

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
The Dayton Power and Light Company)	Case No. 12-426-EL-SSO
for Approval of Its Electric Security)	
Plan.)	
In the Matter of the Application of)	
The Dayton Power and Light Company)	Case No. 12-427-EL-ATA
for Approval of Revised Tariffs.)	
In the Matter of the Application of The)	
Dayton Power and Light Company for)	Case No. 12-428-EL-AAM
Approval of Certain Accounting)	
Authority.)	
In the Matter of the Application of The)	
Dayton Power and Light Company for)	Case No. 12-429-EL-WVR
Waiver of Certain Commission Rules.)	
In the Matter of the Application of The)	
Dayton Power and Light Company to)	Case No. 12-672-EL-RDR
Establish Tariff Riders.)	

**DIRECT TESTIMONY OF MATTHEW WHITE
ON BEHALF OF
INTERSTATE GAS SUPPLY, INC. D/B/A IGS ENERGY**

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. Please introduce yourself.**

3 A. My name is Matthew White and I am in-house counsel for Interstate Gas Supply, Inc.
4 d/b/a IGS Energy (“IGS”). My business address is 6100 Emerald Parkway, Dublin, Ohio
5 43016.

6 **Q. What is the nature of IGS’s business?**

7 A. IGS is a certified competitive retail electric service (“CRES”) provider serving customers
8 in the Dayton Power & Light (“DP&L”), FirstEnergy, AEP Ohio and Duke Energy Ohio
9 service territories. IGS is also a competitive retail natural gas (“CRNG”) supplier serving
10 customers in the Duke Energy Ohio, Vectren Energy Delivery of Ohio, Dominion East
11 Ohio and Columbia Gas of Ohio territories. IGS has over 23 years’ experience serving
12 retail customers in Ohio. IGS also provides electric and natural gas service to over 1
13 million customers in 11 states and in over 30 utility programs throughout the United
14 States. IGS has approximately 400 employees working at its headquarters in Dublin,
15 Ohio.

16 **Q. Please describe your educational background and work history.**

17 A. I received a Bachelor of Arts from Ohio University. I also have a Juris Doctorate and
18 Masters in Business Administration from the College of William & Mary. In 2007, I
19 began working at the law firm Chester Willcox & Saxbe as an energy and utilities lawyer.
20 At Chester Willcox I participated in numerous PUCO proceedings relating to utility
21 matters including electric and natural gas rate cases, and electric power siting cases. I
22 also worked on power sales transactions and electric power project development. From
23 2010 to 2012 I was the Chairman of the Columbus Bar Association Energy Law

1 Committee. In 2011, I was hired as an in-house attorney for IGS Energy working in
2 IGS's regulatory affairs department. As a regulatory attorney, I participate in the
3 development of fair, open, and competitive restructured energy markets at public utility
4 commission proceedings throughout the United States. I also have experience working
5 on matters regarding both regional transmission operators ("RTO") and independent
6 system operators ("ISO"), and on matter before the Federal Energy Regulatory
7 Commission ("FERC"). In addition to my regulatory work, I participate in IGS's
8 numerous clean energy initiatives, including compressed natural gas vehicles and
9 combined heat and power development.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to advocate for a responsible transition to competition for
12 DP&L, and to ensure that appropriate costs to serve default service customers are
13 assigned to the default service rate. In this proceeding, DP&L is seeking to recover the
14 costs of its stranded electric generation, which serves default service customers, through
15 the non-bypassable Service Stability Rider ("Rider SSR") and switching tracker ("the
16 SSR Tracker"). DP&L is also seeking to procure a portion of its default service load
17 through a competitive bidding process which will result in increasing DP&L's stranded
18 generation costs. It is inappropriate for DP&L to recover its stranded generation costs
19 through non-bypassable charges to all customers. Further, if the Commission should
20 authorize DP&L's proposed non-bypassable charges, the Commission should not create
21 additional stranded electric generation costs by accelerating DP&L to a wholesale
22 competitive bidding process ("CBP") for its default service rate.

