customers of Dayton Power and Light Company ("DP&L" or the "Company") and pursuant to Ohio Adm. Code Rule 4901-1-12(B)(2) files this reply to DP&L's Memorandum in Opposition filed on September 10, 2009. DP&L opposes OCC's Motion to Establish a Procedural Schedule and Hearing Date ("Motion") that OCC filed on September 4, 2009. As demonstrated below, the arguments in DP&L's Memorandum in Opposition are not persuasive, and OCC's Motion should be granted.

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**II. ARGUMENT – A Procedural Schedule and Hearing Are Necessary To Ensure That DP&L’s Revised AMI and Smart Grid Proposals Are Given Proper Review So That DP&L Is Allowed To Collect from Customers Only Prudently Incurred AMI And Smart Grid Costs.**

**A. DP&L’s Revised AMI and Smart Grid proposal has materially changed since the initial filing.**

DP&L supports its opposition to OCC’s procedural schedule and hearing by asserting that “DP&L’s AMI and Smart Grid plans did not change materially from its initial filing.”<sup>1</sup> DP&L’s assertion is contradicted by DP&L’s own admission. On August 4, 2009, DP&L filed revised Business Cases for AMI and Smart Grid – Book II.<sup>2</sup> As part of the revised application DP&L states in its overview of its revised AMI and Smart Grid proposals that:

... the fundamental structure and design of the AMI and Smart Grid plans haven’t changed in material respects, *except for*: (1) the timing of AMI deployment, 2) the scope and timing of Smart Grid deployment, and 3) the energy and demand reductions enabled through the faster and larger deployments.<sup>3</sup>

The timing of both the AMI and Smart Grid deployment has drastically changed from 7-years to 3-years for AMI, and from a 7-year transition/15-year deployment to a 3-year transition/10-year deployment for Smart Grid.<sup>4</sup> Additionally, the number of Home Energy Displays to be deployed has been substantially reduced from 150,000 DP&L-owned displays distributed amongst all DP&L consumers to only 50,000 customer-

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<sup>1</sup> DP&L Memorandum in Opposition at 3.

<sup>2</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan, et. al.* Case No. 08-1094-EL-SSO, Notice of Filing the Dayton Power & Light’s Revised Business Cases for AMI and Smart Grid, Customer Conservation and Energy Management Programs (August 4, 2009) (“DP&L’s Revised Business Cases”)

<sup>3</sup>Id. at 3.

<sup>4</sup> See Id. at 1.

owned displays that will only be provided to low-income customers.<sup>5</sup> It is apparent that DP&L has created all new Schedules to quantify the benefits from energy and demand reductions for both AMI and Smart Grid,<sup>6</sup> and it is likely that other changes have been made to the data in the approximately 400 pages of schedules and workpapers filed as part of the revised AMI and Smart Grid proposals. Therefore, the schedules and workpapers in DP&L's revised filing should be carefully examined and commented upon in a hearing process.

In addition to the changes discussed above that DP&L openly admitted were "material," DP&L also made a number of additional changes in the revised AMI and Smart Grid business cases that are substantial enough to be considered material and deserve an appropriate opportunity to review and potentially present at a hearing. First, the costs and benefits have been calculated over 18 years in the new filing, a longer time period than the estimates in the original ESP Application.<sup>7</sup> This extension of time resulted in substantial revisions to a majority of the estimates in the original business case Schedules, which warrant further examination. For example, the capital cost estimates for Smart Grid have tripled from \$41.6 million<sup>8</sup> to \$133 million,<sup>9</sup> with the O&M costs for Smart Grid dramatically increasing from \$4.3 million<sup>10</sup> to \$30 million.<sup>11</sup>

Second, DP&L alleged in its Revised Business Cases a substantial number of additional benefits which it claims will result from faster and larger deployments of AMI

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<sup>5</sup> See Id. at 5 and Revised WPG-1.17.

<sup>6</sup> See Id. at WPH-1; WPI-1; WPHI-1.

<sup>7</sup> See Id. at 6.

<sup>8</sup> DP&L Application for Approval of Its Electric Security Plan, at 12 (Oct. 10, 2009).

<sup>9</sup> DP&L's Revised Business Cases at 7 (Figure 3).

<sup>10</sup> DP&L Application for Approval of Its Electric Security Plan, at 12 (Oct. 10, 2009).

<sup>11</sup> DP&L's Revised Business Cases at 7 (Figure 3).

and Smart Grid.<sup>12</sup> The reasoning and rationality behind each of these assertions should be carefully examined through a hearing process.

Third, the levelized rate design in DP&L's original business case filing was eliminated in the new AMI and Smart Grid Infrastructure Investment Rider ("IIR").<sup>13</sup> Additionally, DP&L proposes that the new AMI and Smart Grid Infrastructure Investment Rider have a shared savings percentage of 90%,<sup>14</sup> and DP&L anticipates that the rates will be trued-up on a 2-year basis.<sup>15</sup> Each of these proposed changes are material, may have negative consequences for consumers, and should be examined by all interested parties through a hearing process.

