

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The Dayton)	
Power and Light Company for Authority to)	Case No. 10-2447-EL-AAM
Modify its Accounting Procedures)	

**APPLICATION OF THE DAYTON POWER & LIGHT COMPANY FOR AUTHORITY
TO MODIFY ITS ACCOUNTING PROCEDURES**

The Dayton Power and Light Company ("DP&L" or "Company") respectfully requests that the Public Utilities Commission of Ohio ("Commission"), pursuant to R.C. §4905.13, grant the accounting authority requested in this application and permit DP&L to defer as regulatory assets, those revenues related to the Ohio's Percentage of Income Payment Plan Plus ("PIPP Plus") that are not recovered through the Universal Service Fund ("USF") or from PIPP Plus customers. In support of this request, DP&L states as follows:

1. Applicant the Dayton Power and Light Company is a public utility and electric light company as defined by R.C. §4905.02 and §4905.03(A)(4), and an electric distribution utility as defined by R.C. §4928.01(A)(6) and is subject to the jurisdiction of the Commission.
2. Ohio's PIPP program, O.A.C §122:5-3, which is administered by the Ohio Department of Development ("ODOD"), recently underwent a comprehensive reform effort, which resulted in a name change from "PIPP" to "PIPP Plus" and various substantive changes to the rules and operations of the program, including the creation of a new program within the comprehensive PIPP Plus program called "Graduate PIPP Plus." The reform effort culminated in the new PIPP Plus rules being finalized in December 2009, with a scheduled effective date of November 1, 2010.

3. One of the substantial changes to the PIPP Plus program concerns DP&L's ability to recover PIPP Plus installments from the USF. By way of background, under the PIPP Plus program, electric customers with a household income of 150 percent or less of the federal poverty guidelines pay only a percentage of their monthly income, also known as "PIPP Plus Installment," towards their monthly electric service. These percentages are different based on the customer's heating source. Under the PIPP program currently in operation, DP&L recovers 100 percent of PIPP customers' bills from the USF. In other words, even when PIPP customers fail to pay their monthly PIPP installments, DP&L is reimbursed for such unpaid amounts from the USF. For example, if a PIPP customer's total monthly bill is \$100 and the customer's PIPP installment based on his or her income and heating source is \$30, DP&L recovers the \$30 PIPP installment from the USF, as well as the \$70 bill balance (difference between the PIPP installment amount and the current bill), which becomes part of the customer's arrears. If the customer pays the \$30 PIPP installment, DP&L remits that amount to the ODOD which then gets applied towards reducing the USF.

4. Unlike the current PIPP program, under the new PIPP Plus rules, which take effect on November 1, 2010, when PIPP Plus customers fail to pay their monthly PIPP Plus installments, DP&L will not get recovery of such unpaid PIPP Plus installments from the USF. Because the responsibility to collect unpaid PIPP Plus installments will fall upon DP&L, soon after the effective date of November 1, 2010, the Company anticipates it will face the risk of increased uncollectible expense from PIPP Plus customers. Since DP&L does not have an uncollectible rider, these new uncollectible PIPP amounts are not currently recovered through any other rate, rider, or charge contained in DP&L's PUCO Vol. No 17 tariffs.

5. In addition to PIPP Plus installments, the creation of the Graduate PIPP Plus program will cause DP&L's uncollectible expenses to increase as well. Under Graduate PIPP Plus, if a PIPP Plus customer is no longer income eligible to participate in the PIPP Plus program, or chooses to stop participating in PIPP Plus, the customer can enroll in Graduate PIPP Plus. Graduate PIPP Plus allows PIPP Plus customers to pay a monthly Graduate PIPP Plus installment on-time for 12 months and have the customer's PIPP Plus debt forgiven. However, if Graduate PIPP Plus customers fail to make Graduate PIPP Plus installment payments, the USF will not reimburse DP&L for these unpaid installment amounts, which will increase DP&L's uncollectible expense.

6. Of additional concern to DP&L is the fact that the PIPP Plus program does not allow the Company to charge customers a deposit or late payment fee on the PIPP Plus and Graduate PIPP Plus installments. This strips from the Company a tool to encourage prompt PIPP Plus and Graduate PIPP Plus installment payments, and leaves the Company with less leverage to collect unpaid installments from PIPP Plus and Graduate PIPP Plus customers, further contributing to the risk of increased uncollectible expense. Furthermore, higher uncollectible amounts may cause DP&L to utilize more third party collection agencies increasing the expense of attempting to recover this amount.

7. ODOD designed the PIPP Plus program in a way that would incent customers to make consistent monthly payments such that PIPP Plus customers can have PIPP debt forgiven within twenty-four months of converting into the new PIPP Plus program, or within twenty-four months of enrolling in the new PIPP Plus program for the first time. The new program will also allow Graduate PIPP Plus customers to have debt forgiven in 12 months. Even though the program is designed such that it would be very beneficial to the customers to make consistent

and on-time monthly payments, DP&L cannot predict whether customers will fully appreciate and understand this design, nor can DP&L predict whether customer payment behavior will change with the new program, and to what extent the Company's uncollectible expense will increase.

8. For the reasons explained above, DP&L proposes to defer the unpaid uncollectible PIPP Plus and Graduate PIPP Plus installment amounts, as well as increased collection expenses resulting from third party collection fees for future recovery from all customers through a separate uncollectible rider, beginning at a date determined in a future Commission proceeding. Until fully recovered, the Company will apply a carrying charge of 5.86% on the unrecovered deferral balance and defer such carrying charge for future recovery.

9. The Company's current distribution rates have been frozen through December 31, 2012, pursuant to paragraph 18 of the Stipulation and Recommendation in the Company's Electric Security Plan, Case No. 08-1094-EL-SSO, *et al* ("ESP Stipulation"). However, pursuant to the ESP Stipulation, the Company is permitted to apply to the Commission for approval of a separate rate rider to recover "costs of complying with changes in tax or regulatory laws and regulations effective after the date of [the ESP] Stipulation." (ESP Stipulation, ¶18(a)). The ESP Stipulation was filed February 24, 2009, and as noted above, the new PIPP Plus rules will become effective November 1, 2010.

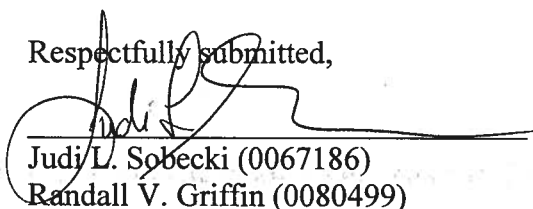
10. The revised PIPP Plus program has the potential to expose DP&L to an increased amount of uncollectible expense that cannot be recovered through the USF—a notable departure from the current PIPP program. Therefore, DP&L respectfully requests approval to defer the additional PIPP Plus uncollectible expenses, effective November 1, 2010 and a return of 5.86% on the unrecovered balance, until such time as DP&L has obtained authority to implement an

uncollectible rider to begin to collect those costs from all customers as determined in a future Commission proceeding.

11. The requested deferral is an accounting procedure that does not result in an increase in any rate or charge. Therefore, no hearing is required on this application.

WHEREFORE, for the foregoing reasons, DP&L respectfully requests this application be approved.

Respectfully submitted,



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Summary: Application of the Dayton Power and Light Company for Authority to Modify its Accounting Procedures, electronically filed by Mrs. Irda Hoxha Hinders on behalf of The Dayton Power and Light Company