1 DP&L has also proposed the non-bypassable reconciliation rider (“Rider RR”) which will
2 recover, among other things, any deferred balance that exceeds 10% of the base recovery
3 rate associated with any of the following true-up riders: the Fuel and Purchased Power
4 Rider (“the FUEL Rider”); the Reliability Pricing Model Rider (“the RPM Rider”); the
5 Transmission Cost Recovery Rider – Bypassable (“the TCRR-B”); the Alternative
6 Energy Rider (“the AER”); and the Competitive Bidding True-up Rider (“the CBT
7 Rider”). These costs that DP&L seeks to recover through Rider RR are specifically
8 associated with providing default service. As I explain in my testimony, these costs
9 should remain bypassable and the Commission should not authorize recovery of these
10 costs through non-bypassable Rider RR. Further, to the extent it is necessary to protect
11 customers against the so called “last man standing problem,” once shopping levels reach
12 a certain threshold, DP&L should conduct retail auctions to transfer customers to
13 competitive service, and use the revenues of those auctions to pay off any legacy default
14 service costs.

15 Finally, the Commission should require DP&L to offer a purchase of receivables
16 (“POR”) program to competitive suppliers that will help transition DP&L to a fully
17 competitive market. A POR is particularly important to put CRES suppliers on a level
18 playing field since DP&L is proposing the CBT Rider that is essentially a POR for
19 wholesale suppliers serving DP&L’s SSO rate.

20 **II. STRANDED ELECTRIC GENERATION COSTS**

21 **Q. Is DP&L seeking to recover stranded electric generation costs in this proceeding?**

22 A. Yes. DP&L is requesting to recover its stranded electric generation costs through its
23 proposed Rider SSR. DP&L’s witness Chambers explains in his testimony that Rider

1 SSR is designed to raise DP&L's projected ROE to a level that will ensure DP&L's
2 "financial integrity." Mr. Chambers lists DP&L generation assets on page 23 of his
3 testimony. On page 25 of his testimony, Mr. Chambers states that electric shopping in
4 Ohio has reduced the return on these assets through lower unit sales and lower unit
5 prices. Mr. Chambers explains that because currently wholesale electric prices are below
6 the retail electric rates DP&L charges default service customers, DP&L currently is not
7 making up the revenue it loses from customer shopping by selling wholesale electricity
8 from its generation assets. DP&L is also proposing the non-bypassable SSR Tracker to
9 mitigate the impact that customer shopping has on the return on DP&L's generation
10 assets. The SSR Tracker is also an attempt to recover DP&L's stranded costs.

11 Q. **Should DP&L be authorized to recover these stranded costs through non bypassable**
12 **Rider SSR and the SSR Tracker?**

13 A. No, DP&L should not be authorized to recover its stranded generation costs through a
14 non-bypassable charge. Senate Bill 3 authorized Ohio electric utilities to file for
15 transition plans at the PUCO and collect transition charges to help electric utilities
16 transition to the competitive market. In PUCO Case No. 99-1687-EL-ETP the PUCO
17 approved a market development plan for DP&L and authorized DP&L to collect non-
18 bypassable transition charges from customers. In 2001 DP&L began collecting these
19 charges during its market development period. Ohio Revised Code Section 4928.38
20 prohibits DP&L from collecting additional transition charges "or any equivalent
21 revenues" after the end of the market development period. Section 4928.38 also states
22 that after the market development period "the utility shall be fully on its own in the
23 competitive market." Further, Ohio Revised Code Section 4928.141 prohibits electric

1 utilities from recovering non-bypassable transition charges in its standard service offer.
2 DP&L's market development period has ended, yet it is still trying to inappropriately
3 collect the equivalent of transition charges in order to recover its stranded cost of
4 generation.

5 **Q. Will transitioning DP&L's default service rate to a CBP create more stranded costs**
6 **for DP&L?**

7 **A.** At current wholesale electric market conditions, transitioning DP&L's default service
8 rate to CBP will create additional stranded costs for DP&L. In its rate blending plan,
9 DP&L proposes blending its base generation rates with a CBP served by wholesale
10 suppliers to set the default SSO rate. Starting in 2013, DP&L proposes that a CBP be
11 held to serve a percentage of its default service load, and that percentage will increase
12 incrementally until 100% of the SSO load is served by a CBP in June 1, 2016. As more
13 of DP&L's default load is served by a CBP, less of the load will be served by DP&L at
14 DP&L's current electric generation rates and more at current wholesale electric market
15 prices. But because the current wholesale electric market prices are lower than DP&L's
16 current electric generation rates, DP&L will not be able to recover the same revenues in a
17 CBP default rate structure.

