

In the Matter of the Application of The Dayton Power and Light Company for an Increase in Electric Distribution Rates

In the Matter of the Application of The Dayton Power and Light Company for Approval to Change Accounting Methods

In the Matter of the Application of The Dayton Power and Light Company for Tariff Approval

Project 10194

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

)	
In the Matter of the Application of The)	
Dayton Power and Light Company for)	
an Increase in Electric Distribution)	Case No. 15-1830-EL-AIR
Rates)	
)	
)	
In the Matter of the Application of The)	
Dayton Power and Light Company for)	
Approval to Change Accounting)	Case No. 15-1831-EL-AAM
Methods)	
)	
)	
In the Matter of the Application of The)	
Dayton Power and Light Company for)	
Tariff Approval)	Case No. 15-1832-EL-ATA
)	

Direct Testimony of Brian C. Collins

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and a Principal of Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A This information is included in Appendix A to my testimony.

1 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

2 A I am appearing on behalf of the Federal Executive Agencies ("FEA"). FEA is a large
3 customer in Ohio, covering Wright-Patterson Air Force Base ("WPAFB") and all
4 federal agencies in The Dayton Power & Light ("DP&L" or "Company") service region.
5 WPAFB represents one of the largest electric consumers for DP&L. FEA has a real
6 and substantial interest in these proceedings as it will be directly impacted by the cost
7 of electric service to FEA and its impact on the electric bills of all federal consumers in
8 the DP&L service region.

9 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

10 A The purpose of my testimony is to respond to the Company's proposed Uncollectible
11 Rider as described by DP&L witness Mr. Tyler A. Teuscher.

12 **Q DID THE COMPANY EXPLAIN WHY IT IS SEEKING TO IMPLEMENT ITS**
13 **PROPOSED UNCOLLECTIBLE EXPENSE RIDER?**

14 A Yes. According to Mr. Teuscher's direct testimony at page 3, he states that DP&L is
15 requesting approval of a new Uncollectible Rider to ensure that the Company
16 recovers the actual amount of uncollectible expense, rather than an estimate.

17 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING THE**
18 **COMPANY'S PROPOSED UNCOLLECTIBLE RIDER.**

19 A My recommendations are as follows:

20 1. I am not specifically taking issue with the Company's proposed use of an
21 uncollectible rider, however, I do have concerns about its proposed new method
22 of allocating uncollectible costs across rate classes. If a rider is used, I
23 recommend the Public Utilities Commission of Ohio ("Commission") approve an
24 allocation of uncollectible costs in the rider that corresponds with the same
25 method of allocating uncollectible costs in base rates.

- 1 2. I also find the Company's new proposed method of allocating uncollectible costs
2 in the rider to be unjust and unreasonable because it shifts far too much
3 uncollectible costs to large customers. This substantial cost shift is simply
4 inconsistent with accepted cost of service principles, and creates an unjust and
5 unreasonable burden on large customers without cost justification.
- 6 3. In the Company's base rates, it allocates a small level of uncollectible expense
7 across rate classes using a Gross Distribution Plant allocator. If the Commission
8 allows for use of a rider mechanism to recover uncollectible costs, then it should
9 use the same class allocation of costs to ensure no class or group of customers is
10 economically harmed through the development of the rider.
- 11 4. If the Commission chooses to use a different method of allocating costs across
12 rate classes for uncollectible expense, I recommend the Commission approve a
13 customer allocation of these costs. This customer allocation will create a uniform
14 cost for uncollectible costs across the rate system, and for the reasons outlined
15 below, does not detrimentally impact any customer on the system.
- 16 5. In any event, I recommend that uncollectible Percentage of Income Payment Plan
17 ("PIPP") expense not be allocated to non-residential customers. It should be
18 directly assigned to the residential class.
- 19 6. I recommend that the Company's proposal to collect uncollectible expense
20 allocated to residential and non-residential classes from customers on a per kWh
21 basis be rejected. Uncollectible expense should be collected on a total customer
22 account basis.
- 23 7. To the extent that the Commission does not wish to allocate uncollectible expense
24 as I have recommended to classes, I recommend an alternate proposal. Under
25 this proposal, total uncollectible expense would be allocated and collected from
26 customers on a total customer account basis.

