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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of Application of The AES)
Corporation, Dolphin Sub, Inc., DPL Inc.)
and The Dayton Power and Light)
Company for Consent and Approval for) Case No. 11-3002-EL-MER
a Change of Control of The Dayton)
Power and Light Company.)

COMMENTS OF OHIO PARTNERS FOR AFFORDABLE ENERGY

Introduction

On May 17, 2011, the Applicants filed the instant action pursuant to Sec. 4905.402(B) O.R.C. The requested approval would transfer control of The Dayton Power and Light Company (DP&L) to The AES Corporation ("AES"). The Applicants contend that the transfer of control will "promote the public convenience and result in the provision of adequate service for a reasonable rate, rental, toll, or charge." Sec. 4905.402(B) O.R.C.

The Applicants contend that the proposed merger will satisfy the requirements of applicable Ohio law. The Application lists the following commitments in order to meet the statutory requirements:

- 1) AES will preserve local decision making authority for a minimum of two years following the merger;
- 2) AES will maintain DP&L's operating headquarters in Dayton, Ohio for two years following the merger;
- 3) AES will retain the DP&L name for at least two years following the merger;
- 4) The extensive international resources and technical expertise of AES will result in adequate service;

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- 5) Emergency response services will be improved as a result of the close proximity of another AES-owned utility, the Indianapolis Power & Light Company ("IPL");
- 6) The merger will not result in further consolidation among Ohio utilities;
- 7) AES will not implement any involuntary workforce reductions that would result in DPL Inc. and DP&L employing substantially fewer individuals than are employed immediately prior to the merger;
- 8) DP&L will substantially maintain current levels of charitable contributions and community support for at least two years; and
- 9) DP&L's credit rating will remain investment grade.

Application at 3-4

As noted in its Motion to Intervene, Ohio Partner for Affordable Energy ("OPAE") is a membership organization made up of community-based nonprofit organizations providing services to economically distressed families in a region of Ohio that has suffered significant economic trouble during the past decade. OPAE members in the DP&L service territory provide bill payment assistance services, energy efficiency services, food pantries, employment and training programs, and community development services. Our member agencies interact with DP&L on a daily basis to ensure customers retain access to essential energy services. OPAE members provide similar services to all the utilities operating throughout Ohio's eighty-eight counties. This regular interaction with Ohio utilities informs the comments that OPAE hereby submits regarding the proposed transfer of control.

COMMENTS

I. THE COMMISSION SHOULD CONDITION THE MERGER TO ENSURE THERE WILL BE NO DIMINUTION IN THE QUALITY OF CUSTOMER SERVICE.

The quality of service is critical to customers purchasing essential energy services. Ohio law and regulations includes an extensive array of reliability standards; consumer protection provisions; and, advanced energy and energy efficiency requirements, all of which benefit consumers directly. Ensuring compliance with these laws and rules is critical to satisfying the requirements AES must meet in order for the Commission to approve the proposed merger.

Service reliability is of great concern to customers. Consumer appliances, industrial machinery, and other electric end uses increasingly rely on high power quality and minimal service interruptions in order to operate correctly. The Commission should condition the transfer so that there is no diminution in service quality as measured under Commission-approved reliability regulations. AES should commit to expending the resources provided in base rates and adequate shareholder resources as necessary to continue to comply with current reliability standards until the next base rate case.

Ohio-based utilities have under-invested in reliability during the past decade. This lack of investment was the proximate cause of the northeastern blackout in 2003, and has resulted in significant amounts of litigation resulting from the poor service quality. When utilities fail to invest the dollars provided through base rates to ensure a reliable infrastructure, the unspent funds inure to the shareholders, in this case after the merger to AES. As a result, if the investments are not made, AES should shoulder the responsibility to ensure reliability standards are met, not ratepayers.

AES should maintain an official in Ohio empowered to settle customer disputes beyond the two year commitment in the application. Ohio customers pay rates adequate to provide reliable, high quality customer service. Billing disputes, service disputes, and other disagreements between customers and their monopoly electric distribution utility should be promptly resolved. This is most effectively achieved through locally-based employees that are familiar with the service territory and sensitive to the unique characteristics of the customer base and the requirements of Ohio law and regulations. OPAE recommends that the Commission require AES to maintain customers service personnel with the authority to settle customer disputes in Dayton or other locations in the service territory. OPAE recognizes that there will never again be customer service centers in the larger cities and towns within any utility service territory. On the other hand, OPAE also recognizes that AES is an international concern controlling utilities and power plants throughout the world while IPL is AES's only domestic distribution utility. OPAE is concerned that customer service functions could be transferred to an AES operating subsidiary in another country where customer service standards are less well formed and AES personnel know little or nothing about Ohio customer service requirements.

The experience of our members in working with call centers of merged companies has clearly shown that out-of-state call centers of multi-state holding companies often exhibit a lack of understanding of unique features of Ohio consumer protection provisions, particularly the payment assistance programs available to low-income and other payment troubled customers. Our member agency staffs in other service territories within the state have found themselves training out-of-state customer service and call service staff on Ohio consumer protection and payment rules, if and when they are willing. Several utility

companies have recognized these problems and established Ohio-specific call centers to ensure that the staffs are familiar with and understand the unique aspects of Ohio's customer protection rules.

OPAE urges that as a condition of the merger, AES should be required to maintain call centers dedicated to the Ohio service territory. In addition, DP&L should be required to retain its existing low-income program specialists who are critical to the smooth operation of the Percentage of Income Payment Plan program and related matters. Ohio provides more extensive bill payment assistance programs and enforces unique rules relating to the disconnection of customer service for nonpayment. These are consumer protections that are jealously guarded in Ohio and should not be diminished as the result of the proposed merger.