18 **Q. If DP&L is allowed to recover its stranded costs from customers, should DP&L's**
19 **default rate be set by a wholesale CBP?**

20 **A.** No. If the Commission determines that it is appropriate to allow DP&L to recover
21 stranded costs from customers through non-bypassable charges, the Commission should
22 not increase these stranded costs by setting DP&L's default service by a competitive
23 auction during the ESP period. Transitioning DP&L to a CBP during the default period

1 will only increase the amount of stranded costs that DP&L seeks to recover through non-
2 bypassable charges. Requiring shopping customers to pay the costs of DP&L's electric
3 generation is an inappropriate subsidy flowing from shopping customers to default
4 service customers. The Commission should seek to mitigate these inappropriate subsidies
5 to the greatest extent possible.

6 **Q. How should DP&L's SSO rate be determined during the ESP period?**

7 **A.** During the ESP period DP&L's default SSO rate should remain at its current base
8 generation rates, which would minimize to the greatest extent possible the stranded costs
9 DP&L is seeking to recover through non-bypassable charges.

10 **Q. How should DP&L's SSO rate be determined after the ESP period?**

11 **A.** DP&L should be required to divest its electric generation assets by the end of the ESP
12 period so that the DP&L regulated utility no longer owns electric generation assets. In
13 DP&L's next ESP proceeding, the Commission should determine the appropriate
14 mechanism to set DP&L's default rate, if any. Specifically, the Commission should
15 strongly consider conducting retail auctions, or requiring DP&L to exit the merchant
16 function once DP&L's electric generation assets have been divested, or a combination
17 thereof.

18 **Q. If the SSO rate is set at DP&L's current electric base generation rates, will default**
19 **rate customers be able to take advantage of the current market electric rates?**

20 **A.** Yes. According to the PUCO apples-to-apples website there are nine CRES providers
21 making mass-market offers available to all customers. Most, if not all, of these offers are
22 below DP&L's current price-to-compare. If default rate customers wish to select more
23 market-based rates, they are able to do so by switching to a CRES supplier. Default rate

1 customers will also have the option of continuing on the SSO rate. Ultimately, no
2 customer will be forced to pay above market rates, because they will always have the
3 option to switching to a competitive supplier

4 **III. RIDER RR**

5 **Q. Can you please explain DP&L's proposed Rider RR?**

6 A. Yes. According to DP&L's Witness Rabb (whose testimony was adopted in its entirety
7 by Witness Seger-Lawson), Rider RR is a non-bypassable rider designed to recover (1)
8 the costs of administering the CBP, (2) certain retail enhancements, and (3) any deferred
9 balance that exceeds 10% of the base recovery rate associated with any of the following
10 true-up riders: the FUEL Rider, the RPM Rider, TCRR-B, AER and the CBT Rider.

11 **Q. Should DP&L be entitled to recover the costs of the FUEL Rider, the RPM Rider,**
12 **TCRR-B, AER and the CBT Rider?**

13 A. Yes. Since these are the costs associated with serving the SSO load, than DP&L should
14 be entitled to recover these costs.

15 **Q. Should these costs be recovered through a non-bypassable rider?**

16 A. No. The Fuel Rider, the RPM Rider, the TCRR-B rider, AER and the CBT Rider should
17 not be recovered through a non-bypassable rider. All of these costs are incurred
18 specifically for the purposes of providing SSO service. If those cost are allowed to be
19 recovered by a non-bypassable rider, it would constitute an inappropriate subsidy flowing
20 from shopping customers to non-shopping customers in violation of state policy. *See*
21 R.C. 4928.02(H). Therefore, these costs are not appropriately recovered through non-
22 bypassable charges.

1 Q. **Is it appropriate to recover the costs of The Fuel Rider, the RPM Rider, the TCRR-**
2 **B rider, the AER and the CBT Rider in a non-bypassable rider when the deferred**
3 **costs of these riders exceeds 10% of DP&L's base generation rates?**

4 A. No. On page 10 of her testimony, DP&L's witness Rabb claims that it is necessary to
5 make these costs non-bypassable when the deferred balance of these riders exceeds 10%
6 of the DP&L's base recovery rates to protect against migration risk when customers leave
7 the SSO rate. However, there is no mechanism to share the benefit with shopping
8 customers in the event the true-up of these riders results in a credit to the SSO rate.
9 Further, CRES suppliers face migration risk like the SSO rate, yet CRES suppliers are not
10 able to recover the cost of customers migrating. Therefore, it would be inequitable to
11 place the burden of these costs on shopping customers when the costs exceed a certain
12 threshold.

