

FAX

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)
Dayton Power and Light Company for) Case No. 05-276-EL-AIR
The Creation of a Rate Stabilization)
Surcharge Rider and Distribution Rate)
Increase.)

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**MOTION TO STRIKE OBJECTIONS
AND MEMORANDUM in SUPPORT
OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

October 3, 2005

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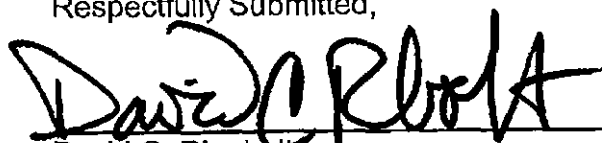
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**MOTION TO STRIKE OBJECTIONS
OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

Pursuant to O.A.C. §4901-1-28(B) and the Attorney Examiner's Entry of September 1, 2005, Ohio Partners for Affordable Energy ("OPAE") moves the Commission for an order striking objections numbered I.4, I.5, and II.6, contained in the Objections of The Dayton Power and Light Company to the Staff Report of Investigation. This motion is based on the accompanying memorandum in support which is incorporated herein by reference.

Respectfully Submitted,



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The Creation of a Rate Stabilization)
Surcharge Rider and Distribution Rate)
Rate Increase.

MEMORANDUM IN SUPPORT

On March 1, 2005, The Dayton Power and Light Company ("DP&L") filed a Notice of Intent to file an application for an increase in rates. The Application to establish a Rate Stabilization Surcharge Rider ("RSS") was subsequently filed on April 4, 2004. Pursuant to O.A.C. §4901-1-28(B)¹, Ohio Partners for Affordable Energy ("OPAE"), a party to the above-captioned case, hereby submits this Memorandum of Support for its Motion to Strike Objections to the Staff Report of Investigation ("Staff Report") filed on August 26, 2005.

DP&L Objection I.4.

In the Staff Report at Page 8, the Staff indicates that the SCR run costs be *calculated at the average cost of production rather than purchased power costs* as indicated in the Application in this case. OPAE believes this objection should be stricken because an SCR is a component of a power plant. The power plant

¹ Ohio Administrative Code 4901-1-28(B): Any party may file objections to a report of investigation within thirty days after such report is filed with the commission. Such objections may relate to the findings, conclusions, or recommendations contained in the report, or to the failure of the report to address one or more specific items. All objections must be specific, and objections which fail to meet this requirement may be stricken, upon motion of any party or the commission staff or upon motion of the commission, the legal director, the deputy legal director, or the attorney examiner.

provides the generation necessary to operate the SCR. As such, it is the cost of operating the plant that is relevant to the cost of operating the SCR, not the value of the generation had it been sold in the market. Since DPL does not have to purchase generation on the market to operate the SCR, the average cost of production is the appropriate measurement. The purpose of SB 3 was not to equate all costs to market value; rather, it was to deregulate generation. When generation is sold into the market, the cost of operating the SCR is embedded within the bid price for the power plant. Thus, the market recognizes the cost of operating the SCR as a facility cost which is calculated based on the cost of production of that particular plant. Therefore, the average cost of production is the appropriate measure to calculate the cost of operating an SCR.

DP&L Objection I.5.

In the Staff Report at Page 8-9, the Staff indicates that DP&L should not recover rate case expenses through the RSS Rider. DP&L objects noting that because the Stipulation in Case No. 03-2779-EL-ATA, et.al., requires an Application to set the RSS Rider must be filed under O.R.C. §4909.18 it is entitled to collected expenses associated with this case. Unfortunately, DP&L mischaracterizes this case. While the Stipulation does require a filing under O.R.C. §4909.18, this is not a rate case.² The applicant has not been required to comply with all of the filing requirements associated with a rate case. Nor are rate

² DP&L itself acknowledges that this is not a rate case, characterizing the case as a "limited-issue proceeding." Objections of the Dayton Power and Light Company, Case No. 05-276-EL-AIR at 4 (September 26, 2005).

case expenses included in the definition of costs to be included the RSS Rider.³

Thus, rate case expenses are inappropriate for inclusion in the RSS Rider.

DP&L Objection II.6.

In the Staff Report at Page 12, the Staff indicates that DP&L cash working capital be calculated using the lead/lag study from Case No. 91-414-EL-AIR. DP&L favors a formula approach, noting that conditions have changed since the 1991 rate case. Further, DP&L argues that requiring an updated lead/lag study is inappropriate in a "limited-issue proceeding." While the existing lead/lag study may be somewhat dated, it is the preferred mechanism for determining cash working capital requirements. In the recent USF Rider case, DP&L did not object to the use of the 1991 lead/lag study to determine the impact of the DP&L-Ohio Department of Development payment requirements when compared to actual receipts.⁴ Thus, it appears that DP&L views the 1991 lead/lag study as adequate for current circumstances. In order to update that study, DP&L should file a rate case. Given that the Company has not filed a rate case since³ 1991 and that it bargained away that option as a part of the Stipulation in Case no. 03-2779-EL-ATA, et.al., the Company has no one to blame but itself for the age of the currently applicable lead/lag study.

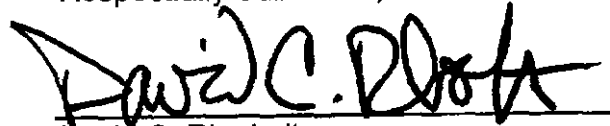
Conclusion.

OPAE respectfully requests that the Attorney Examiner grant its Motion to Strike objections I.4, I.5, and II.6.

³ See, Stipulation, Case No. 03-2779, et.al., §IX.E., (May 25, 2003).

⁴ See, Transcript, Case No. 05-717-EL-UNC at 26-30 (August 26, 2005, filed September 9, 2005).

Respectfully Submitted,

A handwritten signature in black ink that reads "David C. Rinebolt". The signature is written in a cursive style with a horizontal line underneath the name.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion to Strike Objections and Memorandum in Support was served by regular U.S. Mail upon the parties of record identified below in this case on this 3rd day of October, 2005.


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