

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. )

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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 Section 4905.13, Revised	)	
Code.	)	

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.	)	

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**REPLY COMMENTS OF INDUSTRIAL ENERGY USERS-OHIO**

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On August 4, 2009, Dayton Power and Light Company ("DP&L") filed revised business cases for its advanced metering infrastructure ("AMI")/Smart Grid plans for the Commission's consideration, pursuant to the Stipulation and Recommendation ("Stipulation") adopted by the Public Utilities Commission of Ohio ("Commission" or "PUCO") in DP&L's electric security plan ("ESP") proceeding. On November 19, 2009, an Entry was issued directing parties to file initial and reply comments by December 15, 2009 and December 22, 2009, respectively. A December 21, 2009 Attorney Examiner Entry extended the due date for reply comments to January 8, 2010.

Industrial Energy Users-Ohio ("IEU-Ohio") did not file initial comments in this proceeding. IEU-Ohio hereby files its reply comments to address an issue raised by

some parties in their initial comments. The failure of IEU-Ohio to address all matters raised by parties in their initial comments should not be construed as IEU-Ohio's agreement with other parties' positions.

The Office of the Ohio Consumers' Counsel ("OCC") filed initial comments proposing, among other things, that the Commission adopt a fully volumetric rate design for DP&L's infrastructure investment rider ("IIR"), which DP&L had proposed to recover AMI/Smart Grid costs.<sup>1</sup> Commission Staff ("Staff") also filed initial comments in this proceeding. The Staff's initial comments recommended against moving ahead with full AMI implementation at this time.<sup>2</sup> The Staff does recommend moving ahead with implementing a new billing system.<sup>3</sup> In the area of Smart Grid investments, the Staff does not support implementing the proposed Smart Grid investments at this time.<sup>4</sup>

The Staff also provides a recommendation regarding cost recovery and rate design associated with the AMI/Smart Grid plans. The Staff recommends that DP&L, should it receive approval to proceed with any of its AMI or Smart Grid plans, recover the cost of each through separate riders as each program may take separate paths in terms of approval, implementation, and cost recovery.<sup>5</sup> Additionally, the Staff recommends that all such costs be recovered through fixed customer charges, as these costs by their nature do not vary with energy usage.<sup>6</sup>

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<sup>1</sup> Comments by the Office of the Ohio Consumers' Counsel at 7-8 (December 15, 2009).

<sup>2</sup> Comments of the Staff of the Public Utilities Commission of Ohio at 8 (December 15, 2009) (hereinafter cited as "Staff's Comments").

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 15.

<sup>5</sup> *Id.* at 1.

<sup>6</sup> *Id.* at 2.

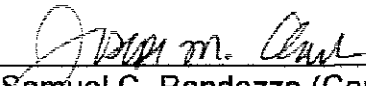
In the event the Commission approves any aspect of DP&L's AMI/Smart Grid proposal, IEU-Ohio urges the Commission to adopt Staff's recommendation to collect the costs of AMI and Smart Grid investments through separate rates, as well as to recover any costs through fixed customer charges.<sup>7</sup> The collection of DP&L's AMI and Smart Grid costs through fixed customer charges is consistent with cost causation principles and Commission precedent. As the Commission has recognized,<sup>8</sup> allocating fixed or non-variable costs such as AMI and/or Smart Grid costs on an energy or kilowatt hour ("kWh") basis (as proposed by OCC) unreasonably and unfairly misaligns the revenue collected from larger customers with the costs incurred to serve larger customers.

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<sup>7</sup> Of note, a pending Stipulation in Duke Energy Ohio's Smart Grid case would recover costs through a monthly charge of \$0.49 for residential customers and \$0.72 for non-residential customers. *In the Matter of the Application of Duke Energy Ohio to Adjust and Set Its Gas and Electric Recovery Rate for SmartGrid Deployment under Riders AU and DR-IM*, Case Nos. 09-543-GE-UNC, *et al.*, Stipulation and Recommendation at Attachment 1, Schedule 13 (November 19, 2009).

<sup>8</sup> See *In the Matter of the Complaint and Appeal of Columbia Gas of Ohio, Inc., from Ordinance No. 1192-76, of Columbus, Ohio, on July 19, 1976, to continue the Presently Established Schedules of Rates Being Charged by Columbia Gas of Ohio, Inc., for Gas Service in the City of Columbus, Ohio, until August 1, 1978*, Case No. 76-704-GA-CMR, Opinion and Order at 7 (June 29, 1977); *In the Matter of the Application of Columbus Southern Power Company to Adjust its Power Acquisition Rider Pursuant to its Post-Market Development Period Rate Stabilization Plan*, Case No. 07-333-EL-UNC, Finding and Order at 9-10 (June 27, 2007); *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of a Market Rate Offer*, Case No. 08-936-EL-SSO, Opinion and Order at 22-24 (November 25, 2008); *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code in the Form of an Electric Security Plan*, Case No. 08-935-EL-SSO, Opinion and Order at 19-23 (December 19, 2008).  
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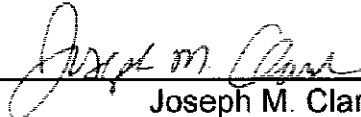
Respectfully Submitted,

  
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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Reply Comments of Industrial Energy Users-Ohio* was served upon the following parties of record this 8th day of January, 2010, via electronic transmission, hand-delivery or first class mail, postage prepaid.

  
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