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Legal Department

(937) 259-7348 Direct Dial
(937) 259-7178 Telefax
e-mail: Athan.Vinolus@DPLinc.com

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PUCO

July 7, 2003

VIA FACSIMILE AND OVERNIGHT MAIL

Fax # 614-466-0313
Daisy Crockron
PUCO - Docketing Division
180 East Broad Street, 10th Floor
Columbus, Ohio 43215

Re: PUCO Case No. 03-681-EL-COI

Dear Ms. Crockron:

Enclosed please find the original plus 15 copies of the Reply Comments of The Dayton Power and Light Company. This document was sent via facsimile for filing in the above-referenced proceeding on Monday, July 7, 2003. Please date-stamp with Monday's filing date the additional copy that is also enclosed and return it to me in the self-addressed and stamped envelope provided.

Thank you for your assistance and your attention to this matter.

Very truly,

Athan A. Vinolus
Environmental and
Regulatory Counsel

Enclosure

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**BEFORE THE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Investiga-)
tion Into the Question of the Desirability,)
Feasibility, and Timing of Declaring that)
Retail Ancillary, Metering, or Billing and) Case No. 03-681-EL-COI
Collection Service Supplied to Customers is a)
Competitive Retail Electric Service Pursuant)
to Section 4928.04, Revised Code.)

**REPLY COMMENTS OF
THE DAYTON POWER AND LIGHT COMPANY**

In accordance with the March 20, 2003 Entry issued in this proceeding by the Public Utilities Commission of Ohio ("PUCO" or "Commission"), The Dayton Power and Light Company ("DP&L") submits its reply comments in response to the initial comments filed by other parties. DP&L reiterates its initial comments that the Commission should not declare ancillary services to be competitive retail electric services.

A. INTRODUCTION

While numerous parties have filed varying comments in this proceeding, one of the messages that can be heard from the parties is to proceed with caution¹. Primarily, parties commented that the Commission's inquiry is impacted by the development and implementation of regional transmission organizations ("RTOs") and that many of the ancillary services being considered are related to transmission services and wholesale sales. As noted by several parties, RTOs will likely identify which of the ancillary services they will offer or otherwise govern. To declare some or all of these services competitive retail services at the state level would be premature.

¹ However, National Energy Marketers Association ("NEMA") recommends a throw caution to the wind approach and requests that the Commission immediately declare ancillary services to be competitive retail services.

A fact that bears repeating in reply comments is that electric distribution companies ("EDUs") have expended substantial funds in order to presently provide Ancillary Services. If such services become competitive, EDUs must be able to recover the costs already incurred as well as all costs to implement deregulation of such services. Accordingly, this Commission should not declare Ancillary Services as competitive.

B. REPLY COMMENTS TO OTHER PARTIES' RESPONSES TO STAFF'S QUESTIONS

Set forth below are DP&L's reply comments to comments provided by various parties to questions raised by staff in the Commission's March 20, 2003 Entry.

- (1) **Section 4928.01(A)(1) of the Ohio Revised Code lists a number of "ancillary" services. Is this list all inclusive, or are there any other ancillary services which should be included which are not listed there?**

Also, are any of the ancillary services listed in Section 4928.01(A)(1) not a part of those "retail ancillary" services referred to in Section 4928.04(A)? If so, please explain.

DP&L reiterates its initial comments in response to this question. As stated above, some of the ancillary services listed in Section 4928.01(A)(1) of the Ohio Revised Code are FERC-defined services in the pro forma Open Access Transmission Tariff and are related to transmission services and wholesale sales. Columbus Southern Power Company and Ohio Power Company raised salient points in response to Staff's first question, with which DP&L agrees. Further, NEMA has suggested adding "operating non-spinning reserve service" and "restoration services" to the list of ancillary services, yet has not defined what constitutes "restoration services." For the reasons listed above, in addition to the fact that "restoration services" is unduly vague and undefined, these two services should not be added to the list or

definition of ancillary services. Based on the above, ancillary services should not be declared as competitive retail services.

- (2) **Would the provision of competitive retail ancillary, metering, or billing and collection services result in added value to consumers? If so, please explain.**

DP&L reiterates its initial comments in response to this question. Further, the Commission need not declare billing to be competitive since various forms of billing are presently allowed in Ohio, such as EDU consolidated billing, supplier consolidated billing, and dual billing. Based on the agreement entered into between an EDU and a CRES provider, collections can be performed as agreed-upon and no Commission action is needed to declare such competitive.

