

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Verification of the	)	
Energy Efficiency and Peak Demand	)	
Reductions Achieved by the Electric	)	Case No. 12-665-EL-UNC
Distribution Utilities Pursuant to Section	)	
4928.66, Revised Code	)	

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**COMMENTS OF THE DAYTON POWER & LIGHT COMPANY ON THE REPORT OF  
OHIO INDEPENDENT EVALUATOR ON THE ANNUAL VERIFICATION OF THE  
ENERGY EFFICIENCY AND PEAK DEMAND REDUCTIONS ACHIEVED BY THE  
ELECTRIC DISTRIBUTION UTILITIES**

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The Dayton Power and Light Company ("DP&L" or "the Company") appreciates the opportunity to provide comments in response to the report issued by Evergreen-Economics ("Evergreen"), the Ohio Independent Evaluator, on the annual verification of the energy efficiency and peak demand reductions achieved by the distribution utilities, pursuant to section 4928.66 of the Ohio Revised Code ("O.R.C."). DP&L's comments appear below:

**Free Ridership, Net Impacts**

In various areas of the report, Evergreen addresses the concept of free ridership and the issue of reporting net versus gross savings. DP&L believes that the gross savings methodology should be the one employed for purposes of compliance with O.R.C § 4928.66. Gross savings are determined by calculating the savings that can be attributed to energy efficient measures installed by customers. Calculations are made based on a series of assumptions and then reviewed for reasonableness through the evaluation, measurement and verification process. While not an exact science, DP&L has been able to implement programs to date and reach a

general level of agreement with its independent evaluator, The Cadmus Group (“Cadmus”), as to the calculated gross savings.

In order to employ the net savings methodology, an additional level of assumptions related to free ridership and spillover effects must be placed on top of the calculated gross savings. As Evergreen itself admits, “measuring free ridership is a complex process.”<sup>1</sup> Beyond the complexity, it also requires that customers use imperfect memories to answer hypothetical questions as to what they would have done differently under different circumstances. Therefore, DP&L believes that compliance should be based on what occurred, not what might have occurred if circumstances had been different. In its report, Evergreen explains the shortcomings of this process:

“Measuring free ridership is a complex process that requires more than the few questions that were included in this survey. A well-designed battery of free ridership questions will have multiple questions addressing similar topics to help ensure that respondents are answering questions consistently. *As shown below, even these questions can yield inconsistent responses (emphasis added).* For example, customers claim that equipment cost is a significant barrier to installing energy efficiency in response to one question, while in answering another indicate that they are likely to install the equipment even if a rebate were not available. *The issue is further complicated by imperfect recall by respondents of the purchase process they went through when installing the equipment (emphasis added).* The customer may also not be aware of other market factors relating to the equipment. For example, they may state they would have purchased the same equipment without a rebate, but the equipment (or qualified installation contractors) may not have been available if the rebate program did not exist.”<sup>2</sup>

DP&L’s concern with measuring free ridership is also illustrated in Evergreen’s discussion of free ridership with the appliance recycling program. Evergreen states that “DP&L Appliance Recycling participants found the rebate less important than participants in the AEP

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<sup>1</sup> Report of the Ohio Independent Evaluator prepared by Evergreen Economics, page 62.

<sup>2</sup> Report of the Ohio Independent Evaluator prepared by Evergreen Economics, pages 62-63.

Ohio program did.”<sup>3</sup> DP&L believes this is due to the fact that AEP provides a rebate of \$50 while DP&L generally provides a rebate of \$25.<sup>4</sup> To reduce free ridership and make the rebate a more important factor for customers, DP&L could hypothetically increase the rebate. For example, DP&L could provide a rebate of \$500 per customer. This would not be the appropriate action to take, but it would reduce the calculated free ridership of the program.

As a result of the above mentioned shortcomings, DP&L believes only gross savings should be employed for compliance purposes. If the Commission determines that net savings should be used at all, net savings should take into account both the free ridership and spillover effects, and only be used for cost effectiveness purposes. Additionally, DP&L believes that prior to using the net savings methodology, the subject should be explored through a new docket where all interested parties have the opportunity to address their positions.

#### **Adoption of Evaluator Process Recommendations**

In its report, Evergreen recommends that all the utilities “adopt the process recommendations presented in the utility evaluation reports.”<sup>5</sup> DP&L believes it has a very good working relationship with its evaluations provider, Cadmus, and has implemented a number of Cadmus’ recommendations. DP&L values its opinion and experience and even seeks its views and recommendations outside of the formal reporting process. However, DP&L does not believe it should be required to implement each and every recommendation made by Cadmus. Since DP&L bears the legal responsibility to comply with the annual energy efficiency and peak demand reduction targets, DP&L should have the ultimate discretion as to which recommendations should be adopted.

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<sup>3</sup> Report of the Ohio Independent Evaluator prepared by Evergreen Economics, page 63.

<sup>4</sup> DP&L normally offers a \$25 rebate with its appliance recycling program. DP&L did temporarily increase the rebate to \$50 during July and August 2011 as a part of a special promotion.

<sup>5</sup> Report of the Ohio Independent Evaluator prepared by Evergreen Economics, page 13.

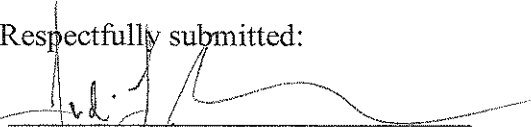
## **Proposed Involvement with Mercantile**

In its report, Evergreen has proposed that it be involved in “helping utilities and PUCO staff review the application savings calculations” for mercantile applications as they are submitted to the PUCO.<sup>6</sup> DP&L disagrees and believes this level of involvement of the independent evaluator is unnecessary. The utilities have the responsibility for calculating savings and each utility’s independent evaluator should review the calculations as needed. If Evergreen performs the same evaluations, the work would be duplicative and eventually the utilities’ customers would bear the cost of such duplicate work. The process of mercantile applications’ evaluations is working sufficiently and does not need another added layer of evaluation and measurement.

## **Conclusion**

DP&L appreciates the opportunity to express its comments regarding the Independent Evaluator’s report and looks forward to being an active participant in additional discussions in the future.

Respectfully submitted:



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<sup>6</sup> Report of the Ohio Independent Evaluator prepared by Evergreen Economics, page 9.

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Summary: Comments of The Dayton Power and Light Company, electronically filed by Irda Hoxha Hinders on behalf of The Dayton Power and Light Company