AES does have a demonstrated expertise in the deployment of renewable energy systems. Hopefully, it will bring this experience to bear in Ohio. Renewable technologies are more employment intensive than traditional fossil fuels; are smaller scale projects that require less customer-provided capital; will minimize air regulation compliance costs; and, offer the promise of low cost power over the life of the facilities. AES should commit to establishing a program to offer long-term contracts for new renewable installations to spur additional investment in the region, and should follow the lead of DP&L in installing larger scale renewable projects.

II. THE COMMITMENTS TO MAINTAIN A SIGNIFICANT CORPORATE PRESENCE SHOULD BE EXTENDED TO A MINIMUM OF FIVE YEARS.

Ohio has faced difficult economic times for many years, and the Dayton area has seen more than its fair share of job loss. The departure or closures of

NCR, General Motors, and DHL have resulted in large layoffs during a period of broad economic decline in Ohio and across the nation. Per capita income has fallen and new jobs increasingly pay minimum wage.

The Applicants propose “not to implement any involuntary workforce reductions that would result in...employing substantially fewer individuals in the aggregate than are employed immediately before the merger” until the end of 2013. Application at 3. Two qualifiers to that commitment are of concern: 1) what constitutes ‘substantially fewer individuals’; and, 2) what is the definition of the period ‘immediately before the merger’? The devil is in the details and the details are lacking.

Protection of jobs at employment levels existing prior to the announcement of the merger should be the standard for job retention. The protection of jobs should be extended to December 31, 2016. AES is not claiming any savings from the merger. In most mergers, even the recently announced merger of the two AEP-Ohio electric distribution utilities, utilities have claimed operational savings from consolidation. Given that AES is not claiming any savings in its application, the current level of employment which ratepayers are already paying for in existing base rates should be retained. This will also help insure maintenance of current reliability levels and customer service.

In order to support these job levels, AES should also commit to retaining DP&L's operating headquarters in Dayton through at least 2016. A commitment to retain the headquarters is, in effect, a commitment to job retention. Customers are best served by a utility with close ties to the community. Retention of the

corporate headquarters in Dayton will help stabilize regional employment, ensure adequate customer service, and enhance operational reliability.

III. ADMINISTRATIVE COST REDUCTIONS RESULTING FROM THE MERGER WHICH OCCUR PRIOR TO THE NEXT BASE RATE CASE SHOULD BE SHARED WITH CUSTOMERS.

If AES is not required to retain employment at existing levels for an extended period of time, it should be required to return the value of any cost savings resulting from the merger to ratepayers. Because the Application proposes to defer reductions in the workforce through December, 2013, the Commission should retain jurisdiction over the merger for an extended period in order to provide customers with any financial benefits resulting from the merger. OPAE recommends the value of the merger be returned to customers through the period of the next base rate case or through 2016, whichever comes first

IV. AES SHOULD NOT BE PERMITTED TO MOVE FORWARD WITH SMART GRID DEPLOYMENT ABSENT PROOF THAT EACH ASPECT OF THE INVESTMENT --- DISTRIBUTION AUTOMATION, SMART METERS AND RELATED TARIFF OFFERINGS, AND ELECTRIC VEHICLE INFRASTRUCTURE -- IS COST-EFFECTIVE FOR EACH CUSTOMER CLASS.

The Application touts AES's demand side management and smart grid expertise. DP&L already possesses an effective demand side management portfolio which is meeting the efficiency standards established by Ohio law. It has, however, withdrawn a smart grid deployment proposal because of concerns with the business case provided with the smart grid application. The AES experience with IPL may improve the likelihood the smart grid investments are cost-effective but there is no evidence in the Application to support this assertion.

Smart grid deployment is exceedingly expensive to customers. At this point, only distribution automation has been shown to be cost-effective by improving reliability and system efficiency. Smart meters, on the other hand, have yet to attract much consumer interest and the financial benefits are not proven. *Electric vehicles remain more of a future vision than current reality.* Making dubious large-scale investments at a time when it is critical to keep power prices competitive to help revive the regional economy is counter-intuitive. Investments should only be authorized if they reduce customer costs, not increase them.

Proposed investments in smart grid should be carefully scrutinized by the Commission and authorized only through a separate application. Five other smart grid pilots are in process across Ohio and AES is managing one at IPL. The Commission should refrain from authorizing similar expenditures in the DP&L service territory until the existing pilots demonstrate the investments are cost-effective, especially for residential customers.

V. UTILITY DIVERSITY IS NOT INHERENTLY BENEFICIAL.

The Application claims that the proposed merger benefits “utility diversity” in Ohio. It is unclear what exactly utility diversity is and how it is advantageous to customers. Adding the viewpoint of an out-of-state corporation primarily focused on activities outside of the United States may or may not be of any use to Ohio ratepayers. There is certainly no indication that the Duke merger has provided any valuable insights that have benefited Ohio customers. The advantage of diversity has a hollow ring in this case.

CONCLUSION

The Commission has a responsibility to ensure that the proposed merger promotes the public convenience and results in reasonable rates. AES has asserted that the merger will result in a number of benefits, but those benefits are difficult to discern. Committing to retaining some level of employment and keeping the operational headquarters in Dayton for a mere two years is hardly a benefit. The bulk of the other commitments seem specious.

The Commission needs to condition the merger on Dayton remaining the headquarters of the operating company through 2016. This will justify maintenance of employment levels, and help ensure continued reliability. Customer service, and particularly retention of DP&L's highly qualified staff that deals with low-income customers, will also be best served by retaining the operational headquarters in Dayton. The Commission should also retain jurisdiction over the merger through 2016 or the next base rate case to ensure that savings as a result of the merger are returned to customers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served by regular U.S. Mail upon the parties of record identified below in this case on this 18st day of July 2011.

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