- (3) **Some other states have made retail ancillary services competitive in conjunction with competitive retail electric generation. Have those experiences resulted in customers receiving more benefits due to any synergies from combined competitive retail offerings? Please explain in detail the services offered, when they were offered, how many providers, customer participation, and any other pertinent information (e.g. Commission Orders and rules).**

DP&L reiterates its initial comments in response to this question. In the comments of the Ad Hoc Group of Competitive Retail Electric Service Providers, they indicated that they would supplement their comments with "Illinois and Texas materials." Since such materials have not yet been filed, DP&L reserves the right to supplement its reply comments if and when such materials are filed with the Commission.

- (4) **Is it a necessary condition to make retail ancillary services competitive in order to have effective competition for retail generation or vice-versa? Please explain.**

DP&L reiterates its initial comments in response to this question. The initial comments submitted by the Cincinnati Gas & Electric Company ("CG&E") provide an example from its own

experience that supports DP&L's position that effective competition can and will develop without the need to declare retail ancillary services to be competitive.

- (5) **If retail ancillary services were to be declared competitive, would the current minimum standards required of electric distribution utilities be sufficient to ensure current customer safety and quality of service levels? If not, please explain.**

DP&L reiterates its initial comments in response to this question. DP&L disagrees with NEMA's suggestion that a CRES provider's desire to stay in business and make a return on its investment will ensure safety and quality of service. While the suggestion sounds ideal, the potential severity of physical injury to customers and impact to the integrity and reliability of the electric grid demonstrates the need to have adequate rules to in place.

- (6) **Would a market development period for ancillary services be necessary or appropriate in order to determine if any retail services should be made fully competitive?**

Yes. DP&L reiterates its initial comments in response to this question.

If so, should electric distribution utilities be required to provide a standard offer for such services for those customers who elected not to choose or are returned to the EDU for whatever reason?

Yes. DP&L reiterates its initial comments in response to this question.

Should such standard offer(s) be cost-based or market based?

DP&L reiterates its initial comments in response to this question.

- (7) **Would a pilot program be an appropriate way to determine if any retail services should be made fully competitive?**

No. DP&L reiterates its initial comments in response to this question. None of the parties filing comments in this proceeding were in favor of a pilot program.

If so, how would such a pilot program be designed?

Not applicable.

- (8) **If metering services were declared to be competitive, who should be permitted to own the meter, the customer or the competitive retail electric service provider, or either? Please explain.**

Ancillary services should not be declared competitive. DP&L reiterates its initial comments in response to this question. While the various parties differed on their positions as to ownership of meters, all parties recognized the need for accurate meter data and to prevent tampering and fraudulent activity. Safety standards must also be maintained and assured. Accordingly, the Commission's consideration of this issue should take these "needs" into account.

- (9) **If metering and billing and collection services were to be made competitive who should read the meter and who would have access and/or rights to the information?**

Ancillary services should not be declared competitive. DP&L reiterates its initial comments in response to this question. Service providers paid on the basis of meter results will need access to the specific information necessary to bill their customers. Customer usage information must continue to be available to the EDU for POLR planning purposes.

Should there be a charge to access metering information? If so, how should it be determined? Please explain.

DP&L reiterates its initial comments in response to this question.

- (10) **Should competitive retail ancillary services be made available only to larger commercial and industrial customers or to all customers?**

Ancillary services should not be declared competitive. DP&L reiterates its initial comments in response to this question. EDUs must recover all costs incurred.

Should automated meter reading systems be permitted to be competitively deployed in order to bring economies of scale (i.e. value/savings) to smaller customers?

DP&L reiterates its initial comments in response to this question.

(11) **Should electric distribution utilities be required to put retail ancillary services out for competitive bid much like a competitive bid generation offering?**

No. DP&L reiterates its initial comments in response to this question.

(12) **Are you aware of any certified CRES providers or vendors who have expressed an interest in providing any competitive retail ancillary services? If yes, please explain.**

No.

CONCLUSION

Based on the above and DP&L's initial comments, the Commission should neither start a pilot program nor declare retail ancillary, metering, or billing and collection services as competitive services.

Respectfully submitted,



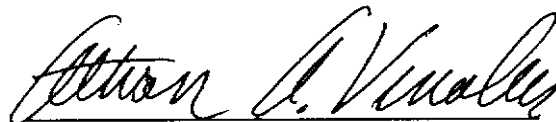
ATHAN A. VINOLUS (0040174)
The Dayton Power and Light Company
1065 Woodman Drive
Dayton, Ohio 45432

Athan.Vinolus@DPLinc.com
Telephone: (937) 259-7348
Facsimile: (937) 259-7178

Counsel for The Dayton Power and
Light Company

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the Reply Comments of The Dayton Power and Light Company have been served by posting to PUCO's Electric Retail Ancillary Service List-serve this 7th day of July, 2003.



Athan A. Vinolus (0040174)