BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Implementation of	:	
Sections 4929.54 and 4928.544 of the	:	Case No. 16-247-EL-UNC
Revised Code.	:	

COMMENTS OF
THE DAYTON POWER AND LIGHT COMPANY

The Dayton Power and Light Company ("DP&L") appreciates the opportunity to provide comments on the new proposals advanced by Staff in response to the new statutory provisions contained in Ohio Revised Code 4928.54, 4928.544, and 4928.542 of the Ohio Revised Code that relate to procurements for Percentage of Income Payment Plan ("PIPP") customers. Certainly, the PUCO is in a difficult position of attempting to develop a "competitive procurement process"[1] that will "[r]educe the cost of the percentage of income payment plan program,"[2] when the PUCO has already designed an effective competitive procurement process for the Standard Service Offer ("SSO") that produces the lowest market cost option. Staff has set forth two general options in an effort to achieve these goals, both of which are admirable but leave many unanswered questions.

Irrespective of which Staff option or any additional option the PUCO ultimately decides to adopt, the electric distribution utilities ("EDUs") should be afforded cost recovery for all administrative costs incurred as a result of complying with R.C. 4928.54 *et al.* The law is designed to reduce the cost of the PIPP program by having the market (suppliers) bear those costs by providing electric generation service to the PIPP load at a price below the SSO.

[1] R.C. 4928.54.

[2] R.C. 4928.542(B).

Although it is unclear how the market will bring about different results from the proposed auctions, to ensure that the market does bear the costs to provide the lower PIPP price, and it is not subsidized by the EDUs, the PUCO should ensure that the EDUs are made whole. Therefore, the EDUs should receive cost recovery for the administrative costs associated with running a second and/or supplemental auction for the PIPP load as well as any internal functional and programming costs that are necessary to carry out the competitive PIPP procurement process. The latter of which may include, but are not limited to, applicable customer billing system changes and any changes to reimbursement and/or remittance processing with the Ohio Development Services Agency.

A. Option One – PIPP-Separate Procurement

Staff's primary recommendation calls for a second auction to serve the PIPP load that will take place on the same day as the SSO auction.[3] DP&L is concerned that the uncharted functional issues and costs associated with this option will need to be addressed in more detail before auctions could take place in an efficient manner to ensure that the new PIPP procurement will "[r]esult in the best value for persons paying the universal service rider ["USF"]."[4]

As an initial matter, Staff's recommended timing of the PIPP procurement auction, on the same day as the SSO,[5] seems unlikely to yield any savings. Even assuming a bid window that extends until noon the following day,[6] participants would be bound by substantially similar, if not identical, market dynamics. Moreover, because the same bidders that are qualified to bid in the SSO auction could bid in the PIPP auction,[7] there is a potential of artificially inflating the

[3] Staff Recommendation at 3-6 (February 1, 2016).

[4] R.C. 4928.542(C).

[5] Staff Recommendation at 3.

[6] Staff Recommendation at 5.

[7] Staff Recommendation at 4.

SSO price to compensate for the anticipated PIPP auction that is required to be lower, which of course would lead to a result of not truly reducing the cost of the PIPP program or to the best value for persons paying for the USF.

Unlike the SSO auction, it appears that the proposed PIPP auction will be opened up to a greater audience that includes competitive retail electric suppliers certified under R.C. 4928.08. But it remains a question as to whether the PIPP customers procured through this separate auction would actually become generation supply customers of the CRES providers for the duration of the Master Supply Contract or if they would be treated in a manner more akin to SSO customers under the current wholesale auction. While this may sound like a trivial distinction, it could substantially affect how the PIPP customers are treated within the DP&L system. For instance, if they become CRES customers, would that requires the bills to comply with the consolidated billing requirements?[8] It also begs the question of what happens to the customers after they are no longer on the PIPP program – do they return to the SSO or remain with their CRES, and at what price? Further administrative concerns come from specifics about which there is still notable uncertainty – how will any unfilled need be satisfied[9] and how will the pre-bid security/collateral be structured?[10] The answers to all of these questions (and many others) are likely to affect the ultimate cost of this type of procurement process.