13 Q. **Is there another mechanism to ensure that the remaining SSO customers are not**
14 **required to pay significant charges as a result of customer's switching from SSO**
15 **service?**

16 A. Yes. In the event there is significant migration for a particular customer classes (for
17 example 70% of the total retail load) this can trigger a mechanism for DP&L to conduct
18 retail auctions to serve the remaining customers on default service. In a retail auction,
19 CRES suppliers would bid to serve remaining retail customers at a certain discount below
20 DP&L's base generation rates, with no cancellation fees, for the remainder of the ESP
21 period. The revenues received from the bidders in the retail auction could go towards
22 paying down the deferred costs that result from customer switching and any other legacy
23 costs associated with serving the default load. After, the ESP period, the customers that

1 receive service from CRES suppliers in the retail auctions will continue to remain with
2 their CRES supplier at the CRES supplier's standard variable rate to be published on the
3 PUCO apples-to-apples chart. These customers would free to leave the CRES supplier at
4 any time, without cancellation fees.

5 **Q. If the Commission determines it is appropriate to require the deferred costs of The**
6 **Fuel Rider, the RPM Rider, AER, the TCRR-B Rider and the CBT Rider be**
7 **recovered through Rider RR, should all of those costs be recovered through Rider**
8 **RR, once the 10% threshold is reached?**

9 A. No. If the Commission determines that it is appropriate to recover the deferred costs from
10 these riders once these costs reach 10% of DP&L's base recovery rates, then *only the*
11 *incremental costs* above the 10% threshold should be recovered through Rider RR and
12 not all the deferred costs.

13 **IV. POR Program**

14 **Q. What is a POR program?**

15 A. A POR program allows the electric utility to purchase the accounts receivable from
16 CRES suppliers, and assume responsibility for collecting those accounts.

17 **Q. Is DP&L proposing to offer what is essentially a POR for SSO suppliers?**

18 A. Yes. DP&L is proposing a competitive bid true-up ("CBT") rider. According to DP&L's
19 Witness Parke, the CBT Rider is a true-up mechanism intended to recover the difference
20 between amounts paid to suppliers for the delivery of SSO supply, as a result of the
21 DP&L's proposed CBP auctions, and amounts billed to customers through the
22 Competitive Bidding Rate ("the CB Rate"). In essence, DP&L is proposing to pay
23 wholesale suppliers for the electricity upon delivery to DP&L, and DP&L plans to

1 recover any under-recovery of the CB Rate through the CBT Rider. This is precisely
2 what a POR program does, except the CBT is offered to wholesale suppliers serving the
3 SSO load, and not CRES suppliers.

4 **Q. Are CRES suppliers disadvantaged when a CBP true-up mechanism is provided to**
5 **wholesale suppliers, without providing a POR program for CRES suppliers?**

6 **A.** Yes. If the Commission makes the determination to serve DP&L's SSO load through a
7 CBP, CRES suppliers would be disadvantaged without a POR program. Wholesale
8 suppliers serving the SSO load would not need to build collection cost (e.g. collections
9 personnel, IT, infrastructure) into their pricing when bidding to serve the SSO retail load.
10 However, CRES suppliers offering products into the market without a POR would be
11 required to do just that. CRES supplier pricing, which is often being compared to the
12 SSO rate, will look less favorable, because there will be additional costs that are not
13 reflected in the SSO rate.

14 **Q. Why else is it appropriate for DP&L to provide a POR program to CRES**
15 **providers?**

16 **A.** A POR program would be more efficient and economical for DP&L's customers,
17 regardless of whether they receive generation service from either DP&L or from a
18 competitive supplier. DP&L has systems, labor and information-technology resources
19 already in place to manage all aspects of the billing and collections process. It is also
20 familiar with the consumer protection protocols related to collecting outstanding
21 receivables. The costs associated with each of these resources and protocols are already
22 paid for by customers in the distribution rates charged by DP&L. Requiring each CRES
23 supplier to provide these systems and resources creates unnecessary, inefficient, and

1 uneconomical duplication that is ultimately borne by customers. That is, customers pay
2 distribution rates regardless of whether they shop. To the extent distribution rates reflect
3 the cost of systems and resources necessary for collections, shopping customers will pay
4 these costs *twice* if the CRES provider has to maintain its own systems and resources to
5 duplicate the same function. Also, because DP&L has the ability to terminate service—
6 and CRES providers do not—DP&L is better-positioned to collect on delinquent
7 accounts.

