

**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**

Once again, The Dayton Power and Light Company (“DP&L”) appreciates Staff’s continued efforts to find a practical solution to the requirements of R.C. 4928.54 *et al.* Staff proposed a competitive percentage of income payment plan (“PIPP”) auction process in two alternative proposals set forth in the February 1, 2016 Staff Recommendation (“Staff’s First Recommendation”). After the Attorney Examiner so ordered, various parties submitted comments in response to Staff’s First Recommendation, many of which raised questions about the specifics of the competitive procurement of the PIPP load. In response, on February 23, 2016 a third alternative proposal was submitted in Staff’s Second Recommendation (“Option 3”), which recommends employing a request for proposal (“RFP”) process to competitively procure supply of the PIPP load at a price lower than the standard service offer (“SSO”).

I. Comments to Staff’s Second Recommendation - Option 3

DP&L maintains that a working group would be the most efficient and effective way to develop a competitive PIPP procurement process for the least amount of cost to customers. While Option 3 is preferable to the two options set forth in Staff’s First Recommendation, many questions remain. For instance, what rates will be compared for purposes of evaluating the RFP bid? Once the RFP is awarded, will PIPP customers be treated like SSO customers or as

competitive retail electric service (“CRES”) customers? It is possible that this option will not actually result in a lower price than the SSO auction. It is also possible that Option 3 will cause SSO auction bidders to place higher bids to compensate for the risk associated with not knowing if they will serve PIPP load through the SSO. The working group can sort through these issues and help develop a consistent methodology to employ throughout the state. If the PUCO declines to institute a working group, however, DP&L recommends the adoption of Option 3 (over Options 1 and 2) with the following recommended changes to clear up some of the associated questions and abate some of the potential pitfalls.

A. Rate comparison should be at the retail level not the wholesale level.

Staff’s proposed Option 3 recommends the use of an “RFP for the supply of the full requirements service for the EDU’s PIPP load.”¹ But Staff does not indicate how the RFP will be compared to the SSO auction result in order to ensure that it is lower than the “otherwise applicable standard service offer.”² The wholesale price that is acquired in the SSO auction is measured in megawatts for an entire tranche that includes residential, commercial, and industrial customers. The PIPP load, however, only consists of residential customers. In order to accurately make an apples-to-apples comparison of the cost of the competitively secured PIPP load with the reciprocal residential portion of the SSO load, both must be reduced to a per kWh retail rate for residential customers. Moreover, the kWh rate should be applied to billing determinants for the PIPP class from the previous 12 months.

In addition to comparing rates in the same form (kWh), the rate comparison should also include the same components. Each EDU has its own way in which it designs its SSO/generation rates, which can include the cost of the auction, alternative energy mandates,

¹ Staff’s Second Recommendation at 2 (Feb. 23, 2016).

² R.C. 4928.542(B).

heating discounts, etc. DP&L seeks clarification that the PIPP RFP comparison price will include the same cost components as those assigned to SSO customers.

B. The RFP should not be conducted until after the SSO auction results are publicly produced.

As part of Staff's RFP option, and likely in response to the February 8, 2016 Comments filed by the various competitive retail electric service providers,³ the RFP will be conducted in a way to "assur[e] that the potential suppliers would have knowledge of the current approved auction results prior to submitting their bids."⁴ Staff further recommends that "[t]he RFP should be timed such that bids would be due as soon as possible after the current SSO auction."⁵ However, this Commission has consistently held SSO auction results confidential for a short period after the SSO auction.⁶ The winning auction clearing price is announced after Commission approval (typically 1-3 days after the auction).⁷ Therefore, the PIPP RFP should take place after the SSO auction is approved and publicly disclosed by the Commission in its Finding and Order. This will protect the confidential information of the bidders of the SSO auction and provide potential PIPP RFP bidders time to analyze and review the SSO auction results. DP&L's proposed timing will also provide the electric distribution utilities ("EDUs") time to develop the retail rate comparison discussed above, which will require the EDUs to apply the wholesale auction rates to their respective rate designs.

C. The PIPP RFP should be bidding out load, not customers.

³ See, e.g., Comments of FirstEnergy Solutions Corp. at 4 (Feb. 8, 2016); Comments of Interstate Gas Supply, Inc. at 3 (Feb. 8, 2016).

⁴ Staff's Second Recommendation at 2-3.

⁵ Staff's Second Recommendation at 2.

⁶ See e.g., *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Electric Security Plan for Customers of The Dayton Power and Light Company*, Case No. 13-2120-EL-UNC, Finding and Order at 2 (Sept. 30, 2015); Report at 1-5 (Sept. 30, 2015).

⁷ Id.

