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BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Commission's)
Promulgation of Amendments to)
Rules for Electric Service and)
Safety Standards Pursuant to)
Chapter 4928, Revised Code)

Case No.: 99-1613-EL-ORD PUCO

THE DAYTON POWER AND LIGHT COMPANY'S
MEMORANDUM CONTRA THE REQUEST FOR
REHEARING OF LOCAL UNION NOS. 175 AND 270,
UTILITY WORKERS UNION OF AMERICA, AFL-CIO

Pursuant to Ohio Rev. Code § 4903.10 and Ohio Admin. Code § 4901-1-35, The Dayton Power and Light Company ("DP&L") files with the Public Utilities Commission of Ohio ("Commission" or "PUCO") this memorandum contra the request for rehearing of Local Union Nos. 175 and 270, Utility Workers Union of America AFL-CIO ("Union"). DP&L is an electric utility as defined in Ohio Rev. Code § 4928.01(A)(11) which will be impacted by the Final Rule. Further, DP&L has filed comments, reply comments, and other pleadings in the instant proceeding, and will be impacted by the Final Rules.

As the Commission acknowledged in it's Finding and Order issued April 7, 2000, ("April 7 Order") Rule 4901:1-10-27 represents a more flexible, result-oriented, cost efficient method to ensure safe, reliable, and reasonably priced electric service for Ohio's consumers. April 7 Order at 17. Version 1 is activity-oriented, it is counter-productive, overly prescriptive and will result in a substantial cost increase without an increased substantial benefit. It would be unreasonable to revert to that version of Rule 4901:1-10-27 because it will result in expenditures of \$10-40 million without measurable benefits to electric companies or electricity consumers.

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Additionally, Version 2 carries out the Legislature's intent of Senate Bill 3 which is, in part, to improve service reliability. Based on the above, and for the reasons more fully discussed below, the Commission should deny the Union's request.

**MEMORANDUM CONTRA THE UNION'S REQUEST FOR
REHEARING OF THE FINAL RULES FOR ELECTRIC
SERVICE AND SAFETY STANDARDS**

Introduction

In its Finding and Order in the present proceeding, the Commission has adopted Final Rule 4901:1-10-27 (a.k.a. Version 2) which first and foremost, produces desired results, and is the most reliable, cost efficient, and flexible method to provide electric service to Ohio's consumers. DP&L supports the Commission's determination to adopt Version 2 of the proposed rules and seeks that the Commission affirm that decision for the reasons set forth below.

I. In Its Present Form, Rule 4901:1-10-27 Produces The Desired Results

Version 2 is the best approach since it requires a continuous dialogue between the utility and the Commission staff in order to maintain the high standards of customer service, while still allowing for efficiencies through innovation and technological advances. It also promotes the goal of providing the best service to consumers at an affordable rate. These are the desired results of this Rule.

A. In Its Present Form, Rule 4901:1-10-27 Is The Most Reliable Method To Provide Electric Service.

The Dayton Power and Light Company strongly opposes previously proposed Version 1 for the Inspection, Maintenance, Repair, and Replacement of Transmission and Distribution

Facilities because it would not produce the most reliable system which DP&L could utilize. Maintaining equipment does not ensure reliability or necessary capacity capabilities. It is paramount to have a system that will be reliable. The indices, namely, SAIDI, CAIDI, and the DP&L Index, provide an objective method to evaluate reliability. The indices and our experience show that to maintain reliable systems, DP&L must perform maintenance whenever it is needed, rather than based on an arbitrary time measurement such as one year or five years. Consistently strong reliability performance can only be achieved through effective maintenance and inspection practices that prevent deterioration and correct equipment problems. Therefore, it is DP&L's goal to perform the right maintenance at the right time, rather than wait for the arbitrary time period to run in order to do major maintenance work. Rule 4901:1-10-27 as set forth in the April 7 Order is the best method to provide the most reliable electric service.