Currently, PIPP load is served as a part of the SSO load such that the overall cost of the procurement for PIPP customers is spread across all other customers taking SSO service. Due to the aforementioned questions, DP&L does not have a good estimate of the additional costs that would be incurred by separating the PIPP tranches from the rest of the SSO load and conducting

[8] *See*, Ohio Adm. Code 4901:1-10-33.

[9] Staff Recommendation at 6.

[10] Staff Recommendation at 5.

a separate PIPP procurement process. Undoubtedly, there will be costs associated with reviewing and modifying the Master SSO Supply Agreement, auction rules, and related documentation to account for the transitioning of PIPP customers to a separate auction. DP&L would then have to develop a separate Master Supply Agreement, auction rules, and qualifications/pre-bid security for the PIPP auction. Beyond the auctions themselves, there will be additional IT, billing, and accounting costs associated with tracking and billing the PIPP load separate from the SSO load. In fact, the level of tracking and billing would go beyond whether a customer is charged under the SSO Master Supply Contract or the PIPP Master Supply Contract. Tracking would need to include a more granular level of information related to PIPP customers because not all PIPP customers will be on and off of the PIPP program to coincide with the PIPP Master Supply Contract.

Without further detail, this option could result in a PIPP program that is actually *more* costly than currently due to the administrative costs associated with the auction and internal reprogramming. SSO customers, rather than the market, would then bear the cost of the discount, which is directly contrary to the purpose of R.C. 4928.54 *et al*. To prevent such an outcome, the PUCO should convene a working group to resolve these open issues and/or develop a lower-cost option.

B. Option Two – Administrative Discount

While the second option of employing an administratively derived discount did not receive the Staff recommendation, this proposal offers a slightly lower level of complexity; however, this option does raise additional questions. For instance, when would auction participants receive information regarding the administratively established discount for the PIPP auction? If it is in advance of the auction process, like in the first option, those suppliers bidding into the SSO auction are likely to inflate their SSO price to compensate for the decreased PIPP price. Again, such a result would undermine the statutory requirements of R.C. 4928.54 *et al*.[11] Alternatively, the larger SSO suppliers could substantially drive the price of the PIPP auction (via the SSO auction) such that the smaller bidders that did not qualify to participate in the SSO auction would be at the mercy of the market metrics of those larger suppliers that could participate in the SSO auction. Perhaps more importantly, the second option begs the question of what metrics will be used to derive the "administratively set discounted rate"[12] for the PIPP auction.

Under Staff's second option, the responsibility of reducing the cost of the PIPP program appears to be more directly assigned to the market suppliers. However, many of the same questions that exist under option one also exist under this second option. And as previously mentioned, the answers to those questions could potentially drive up the cost of the PIPP procurement. Before making such a drastic change, the PUCO Staff and the EDUs should be afforded ample time to consider resolutions and/or alternative options via a Commission-led working group.

C. The PUCO should form a Working Group to work with Staff to help further develop and clarify the most cost-effective PIPP procurement process.

While the statute mandates that the PIPP load must be competitively procured, unlike many other statutes, there is no timeline in which that must be accomplished. There has not been ample time to consider and evaluate all of the nuances and complexities associated with Staff's proposals, much less formulate and evaluate other alternatives that clearly accomplish the stated purposes of R.C. 4928.54 *et al*. Both Staff proposals were submitted with general parameters, but the devil is in the details. In order to avoid potentially creating a system that costs more than

[11] *See supra*, at pg. 2.

[12] Staff Recommendation at 6.

it saves – directly contradicting R.C. 4928.542(B) and (C) – DP&L recommends that the PUCO convene a working group to evaluate and flesh out the details of Staff's recommended options and/or consider other potential alternative approaches.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I certify that these comments were filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 8th day of February 2016. The PUCO's e-filing system will electronically serve notice of the filing of this document on all parties of record.

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