**B. DP&L did not provide interested parties with the necessary information to review the material changes in the Revised Business Cases.**

DP&L supports its request for a limited review and comment opportunity by asserting that "DP&L's initial application included extensive information regarding DP&L's AMI and Smart Grid plans."<sup>16</sup> and "OCC deposed DP&L's witnesses and filed testimony on DP&L's AMI and Smart Grid plans."<sup>17</sup> However, according to the Stipulation that resolved the ESP Case, DP&L was required to "consult with interested Signatory Parties to seek their advice with regard to the costs and benefits of the

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<sup>12</sup> See Id. at 5-8.

<sup>13</sup> See Id. at 9.

<sup>14</sup> DP&L Application, Schedule C-5.2 (Oct. 10, 2009) vs. DP&L Revised Business Case, Schedule C-5.2.

<sup>15</sup> See DP&L Revised Business Cases at 9.

<sup>16</sup> DP&L's Memorandum in Opposition at 3-4 (September 10, 2009).

<sup>17</sup> Id.

Company's AMI and Smart Grid business cases.”<sup>18</sup> This provision of the Stipulation was not strictly honored. Instead, in July of 2009, with no advance copies provided, DP&L presented a powerpoint presentation to OCC, the Commission's Staff and other interested parties that constituted an overview of DP&L's AMI and Smart Grid proposals. DP&L did not provide the specific details of its AMI and Smart Grid proposals to all of the signatory parties (at least not to OCC) until two weeks later when on August 4, 2009, DP&L filed its revised AMI and Smart Grid plans, along with approximately 400 pages of schedules and workpapers, with the Commission. Thus, the July powerpoint presentation did not allow OCC or other parties a true opportunity to provide input regarding the Company's proposals. Now that the Company has filed complete AMI and Smart Grid business cases, DP&L opposes OCC's request for an opportunity to properly discuss the proposals in a technical conference setting and through a hearing process that would include all interested parties and the PUCO Staff.

**C. DP&L's Initial AMI and Smart Grid Business Cases were assailed for not being cost-effective and the Commission should provide all interested parties the necessary time and information to determine if this fatal flaw has been corrected in the Revised Application.**

DP&L claims in its Memorandum in Opposition that “additional testimony and a hearing would not assist the Commission or its Staff to review DP&L's plans,”<sup>19</sup>

However, the PUCO Staff and other interested parties agreed that DP&L's initial AMI and Smart Grid proposal was not beneficial and should not be approved. The PUCO

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<sup>18</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan* et. al. Case No. 08-1094-EL-SSO, Stipulation and Recommendation at ¶4(b). (February 24, 2009).

<sup>19</sup> DP&L Memorandum in Opposition at 3.

Staff filed testimony stating that the AMI and Smart Grid proposals should not be approved “due to their high likelihood of not being cost-effective.”<sup>20</sup> OCC filed testimony stating that DP&L’s initial AMI and Smart Grid proposal had several weaknesses “particularly in the accounting of benefits and costs and sourcing parameters.”<sup>21</sup> DP&L must establish that the Revised AMI and Smart Grid business cases corrected these issues. OCC’s experience in these areas, as well as OCC expert testimony, will help the Commission determine whether DP&L’s proposals are beneficial and cost-effective. As to DP&L’s claim that there is no time for a hearing, the Commission and the parties have until the end of the fourth quarter in 2009 – more than months -- to review a single matter of the revised business cases and the related Infrastructure Investment Rider.<sup>22</sup>

### III. CONCLUSION

As discussed above, the Commission should establish a detailed procedural schedule and hearing date regarding DP&L’s AMI and Smart Grid proposals, and the related IIR. The Commission will benefit from the information, advice, comments, and recommendations provided by OCC and other interested parties. Providing for a hearing involving interested parties will help ensure that the provisions in the Stipulation are fulfilled as intended. The Commission should grant OCC’s Motion.

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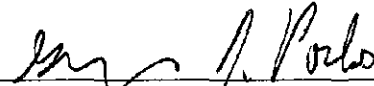
<sup>20</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan et. al.* Case No. 08-1094-EL-SSO, Direct testimony of Gregory C. Scheck on behalf of Staff of Public Utilities Commission of Ohio at 7 (February 3, 2009).

<sup>21</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan et. al.* Case No. 08-1094-EL-SSO, Direct testimony of Steven Pullins filed on behalf of the Office of the Ohio Consumers’ Counsel at 29 (January 26, 2009).

<sup>22</sup> *In the Matter of the Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan et. al.* Case No. 08-1094-EL-SSO, Stipulation and Recommendation at ¶4(c). (February 24, 2009).

Respectfully submitted,

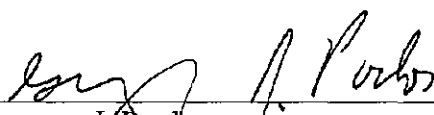
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## CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Reply To Dayton Power And Light Company's Memorandum In Opposition To The Motion To Establish A Procedural Schedule And Hearing Date By The Office Of The Ohio Consumers' Counsel has been served upon the below-stated parties, via electronic transmission this 15th day of September, 2009.

  
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