B. In Its Present Form, Rule 4901:1-10-27 Promotes Cost Efficiency

In addition to not producing the desired results, the time-based maintenance aspect of Version 1 is not cost efficient. The time-based maintenance program the Union is supporting is very costly. An initial consideration of Version 1 indicated a \$10-40 million cost per year to implement the plan at DP&L and other utilities. April 7 Order at 17. Yet this substantial increase in cost to the utilities would not substantially increase the services the utilities will be able to provide the consumer. Maintaining equipment yearly, every five years, or every ten years rarely accomplishes the desired effect and often expends money unnecessarily where simply using a result-oriented method would save the unnecessary expense by encouraging maintaining whenever it is needed. Thus, a time-based maintenance program would be very costly, would not produce the desired result, and would not provide a substantial benefit.

C. **In Its Present Form, Rule 4901:1-10-27 Permits Each Electric Company To Be Flexible In It Implementation And Adjustment Of Their Individual Systems**

By maintaining the result-oriented approach, the Commission is in compliance with Senate Bill 3 which mandates insurance that utilities maintain their systems. This is being accomplished without forcing companies to adopt practices that do not fit their individual systems or that are not consistent with their new technologies.

It is inappropriate for the Commission to specify maintenance and inspection timelines where to do so will prevent companies from developing standards and procedures that are ideal for specific components on their systems. The best resource for information is experienced utility engineers and operations supervisors. DP&L's past experience with time-based maintenance programs has led us to the conclusion that maintaining equipment yearly, every five years, or every ten years does not usually accomplish the desired effect and often expends money unnecessarily. Therefore, Version 1 would not work for DP&L or other utilities such as DP&L.

While it is appropriate for the Commission to establish minimum standards, these standards should relate to the overall system performance and compliance rather than specific maintenance or inspection requirements. This allows companies to develop maintenance standards and practices that are best suited for their systems while guaranteeing quality service for all customers. Maintenance and inspection cycles vary tremendously depending on equipment age, manufacture, design, operating voltage etc., of each utility company. DP&L uses new technologies where, in some cases, DP&L can online monitor equipment to determine if there is a change in performance. DP&L can graph performance and undertake maintenance as required.

The Commission has acknowledged that each electric utility's facilities and equipment are unique given the geographic nature of the company's service area, the age of the system, the technological advancement of the equipment installed, and the type of facilities and equipment at issue. April 7 Order at 17. Therefore, in its present form, Rule 4901:1-10-27 permits each electric company to be flexible in its implementation and adjustment of their individual systems and thereby achieves its desired results.

D. **In Its Present Form, Rule 4901:1-10-27 Allows The Electric Companies To Pass On Savings To The Consumer.**

In an effort to balance the necessity for safe and reliable electric service and the benefits of inspection, maintenance, repair, and replacement programs against the costs to be incurred by the electric utilities, which will ultimately be passed on to the consumers, the Commission has properly selected to adopt Rule 4901:1-10-27 in its present form. As stated earlier, initial cost estimates of Version 1 indicated a \$10-40 million cost per year to implement the plan at DP&L and other utilities. April 7 Order at 17. This amount can be reduced substantially by performing result-oriented maintenance rather than time-based maintenance and these substantial savings can effectively be passed on to the consumer.

By using the result-oriented method, DP&L will be able to achieve or exceed the agreed to performance levels at lower costs. Standards that force utility companies to perform maintenance at a certain timeframe result in higher costs for the customer without improving the reliability of the facilities. Therefore, it is to the advantage of the consumers for the Commission to retain Rule 4901:1-10-27 in its present form. These costs can be reduced substantially by performing Version 2, the result-oriented services, rather than Version 1. These savings can effectively be passed on to the consumer.

CONCLUSION

Based on the above, the Commission should deny the Union's petition for rehearing.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of The Dayton Power and Light Company's Memorandum Contra the Union's Request for Rehearing was served by First Class U.S. Mail, postage prepaid, this 18th day of May, 2000 upon the following:

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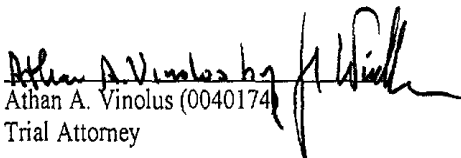
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