May 8, 2020

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of Dayton Power and Light Company (DP&L), to Update its Transmission Cost Recovery Rider – Non-bypassable (TCRR-N), Case No. 20-547-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by DP&L to update its TCRR-N in Case No. 20-547-EL-RDR

Marianne Townsend

Marianne Townsend
Chief, Regulatory Utility Services
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

Dayton Power and Light Company
Case No. 20-547-EL-RDR (TCRR-N)

Overview

Pursuant to the Commission's Opinion & Order approved on September 4, 2013, in Case No. 12-426-EL-SSO, et al., the Dayton Power and Light Company (DP&L or Company) was authorized to separate its Transmission Cost Recovery Rider (TCRR) into a market based bypassable rider (TCRR-B) and a non-market based rider (TCRR-N). On October 20, 2017 in Case No. 16-395-EL-SSO, et al., the Commission authorized DP&L to amend the TCRR-N and establish a pilot program, which allows certain customers to opt out of the TCRR-N and purchase transmission services directly from the regional transmission operator.

On November 26, 2019, DP&L filed a notice of withdrawal to exercise its statutory right to withdraw its application for an electric security plan (ESP) in Case No. 16-395-EL-SSO, et al., and to implement its most recent ESP in Case No. 08-1094-EL-SSO, et al. (ESP I). On December 18, 2019, the Commission found that DP&L's withdrawal terminated the ESP approved in Case No. 16-395-EL-SSO and dismissed the case. The Commission also found that DP&L's TCRR-N is authorized under ESP I and should be continued.

On March 16, 2020, DP&L filed the annual update of its TCRR-N. On April 17, 2020, DP&L filed an amended application to capture various corrections.

Staff Review

Staff completed its review of DP&L's filings. Staff conducted this audit through a combination of document review, interview, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated and jurisdictional or to conclude that an adjustment was warranted. Staff identified a minor error of $7,072 in the filing's beginning balance on January 31, 2019. Staff finds that the rider's balance on January 31, 2020 should be an over-recovery of $12,211,645. Staff will confirm that the Company reflects the correct beginning balance in the next annual update of its TCRR-N.

The Company has proposed to significantly increase the maximum charge rate (max charge) for Secondary and Primary customers in the TCRR-N. The max charge was designed to help very low load factor customers by capping the part of a customer's bill that is calculated using demand charges. Currently, demand charges appear in the Company's base distribution schedules (Base-D) as well as the TCRR-N and Rate Stabilization Charge (RSC) riders. The total max charge equals the sum of the Base-D, TCRR-N and RSC max charge rates. Since 2016, the number of max charge occurrences have risen from approximately 3,000 to over 22,000 per month. When a customer is charged the max charge, the customer is being charged an amount lower than they otherwise would have been charged under the applicable non-max charge rates, and the difference may be borne by other ratepayers. To reduce the number of max charge occurrences to the levels experienced in 2016, the Company proposed a significant increase to the TCRR-N max charge.

The main driver of the current low total max charge is the Base-D max charge established in Case No. 15-1830-EL-AIR, et al. To remedy the issue the Company has proposed to significantly increase the max charge rate of the TCRR-N to raise the total max charge rate to the 2016 level.

The Staff does not disagree that the total max charge may be too low; however, the Staff does not believe it is appropriate to significantly increase the TCRR-N max charge to remedy an issue mainly driven by the Base-D max charge. In addition, the Company's proposed increase could result in substantial increases for certain customers. As a result, Staff recommends the Commission not approve the Company's proposed max charge and direct the Company to establish a TCRR-N max charge rate set at a level that reflects the methodology utilized by the Company to set the current max charge in its TCRR-N rider.

Pursuant to the Commission's Order in Case No. 16-395-EL-SSO, DP&L established a TCRR-N pilot program. Currently, there is one customer enrolled in the pilot program. Customers served under the pilot program are billed directly by PJM or their Competitive Retail Electric Service (CRES) provider and are no longer subject to the TCRR-N rider rates. This allows the customer or their CRES to be billed directly for certain costs such as Network Integration Transmission Service based on the customer's specific Network Service Peak Load (NSPL), as opposed to the customer being billed by the utility under the TCRR-N rider based on their monthly metered billing demand. This provides an opportunity for these customers to control their transmission related costs by controlling their NSPL.

Conclusion

Staff recommends that the amended application filed April 17, 2020 be approved, subject to the above recommendations, and become effective on a bills rendered basis beginning on June 1, 2020. The proposed rate for residential customers increases from $0.0016934 to $0.0032303 per kWh, which represents a $1.54 increase per month for a residential customer using 1,000 kWh.