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November 10, 2009

Via Fed Ex
Public Utilities Commission of Ohio
Docketing Division
180 East Broad Street
Columbus, OH 43215-3793

Re: In the Matter of Protocols for the Measurement and Verification of Energy Efficiency and Peak Demand Reduction Measures; Case No. 09-512-GE-UNC

Dear Sir/Madam:

Enclosed please find for filing the original and (15) fifteen copies of the Comments of The Dayton Power and Light Company on Appendix C of Commission Entry. This was filed via facsimile on November 10, 2009.

Please time-stamp and return a copy in the self addressed stamped envelope provided. If you have any questions, please call Randall Griffin at (937)259-7221.

Sincerely,

Angela Hogan
Administrative Assistant

Enclosures

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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of Protocols for the)
Measurement and Verification of Energy) Case No. 09-512-GE-UNC
Efficiency and Peak Demand Reduction)
Measures)

COMMENTS OF
THE DAYTON POWER AND LIGHT COMPANY
ON APPENDIX C OF COMMISSION ENTRY

The Dayton Power and Light Company (“DP&L” or the “Company”), consistent with the October 15, 2009, Entry in this proceeding of the Public Utilities Commission of Ohio (“PUCO” or the “Commission”), hereby submits its initial comments with respect to Appendix C of such Entry.

I. OVERVIEW.

DP&L supports the Commission’s policy objective of developing standardized approaches to evaluating energy efficiency costs and benefits. While the objective is admirable, a cautionary note is in order: such evaluations are inherently imprecise because one can only measure actual peak demand and actual energy usage. “Savings” from any particular program or suite of programs can only be roughly estimated based on the evaluator’s predictions of what might have occurred in the absence of the program or programs. This uncertainty is compounded by the effects of other variables that may actually overwhelm the magnitude of any changes from energy efficiency programs. That is, a hot summer or a cold economy will probably swing energy demand and usage more than any set of efficiency programs and separating out one effect from all other effects can be done only with simplifying assumptions. Thus, the “answer” of how much was saved is only an estimate.

Given the inherent nature of the process, DP&L recommends that the whenever there is a policy choice between a simple approach and a complex one, the Commission err on the side of simplicity. The simple approach is likely to be just as accurate as the more complex and has the benefit of reducing administrative burdens on the utilities and Commission Staff. DP&L will note in its comments those areas where it believes this objective of promoting simplicity is met. It will also briefly discuss areas where the provisional recommendations are overly complex or burdensome.

While DP&L believes that the Commission should opt for administrative simplicity with respect to these provisional recommendations, the Commission should also clarify that a utility always has the option to provide more data or more information than required and, for good cause shown, should be able to submit data that is tailored to the particular program or portfolio if more appropriate than the standardized approach.

II. COMMENTS ON SPECIFIC PROVISIONAL RECOMMENDATIONS.

Provisional Recommendation #1

This recommendation geometrically increases the workload of every utility and the Commission Staff by apparently requiring that for every single program the utility is to provide data using four different tests. DP&L strongly urges the Commission to modify this proposal in two ways. First, the requirement should be imposed either at a portfolio level or in a way that permits the grouping of programs. Second, not every test will be useful for every program. The Commission should permit utilities to submit the data for the test that it believes is most useful in evaluating that particular group of programs or portfolio, setting forth a brief explanation as to why that test has been used.

DP&L also notes that the discussion in the Entry appears to go beyond even the provisional recommendation in suggesting at Appendix C p. 2 that: " Additionally, utilities must provide the TRC test results for all programs and measures inside of the portfolio." Any requirement that the TRC results be reported for the "measures" within a program is overly burdensome. The test should be to groups of programs or at the portfolio level.

Provisional Recommendations #2a and 2b

These recommendations regarding the use of discount rates for evaluating net present value meets the "simplicity" objective. DP&L would note that the use of a two year Treasury bond rate as a proxy for residential consumers is probably far below the typical residential customers cost of borrowing. Perhaps a more appropriate rate would be some published index on home improvement loans.