None of Staff's three options that have been suggested in Staff's First Recommendation and Staff's Second Recommendation have clearly expressed how the PIPP customers are to be treated from an EDU billing perspective. Staff has explained, however, that "PIPP load would be served using the same form of contract as the SSO Master Supply Agreement . . ."⁸ Thus, DP&L assumes (and recommends) that the competitively procured PIPP load will be treated in the same manner as the SSO load. In effect, this means that the PIPP customers will not actually be "switched" to the CRES provider that won the RFP bid. Rather, the PIPP customers will still be customers of the utility, their load is just served by the winning CRES provider in the same way an SSO customer is still a customer of the utility. As a result, the bills of PIPP customers will still follow the SSO bill format as set forth in 4901:1-10-22. PIPP customers are not permitted to switch to CRES providers,⁹ and treating them like an SSO customer will limit customer confusion. This will also limit the amount of internal programming and infrastructure changes necessary to effectuate the competitive procurement of PIPP supply. This will help lower the costs of implementation; helping achieve the goal of R.C. 4928.54 *et al.*

D. Default by the winning bidder of the PIPP procurement will result in PIPP customers reverting to the SSO price.

The Staff addresses the concept of a PIPP supplier defaulting by explaining that it "would result in that product being served proportionately by the specific SSO suppliers associated with that delivery year, at the SSO price associated with the defaulted product."¹⁰ DP&L understands this to mean that if the winning bidder of the PIPP RFP defaults, the PIPP load will default back to the SSO and be served *at the SSO auction clearing price*. To avoid confusion, DP&L recommends the following edit to Staff's recommendation: "Any supplier default in serving a

⁸ Staff's Second Recommendation at 4.

⁹ Ohio Adm. Code 4901:1-10-29(I)(1).

¹⁰ Staff's Second Recommendation at 5.

PIPP product would result in that product being served proportionately by the specific SSO suppliers associated with that delivery year, at the SSO auction clearing price ~~associated with the defaulted product.~~”

E. The EDUs should be afforded full recovery for the costs associated with the RFP and any internal implementation.

As set forth in DP&L’s original Comments, the EDUs should be afforded full cost recovery for the costs associated with the competitive procurement of the PIPP load. Irrespective of which Staff option the Commission chooses to employ, it will result in incremental costs of the EDUs. DP&L is appreciative of Staff recognizing that “[c]osts associated with administering the PIPP RFP would be included for recovery in the same manner as costs associated with the SSO auctions.”¹¹ However, DP&L seeks clarification that cost recovery should not only include the costs associated with the RFP but any incremental ancillary costs associated with administering a unique PIPP load price. While not yet quantifiable, this will potentially include costs associated with billing changes, software upgrades, and programming to track PIPP customers.

II. Reply Comments to Staff’s First Recommendation – Options 1 and 2.

The CRES providers that filed Comments in response to the Staff’s Recommendation appear to share a common view of how the PIPP load should be secured – though a single phase auction whereby the PIPP load is secured as a part of the SSO auction.¹² In fact, they appear to prefer the Staff’s second and less preferred option of an administrative discount off of the SSO bids. Aside from the fact that the “administrative discount” option lacks the requisite specifics to

¹¹ Staff’s Second Recommendation at 5.

¹² See, e.g., Initial Comments of Exelon Generation, LLC at 7 (Feb. 8, 2016); Initial Comments of The Retail Energy Supply Association at 8 (Feb. 8, 2016); Comments of Interstate Gas Supply, Inc. at 3.

implement, the Staff adequately addresses the CRES providers' concerns with the introduction of the RFP option set forth in Staff's Second Recommendation.

The RFP provides potential bidders with the SSO auction results prior to the PIPP RFP.¹³ In fact, DP&L's recommended timing changes will give potential bidders even more time to assess SSO auction results. Staff's recommended RFP process also strikes a balance of opening the bidding up to all CRES suppliers, but allowing EDUs to institute necessary credit requirements.¹⁴ This increases chances of greater supply, maximizing the chances of producing a result lower than the SSO auction price,¹⁵ while also providing EDUs with adequate opportunity to hedge against supplier default. The RFP will ultimately yield a larger tranche size than the prior Staff options by awarding the winning bidder "the entire PIPP load for the specific PJM delivery year."¹⁶ Finally, the RFP option allows a phase-in of the PIPP process¹⁷ to prevent the EDUs from potentially breaching current SSO Master Supply Agreements that include the PIPP load.

III. CONCLUSION

The Commission should develop a working group to analyze and develop a process to competitively procure the PIPP load at a price lower than the SSO auction. To the extent the Commission chooses to proceed forward with one of the three Staff recommended options, it should adopt Staff's Option 3 RFP process and incorporate the changes recommended by DP&L because it is the most cost-efficient and strikes the most equitable balance of all parties'

¹³ See, Staff's Second Recommendation at 2-3; *See also*, Comments of FirstEnergy Solutions Corp. at ; Comments of Interstate Gas Supply, Inc. at 3.

¹⁴ Staff's Second Recommendation at 4.

¹⁵ The CRES suppliers preferring a single-phase auction stressed the unlikelihood that Option 1 would result in a PIPP auction price lower than the SSO auction price. *See generally*, Initial Comments of Exelon Generation, LLC; Initial Comments of The Retail Energy Supply Association.

¹⁶ Staff's Second Recommendation at 4; *See also*, Comments of FirstEnergy Solutions Corp. at 4.

¹⁷ *See*, Staff's Second Recommendation at 3.

concerns. Irrespective of which path the Commission chooses, the EDUs should be afforded full cost recovery of implementation and sufficient time to implement the new process.

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 29th 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.

/s/ Michael J. Schuler

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Summary: Comments of the Dayton Power and Light Company electronically filed by Eric R Brown on behalf of The Dayton Power and Light Company