8 **Q. Are POR programs beneficial to customers?**

9 A. Yes. Under the current system, when a CRES customer account becomes past due, DP&L
10 relinquishes all collections responsibility and it becomes the supplier's responsibility to
11 collect. The CRES supplier must send the customer a separate bill to collect on the
12 delinquent account. If a customer is delinquent on the supplier charges, they are also
13 usually delinquent on the utility charges. Thus, there is a substantial likelihood of
14 confusion for customers when both DP&L and a CRES provider seek to collect different
15 past due amounts from the same bill. With a POR program, a customer will only have to
16 deal with one party (DP&L) and will not face the additional stress and potential
17 confusion of collections activity by multiple parties.

18 **Q. Would DP&L be able to recover any costs it incurs under a POR program?**

19 A. Yes. Utilities typically recover the costs associated with the assumption of a supplier's
20 collection risk through a discount rate applied to the purchase of accounts receivable, an
21 uncollectible expense rider, or a combination of the two. Under the discount rate method,
22 the utility pays something less than the face value of the receivables as compensation for
23 assuming the risk of unpaid accounts and collection expense. With an uncollectible

1 expense rider, uncollectible expense is accounted for and charged to customers through a
2 separate surcharge that periodically reconciles estimated versus actual uncollectibles
3 expense. If a utility assumes the risk of CRES supplier uncollectibles, it is reasonable for
4 the utility to include CRES supplier uncollectibles in its uncollectible expense rider. In
5 both the uncollectible expense rider recovery mechanism and the discount rate
6 mechanism, utilities will recover their uncollectible expenses for CRES customers.

7 **Q. Do other Ohio utilities offer POR programs?**

8 A. Yes. Ohio utilities have a long history of offering POR to competitive suppliers. All of
9 the major natural gas utilities offer POR programs and have done so for many years.
10 Also, the Duke Energy Ohio electric utility offers POR to CRES suppliers. DP&L can
11 capitalize on this vast POR experience to make its implementation of POR relatively
12 smooth and easy.

13 **Q. Do POR programs tend to attract greater supplier participation?**

14 A. Yes. Generally, when a utility offers a POR program in its service territory, more
15 suppliers enter the market and the market becomes more competitive. All else being
16 equal, CRES providers will choose to focus their efforts in POR markets rather than non-
17 POR markets because their risk, and therefore their costs, is less. The PUCO electric
18 Apples-to-Apples website shows that Duke Energy Ohio, the only electric utility with a
19 POR program in Ohio, has the greatest level of CRES supplier participation of all the
20 electric utilities in Ohio. As supplier participation increases, competition increases. And
21 as competition increases, prices decrease, and the introduction of new and innovative
22 products is encouraged.

23 **Q. Are there other utilities in other states that have POR programs?**

1 A. Yes. Utilities throughout the country have successfully implemented POR programs.
2 POR is part of customer choice in many states including Ohio, Illinois, New York,
3 Virginia, Pennsylvania, Indiana, Kentucky, Maryland, Indiana and Michigan. POR is
4 also offered by both gas and electric utilities.

5 **Q. What is your recommendation?**

6 A. Given the benefits of POR to customers and the competitive market, coupled with the
7 disadvantage CRES suppliers would face without a POR in an environment where the
8 SSO load is true-upped with the CBT Rider, the Commission should order that DP&L be
9 required to offer POR to CRES suppliers.

10 **Q. Does that conclude your testimony?**

11 A. Yes it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy the foregoing Direct Testimony of Matthew White was served by electronic mail to the following parties on this 1st day of March, 2013:

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Summary: Testimony of Matthew S. White on behalf of IGS Energy electronically filed by Mr. Gregory L. Williams on behalf of Interstate Gas Supply, Inc. d/b/a IGS Energy