Provisional Recommendation #3

Rather than create a new approach through these regulatory requirements, DP&L would urge the Commission to use the expected persistence measures that are incorporated into the value for useful life in the utility-developed TRM. DP&L also seeks clarification of the following portion of the Provisional Recommendation:

"The present value analysis should consider only the life of the energy efficiency measure for which the customer receives an incentive."

It is unclear how this recommendation would apply to programs that are installed as a result of an education program where there is no incentive.

Provisional Recommendations #4a and 4b

These provisional recommendations on computing savings only with respect to the increment above the "standard" unit that might otherwise be installed ratchets up the difficulty

for any utility to comply with the standard. It also means that it would be in utilities' best interest to actively oppose any new standards coming out of Columbus or Congress. In particular, to the extent that the State or Federal government continues to promote energy efficiency through more and more aggressive energy efficiency standards, the provisional recommendations here then would require utilities to meet their targets by exceeding the new "standard." DP&L urges the Commission to reject this approach and recognize that the objective is to enhance efficiency relative to today's level of efficiency. The computations should be based on the energy savings that occur relative to the existing average efficiency levels, not the increment above some future standard unit that may be a far more efficient unit than is standard today.

If the Commission is inclined to continue to measure only the increment, DP&L would propose that the Commission modify the computation for replacement cost of early retirements as follows:

Replacement cost in the case of early retirement = Cost to install the efficient unit – Present Value (cost to replace the standard unit over the remaining useful life of the previously existing unit).¹

Provisional Recommendation #5

No. comment.

¹ There is a technical reason for computing replacement costs in this way. For any piece of equipment, there is an infinite series of replacement costs as the equipment is continually replaced at the end of each unit's respective end of useful life (EUL). The next set of replacement costs in this series is dependent upon the current age of the existing equipment. For example, if the existing equipment is five years old and has an EUL of 10, we expect the existing equipment will be replaced in five years and then again every 10 years into perpetuity. If a program prompts a customer to retire the equipment early, a second infinite series of equal replacement costs develops, but one that starts five years earlier (when the equipment is installed) and also repeats every 10 years into perpetuity. The difference in cost between these two series is exactly equal to 5 years of discounted interest on one year's worth of replacement cost. One can take the cost and multiply by the interest rate for each of the 5 years (discounting years 2, 3, 4 and 5 appropriately) to estimate the present value of the future replacement costs.

Provisional Recommendation #6

This recommendation implies a level of precision that simply doesn't exist. While some administrative costs may be able to be directly assignable to a particular program, the majority will likely be overall administrative costs for personnel who are in charge of an entire suite of program. The provisional recommendation should clarify that the utility may use a reasonable allocation methodology for such joint costs.

Provisional Recommendation #7

This recommendation appears to assume that a utility will be able to identify and estimate on and off-peak and shoulder energy costs, by season, with separate generation, transmission and distribution capacity charges also seasonally differentiated over perhaps a 30-year planning horizon. Unquestionably, numbers can be developed to fill in each of those blanks. No one should be fooled into believing that these numbers will have any degree of accuracy beyond the first few years. Even projected average annual energy and capacity costs are subject to wide and unpredictable swings from year to year. Breaking those estimates into smaller pieces does not improve precision, but rather ensures that the individual values are even more speculative than the broader measures.

Provisional Recommendations #8a, b and c

DP&L does not believe that it is possible to make realistic computations of avoided energy costs over the next 30 years as contemplated by the provisional recommendations. For internal purposes, the Company is wary of any fuel cost projections that extend past two or three years. However, if the DOE data is used by all utilities and the Commission for long term forecasting purposes, at least we will all be equally wrong. DP&L strongly supports that portion of provisional recommendation #8b that recognizes the value of being able to share and use

publicly available data rather than creating an administratively burdensome process for handling proprietary data. The ratios set forth in provisional recommendation #8c are probably overly weighted towards the current standard service offer prices. It is unlikely that the energy costs five years out will bear any relationship to current SSO levels, much less have an influence of 50% of the total.

