BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company To Update its Alternative Energy Rider	)))	Case No. 10-89-EL-RDR

THE DAYTON POWER AND LIGHT COMPANY'S
REPLY TO COMMENTS OF
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

The Dayton Power and Light Company ("DP&L" or the "Company"), pursuant to Ohio Administrative Code ("OAC") §4901-1-12(B)(1), hereby submits its reply to the comments filed September 30, 2010, by the Office of the Ohio Consumers' Counsel ("OCC"). The OCC objects to DP&L's recovery of certain costs, including carrying costs, associated with DP&L's activities to comply with the renewable portfolio requirements of Senate Bill ("S.B.") 221. DP&L respectfully submits that OCC's objections are without merit and should be rejected. The Commission should approve the Alternative Energy Rider tariff sheets filed by DP&L in its amended application of July 22, 2010.

DP&L's filing seeks to recover costs that it has legitimately incurred to meet its obligations under S.B. 221. That effort includes both the purchase of Renewable Energy Certificates ("RECs") from third parties to meet immediate needs to establish compliance and also the investigation of alternative approaches under which it could produce renewable energy substituting a small percentage of its coal use at its existing power plants with bio-fuels, the installation of additional equipment on property owned by DP&L to produce renewables, and investigation of opportunities to invest in projects that may have been initiated by third parties.

OCC comments appear to be predicated on a belief that there is an inadequate allocation of costs associated with these activities to DPLER and, as a result, DP&L customers may be paying for costs associated with activities undertaken to allow DPLER to comply with its renewable requirements. OCC Comments at 3-5.

OCC may not fully understand that DPLER's compliance activities have been and will remain largely limited to obtaining sufficient RECs to match the S.B. 221 requirements associated with customer load that will vary from year to year. DPLER is a Competitive Retail Electric Service (CRES) Provider and does not intend to become active in the generation business. There has been one exception to this: at the request of a retail customer, DPLER constructed a small 60 kW solar facility in 2010 on the customer's property. In DP&L's July 20, 2010, amended application, ¶3, it was stated that "any RECs or renewable energy generated by DPLER will be assigned to DPLER." All of the internal costs of developing that project and the costs of construction and installation were directly charged to DPLER. There is no double-counting or charges to DP&L customers for DPLER's expenses. Said another way, and with reference to OCC Comments at 5, the only costs that have been incurred by DPLER to develop renewable energy are associated with that one project and those costs have been specifically assigned to DPLER; no part of those costs were assigned to DP&L and/or allocated between DP&L and DPLER.

The second and more significant category of costs relating to DPLER's compliance with its renewable requirements is REC purchases. DP&L does purchase RECs both for itself and for DPLER. But no REC or REC-related cost is counted twice and there is a proper allocation of RECs and administrative costs between DP&L and DPLER. If, for example, 100 RECs are purchased and DP&L is provided 75 RECs and DPLER is provided 25 RECs, the purchase costs

are allocated ¾ and ¼ to the respective entities. The labor associated with purchasing RECs, portfolio management, and investigation of RECs is allocated to DPLER based on its proportionate share of the S. B. 221 benchmark for that respective year. For example, if DPLER represented 25% of the sum of the DPLER and DP&L benchmark requirements, then 25% of the labor hours spent managing the REC position and purchasing RECs would be assigned to DPLER. Additionally, all acquired RECs were recorded through PJM's GATS. Each REC therefore has a unique identifier that can be used for auditing purposes to ensure that there is no double counting of RECs.

All other costs associated with compliance with S.B. 221 have been incurred by DP&L and are appropriately assigned solely to DP&L. In this regard, it is important to recognize that S.B. 221 was intended to help create an entirely new renewables industry within Ohio and DP&L necessarily incurred internal and external costs to staff-up, develop, and analyze the various alternatives for compliance. Most of the costs to which OCC appears to object are internal labor and external consulting costs incurred to investigate the technological and economic viability of renewable energy proposals under development by third parties.

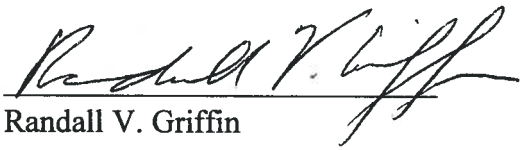
OCC's primary objection appears to be with respect to approximately $400,000 in costs that were identified in DP&L's filing as "RFP Compliance and Evaluation Costs." OCC Comments at 3-4. OCC recognizes that DP&L allocated the internal labor charges within this line item for REC purchases made by DP&L and DPLER. OCC errs in assuming that all the other costs included within this line item should be allocated between DP&L and DPLER. Most of the other costs incurred that are within this line item are associated with DP&L's evaluations of third party projects, none of which would have been invested in by DPLER. Additional costs have been incurred by DP&L associated with investigations that were performed by DP&L

internally or with outside consultants to help evaluate the potential to switch a portion of the fuel used at DP&L power plants to biomass, or to add equipment at a DP&L plant site to produce renewable energy. Again, because DPLER has no such power plants that could be converted to another fuel and no sites on which to construct additional equipment, none of these evaluations would have led to investments by DPLER.

OCC's claim is mistaken in its Comments at pages 4 and 5 that, with respect to the line items labeled as Solar, Hydro, Wind, and Biofuels: "DPLER must have incurred costs in 2009 for investigating and evaluating methods of compliance." As stated above, DPLER did not and was not investigating and evaluating methods of compliance other than through the purchase of RECs. DPLER's compliance was met with purchase of RECs. Aside from the one small solar project constructed at the request and on the site of a retail customer, DPLER does not own any generation and thus cannot evaluate alternative fuels to burn in its power plants. Further DPLER is not in the business of building new generation, and thus did not and was not evaluating new generation resources.

OCC's objection at page 6 to carrying costs is necessarily tied to its objections to the underlying costs. If the underlying costs are approved for recovery, any carrying costs on an under-collection should also be recoverable.

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 21st day of October, 2010 upon counsel to the parties of record.

Randall V. Griffin
Chief Regulatory Counsel
DPL Inc.

Summary: Reply to Comments of the Ohio Consumers' Counsel electronically filed by Mr. Randall V Griffin on behalf of The Dayton Power and Light Company