BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service Restoration Costs	))))	Case No. 12-3062-EL-RDR
In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority	)))	Case No. 12-3266-EL-AAM

COMMENTS OF THE KROGER CO.

I. INTRODUCTION

On December 21, 2012, the Dayton Power & Light Company (DP&L) filed an application seeking authority to recover Operation and Maintenance (O&M) expenses for all major event storms in 2011 and 2012, as well as certain 2008 storm O&M expenses. In addition, DP&L is requesting recovery of capital expenditures related to Hurricane Ike in 2008, and major storms in 2011 and 2012. DP&L is proposing to implement a Storm Cost Recovery Rider to recover all major storm costs going forward, and is requesting the Commission grant accounting authority to defer O&M costs until they are recovered through the rider. DP&L is requesting specific accounting authority to defer the 2011 major storm O&M costs with carrying costs equal to DP&L's cost of debt.

DP&L has designed the initial Storm Cost Recovery Rider to collect \$29.7 million in historical storm O&M costs plus historically-accrued carrying charges over three years. In addition, the rider is proposed to collect the annual return on rate base for storm-related capital expenditures, and associated depreciation expense and property taxes. DP&L calculates the resultant annual rider revenue requirement as $22.3 million in the first year, $21.7 million in the second year, and $20.6 million in the third year.

Kroger takes no position on the reasonableness of the amount of DP&L's storm-related O&M costs and capital expenditures. Kroger's comments are limited to recommending that O&M costs included in the proposed rider be reduced by the three-year average of major storm O&M expenses and to addressing the rate design of proposed recovery rider for the Secondary Tariff Class. Kroger's recommendations are intended to be consistent with Commission precedent, and to minimize intra-class cost shifting among customers served under DP&L's Secondary distribution tariff.

II. COMMENTS

A. If The Commission Approves A Storm Cost Recovery Rider For DP&L, The Recoverable O&M Costs Should Be Limited To Those Exceeding The Three Year Average Of Major Storm O&M Expenses.

DP&L seeks to establish a Storm Cost Recovery Rider to recover all O&M expenses associated with major event storms in 2011 and 2012, as well as all major storm costs going forward. In addition, DP&L is seeking recovery of the deferred O&M expenses associated with 2008 storms, including Hurricane Ike, which exceeded the three-year average.

The Commission's January 14, 2009 order in Case No. 08-1332-EL-AAM approved DP&L's application to defer O&M expenses associated with Hurricane Ike which exceeded the three-year average service restoration O&M expenses for major storms. In Case No. 12-2281-EL-AAM, DP&L was authorized by the Commission's December 19, 2012 order to defer O&M expenses associated with the June 2012 windstorm, after reducing the balance by the three-year average of O&M expenses for major storms. The Commission's February 13, 2013 Entry on Rehearing in that docket denied DP&L's application on rehearing, which application for rehearing argued that the Commission erred in reducing DP&L's O&M expense deferral by the three-year average of major storm O&M expenses. The Commission affirmed that "reducing DP&L's recovery of O&M expenses by the three-year average of O&M expenses associated with major storms is consistent with Commission precedent, most notably Case No. 08-1332-EL-AAM."[1] The Commission also found "that allowing DP&L to recover the full amount could allow for DP&L to engage in double-recovery for the O&M expenses, first from base distribution rates and second from this proceeding."[2]

Kroger recommends that, consistent with the Commission's findings and orders in Case Nos. 08-1332-EL-AAM and 12-2281-EL-AAM, any O&M costs approved for recovery in this proceeding be reduced by the three-year average of O&M expenses associated with major storms. To the extent that the Commission approves DP&L's request to defer major storm O&M costs going forward, for subsequent recovery through the Storm Cost Recovery Rider, Kroger recommends this balance also be reduced by the three-year average of major storm O&M expenses.

B. For the Secondary Tariff Class, The Storm Cost Recovery Rider Should Be Redesigned As An Equal Percentage Rider, Or Should Incorporate A Demand Charge Component.

DP&L proposes to allocate the cost of the Storm Cost Recovery Rider to customer classes based on annual distribution revenues (minus customer charge revenues), based on data for the twelve months ended September 2012. The Company has designed the rider as a demand (kW) charge for the Primary and Primary Substation tariff classes, and as an energy (kWh) charge for all other classes. This rate design will likely result in significant cost shifting within the Secondary tariff class, from lower load factor customers to higher load factor customers.

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[1] Commission Entry on Hearing, February 13, 2013, Finding (7).
[2] Ibid.

The Secondary Electric Distribution Service tariff is comprised of a demand charge applicable to each kW over 5 kW of monthly billing demand, as well as an energy charge applicable only to the first 1,500 kWh per month. The demand charge component collects the majority of revenues from the Secondary tariff, accounting for approximately 87 percent of revenues, while the energy charge accounts for the remaining 13 percent (customer charge revenues have been excluded).[3] Designing the Storm Cost Recovery Rider as an energy charge, as DP&L has proposed, is inconsistent with the underlying rate design of distribution service rates for this class and will result in higher load factor customers served on the Secondary tariff bearing a disproportionate share of cost recovery within the class.[4] This cost-shifting within the Secondary tariff class could be eliminated by redesigning the Storm Cost Recovery Rider as an equal percentage rider applicable to base distribution rates (excluding the customer charge) for this tariff. Based on the data provided by DP&L on Schedule A-3, a rider of 12.3 percent would collect DP&L's proposed revenue requirement for the first year. This equal percentage rider could be applied to other tariff classes as well, though DP&L's rate design proposal would result in less profound cost shifting for these classes.

Kroger's recommended equal percentage rider design is consistent with the manner in which DP&L has allocated these costs to tariff classes, and with the design of the Storm Damage Recovery Rider proposed by Ohio Power Company in Case No. 12-3255-EL-RDR.

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[3] Based on billing determinants provided in DP&L's most recent ESP application, Case No. 12-426-EL-SSO, Second Revised Schedule 8, p. 1 of 5, and present base distribution rates.

[4] The Commission has approved as reasonable rate designs that align cost allocation with recovery method. For example in case number 09-1946-EL-RDR, Duke had allocated costs to be recovered for storm damage on the basis of demand, but initially sought to recover those costs through a customer charge. After comments were submitted, Duke adopted a demand based rate design to recover storm damage costs, and the Commission specifically noted in that case that a rate design that aligned cost allocation with cost recovery was reasonable and appropriate. (See, In the Matter of the Application of Duke Energy Ohio, Inc. to Establish and Adjust the Initial Level of Its Distribution Reliability Rider, Case No. 09-1946-EL-RDR at 22-23)

In the alternative, the Storm Cost Recovery Rider could be redesigned to include both demand and energy charge components for the Secondary tariff class, consistent with the design of base distribution rates. The proportion of rider costs collected through each billing component should be consistent with the proportion of base revenues collected through each component.

Respectfully submitted,

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