Provisional Recommendation #9

It is unlikely that ancillary costs will have an appreciable effect on any of the calculations that will be made. The provisional recommendation correctly recognizes this and provides a straight-forward and simple method of computing avoided ancillary costs.

Provisional Recommendations #10a and 10b

DP&L makes no comments as to the policy choice that the Commission appears to be making to include a CO2 component in the avoided cost computations. It should be noted, however, that this policy choice is being made despite the fact that there is currently no legislation passed that would impose any CO2 restrictions, there are no administrative rules promulgated, and the values reflected in the Synapse Energy study noted in Appendix C vary by more than 600 percent. The "simple" approach taken to compute marginal emissions rates is simple only if one assumes that the price forecasts used in the formula are reliable. An equally simple approach that would not rely on such price forecasts would be to assume that existing large coal fired units are today and will remain for the foreseeable future, base load units.

Provisional Recommendation #11

DP&L applauds the Commission for recognizing that alternative energy sources are likely to be higher cost than conventional energy. While that appears to be an obvious fact to most that are knowledgeable in the energy field, it is remarkable how much testimony gets

submitted before legislative and regulatory bodies with statements suggesting that renewable resources will reduce energy costs.

Provisional Recommendation #12

DP&L may wish to submit additional comments at a later time with respect to the computation of marginal losses. Its history with PJM suggests that this can be an exceptionally complex issue and that while the concept of marginal losses has value in connection with economic efficient utilization of a system, the sum total of marginal losses far exceeds the actual total losses that occur. Marginal loss “savings” calculations may give rise to the same problem. This issue may also have implications with respect to the Coincidence Factors issue discussed in Appendix C at p. 19. To the extent there are multiple programs each with an estimate of marginal losses saved, the sum total may far exceed the actual savings.

Provisional Recommendation #13

No comment.

Provisional Recommendation #14

Capacity costs as reflected in PJM’s RPM market have fluctuated wildly from year-to-year. The CONE value described in provisional recommendation #14b may be a more stable indicator than the PJM RPM market.

Provisional Recommendation #15

DP&L supports the concept expressed here that distribution and transmission cost savings be included “to the extent information is available, . . .” This appropriately recognizes that this information may not be readily available and, unlike some of the recommendations discussed above, does not then impose a requirement that highly speculative assumptions be made.

Provisional Recommendation #16

DP&L does not understand this recommendation and it may conflict with PJM mechanisms that are relied on in other portions of these recommendations. DP&L is required as a load serving entity within PJM to purchase capacity at the levels set in PJM's RPM auction. It is not clear how DP&L would "avoid" some capacity cost that is increased by marginal losses between the hub and its customers' meters.

Provisional Recommendation #17

DP&L has computed transmission and distribution loss factors for purposes of setting fuel rates. The same values should apply here.

Coincidence Factors.

There does not appear to be a specific recommendation with respect to coincidence factors. DP&L agrees that there may be multiple ways define coincidence factors and the most appropriate way may vary from utility to utility.

Provisional Recommendations #18a, 18b, and 18c

DP&L disagrees with the inclusion of gas and water savings in any of these computations since their inclusion could lead to electric customers subsidizing gas and water savings. DP&L supports the exclusion of CO2 emissions co-benefits for the same reasons that it cautioned against inclusion of a CO2 value with respect to provisional recommendations 10a and 10b. That is, whether and when and the scope and the effective date for any legislation that may be enacted in this area is speculative and any estimates of the size and timing of any cost impacts are heaping speculation on speculation.

CONCLUSION.

WHEREFORE, for the foregoing reasons, The Dayton Power and Light Company urges the Commission to consider DP&L's comments and modify the provisional recommendations as described herein.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing has been served either electronically or via first class mail, postage prepaid, this 10th day of November, 2009 upon the parties identified in the Service Notice issued for this proceeding (pages 1-7) on October 15, 2009.



Randall V. Griffin
Chief Regulatory Counsel
The Dayton Power and Light Company