BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of Aligning Electric Distribution	)	
Utility Rate Structure With Ohio's Public	)	Case No. 10-3126-EL-UNC
Policies to Promote Competition, Energy	)	
Efficiency, and Distributed Generation.	)	

Comments of The Dayton Power and Light Company

I. INTRODUCTION

On December 29, 2010, the Public Utilities Commission of Ohio ("Commission") issued an entry seeking comments from interested parties on the issue of aligning the electric distribution utility rate structure with Ohio's policies to promote competition, energy efficiency, and distributed generation. Specifically, the Commission solicited comments on three questions:

(1) Whether modifications to Ohio's electric utilities' rate structures would better align utility performance with Ohio's desired public policy outcomes;

(2) If so, what modifications should be adopted; and

(3) If modifications are indicated, what is the process the Commission should use to make them.

Accordingly, the Dayton Power and Light Company ("DP&L" or "Company") respectfully submits the following comments to the Commission regarding this matter.

II. OHIO UTILITIES ALREADY HAVE INCENTIVES FOR MEETING THE SB 221 BENCHMARKS

DP&L respectfully submits that there already exists a substantial motivation for electric distribution utilities in Ohio to achieve energy efficiency under the statutory scheme enacted by

Amended Substitute Senate Bill No. 221. O.R.C. Section 4928.66(A)(1)(a) provides: "[A]n electric distribution utility shall implement energy efficiency programs that achieve energy savings equivalent to ... a cumulative, annual energy savings in excess of twenty-two per cent by the end of 2025." Further, O.R.C. Section 4928.66(C) sets forth penalties if the utility company fails to meet these requirements, providing: "the commission shall assess a forfeiture on the utility" for failure to meet the energy efficiency or peak demand reduction requirements set forth in O.R.C. Section 4928.66.

DP&L is currently meeting and exceeding all benchmarks set by state law. DP&L as well as other Ohio Electric Distribution Utilities have incentives such as shared saving mechanisms or the ability to recover lost revenue through rates. These incentives were provided by the Commission either through their Energy Efficiency Portfolio Plan cases or through their Electric Security Plan cases to exceed the SB 221 targets. DP&L believes that decoupling revenue from sales to specifically target energy efficiency is unnecessary to provide additional incentive to utilities at this time.

III. ESTABLISHING DISTRIBUTION RATES SHOULD ONLY BE DONE THROUGH A RATE CASE PROCESS

Although the formulaic approach to ratemaking may be attractive because it is simple to use and easy to understand, DP&L believes that distribution rates should only be established through a traditional rate case. O.R.C. Section 4909.18 provides the opportunity for the utility to demonstrate the revenue requirement upon which rates should be based and parties have an opportunity to test that calculation. The rate case procedural structure provides due process protections and an opportunity for all interested parties to be heard. Rates can only be established or changed under the existing statutory scheme, rather than by imposing a new "one

size fits all" formula developed in the context of this proceeding, since revenue requirements are unique to each utility and should include adjustments for items such as weather, economic conditions, normalization adjustments, and may contain special provisions for addressing the unique characteristics of net metering customers.

Given the complexities of rate setting, which are apparent from the existing detailed statutory pronouncements on the subject, DP&L respectfully suggests that the Commission's proposal in regards to the approach to decoupling seems to over-simplify the rate making process and could lead to rates that are unjust and unreasonable. The Commission appears to propose setting distribution rates based on revenue class (i.e., residential, commercial, industrial), which is not how current distribution rates are set. DP&L's rates are set based on tariff class (i.e., residential, residential heat, secondary, primary, high voltage).

DP&L rates are based on cost of service principles that have been developed through Commission decisions over the decades and intentionally assign costs to the customers that cause those costs to be incurred. Specifically, DP&L's distribution rates reflect the type of equipment used to provide distribution service to customers. If DP&L were establishing a straight fixed variable rate design, it would perform engineering studies to determine what equipment is used to serve customers in each tariff class to ensure the level of fixed charge adequately covered the costs of fixed distribution assets. DP&L believes that any future rate design should maintain some representation of cost of service based cost allocation principles to ensure that rates are just and reasonable.

IV. DECOUPLING REVENUES FROM SALES DOES NOT LOWER THE RISK UTILITIES FACE, IT INCREASES IT

Finally, but by no means a minor point, DP&L submits that it is a flawed perception that

decoupling reduces the risks that are reflected in rate of return. That perception ignores the fact that around any established rate of return, there are both risks and opportunities. If a decoupling initiative is combined with rate making mechanisms that eliminate the opportunities to earn additional revenues due to the impacts of economic growth or weather, the decoupling initiative could actually be a disincentive for investors that would need to be offset with a higher rate of return.

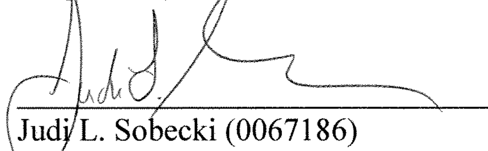
All rate of return impacts can only be addressed through a distribution rate case proceeding so as to provide certainty and stability in a structure that satisfies due process principles. DP&L believes that annual filings to true-up the allowed revenue and rate of return would be completely unworkable. To ensure that annual filings provide due process, comply fully with Commission policies, reflect changing conditions, and permit the utility and other parties to propose alternatives, means that the Commission would be requiring the equivalent of full base rate cases by every utility every year. Those proceedings alone would absorb essentially all the time and resources of the Commission and its Staff. The alternative would be some kind of hybridized short-form proceeding that impairs due process, would substitute accounting records for Commission policy, and bar all parties from proposing new types of services, new cost allocation approaches or new rate design. That is neither workable nor good regulatory policy. Since a distribution rate should only be established through a rate case proceeding, providing the data requested in Appendix B is burdensome and inappropriate at this time.

V. CONCLUSION

DP&L is not opposed to the concept of moving towards a decoupling or straight-fixed variable distribution rate structure at some point in the future; however, there needs to be three

elements present when moving to a decoupling mechanism. First, this change can only be brought about through a distribution rate case, not through a separate proceeding, imposing a standardized formula applied uniformly to all utilities. Second, engineering studies should be completed by the utility to identify how costs are incurred to properly establish the level of the fixed charge by tariff classes. And finally, any new rate design would need to be determined on a tariff class basis and not based on revenue class.

Respectfully submitted,



Judi L. Sobecki (0067186)
Randall V. Griffin (0080499)
The Dayton Power and Light Company
1065 Woodman Drive
Dayton, OH 45432
Telephone: (937) 259-7171
Facsimile: (937) 259-7178
Email: judi.sobecki@dplinc.com
randall.griffin@dplinc.com

Attorneys for The Dayton Power and Light Company

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

2/11/2011 2:30:23 PM

in

Case No(s). 10-3126-EL-UNC

Summary: Comments In the Matter of Aligning Electric Distribution Utility Rate Structure With Ohio's Public Policies to Promote Competition, Energy Efficiency, and Distributed Generation electronically filed by Mr. Tyler A. Teuscher on behalf of The Dayton Power and Light Company