27 **Class Allocation of Uncollectible Expense**

28 **Q DO YOU HAVE ANY CONCERNS WITH DP&L'S PROPOSED USE OF A RIDER**
29 **TO RECOVER UNCOLLECTIBLE EXPENSE FROM CUSTOMERS?**

30 **A** I am concerned that the use of a rider to recover uncollectible expense from
31 customers will reduce DP&L's incentive to aggressively collect unpaid revenues owed
32 to the Company by delinquent customers. Removing uncollectible expense from
33 base rates will remove the Company's risk of under collecting unpaid revenue and as

1 a result, could reduce the Company's incentive to effectively manage its uncollectible
2 expense.

3 Mr. Teuscher states at page 4 of his direct testimony that DP&L follows strict
4 collection policies and procedures and makes strong efforts to collect any
5 uncollectible amount before those dollars are deemed uncollectible or charged to
6 uncollectible expense.

7 Despite the use of a rider, DP&L should continue to implement its current
8 collection policies and procedures in an attempt to collect any uncollectible amounts
9 before those amounts are deemed uncollectible.

10 **Q WHAT IS THE TOTAL UNCOLLECTIBLE EXPENSE DP&L HAS INCLUDED IN**
11 **THE TEST YEAR?**

12 A DP&L has included \$30,976,224 of Uncollectible Expense (Account 904 –
13 Uncollectible Accounts) in the test year. Of this amount, \$3,643,913 has been
14 removed from base rates and will be recovered via the proposed Uncollectible Rider;
15 \$27,309,700 has been removed from base rates and will be collected in the Universal
16 Service Fund Rider. After these adjustments, \$22,611 appears to remain in Account
17 904 - Uncollectible Accounts to be collected from customers in base rates.

18 **Q DID THE COMPANY DESCRIBE WHAT THE UNCOLLECTIBLE EXPENSE OF**
19 **\$22,611 THAT WILL REMAIN IN BASE RATES REPRESENTS?**

20 A According to the direct testimony of DP&L witness Ms. Emily Rabb at page 6, she
21 states the following:

22 ...in some instances underlying information for a specific FERC
23 account was available in the Company's budget and therefore was
24 utilized in the schedules. For example, the uncollectible expense

1 budget is provided separately so FERC account 904 on Workpaper
2 C-2.1 contains those direct budgeted costs.

3 It appears that no further details were provided by the Company as to why
4 \$22,611 remains in Account 904 to be collected in base rates after removing the
5 uncollectible expense amounts to be collected in the Uncollectible Rider and the
6 Universal Service Fund Rider. The remaining amount of \$22,611 in Account 904 is
7 shown at line 5 on each of Schedules E-3.2, E-3.2a, and E3.2b sponsored by DP&L
8 witness Bruce R. Chapman.

9 **Q HOW HAS THE \$22,611 OF UNCOLLECTIBLE EXPENSE IN ACCOUNT 904 BEEN**
10 **ALLOCATED TO CLASSES?**

11 **A** According to Schedules E-3.2a and E-3.2b, the amount of \$22,611 in Account 904
12 has been classified as both demand and customer related. The demand component
13 of \$15,681 shown on line 5 of Schedule E-3.2a has been allocated to classes based
14 on the Gr_Dist_Plant_Dem allocator; the customer component of \$6,930 shown on
15 line 5 of Schedule E-3.2b has been allocated to classes based on the
16 Gr_Dist_Plant_Cust allocator. The class allocators used to allocated uncollectible
17 expense included in base rates is identified in the table below.

TABLE 1		
<u>Gross Distribution Plant Allocators</u>		
<u>Customer Class</u>	<u>Gross Dist Plant – Demand Allocator</u>	<u>Gross Dist Plant – Customer Allocator</u>
Residential	41.2%	25.8%
Secondary	20.2%	3.2%
Primary	7.1%	0.4%
Primary Substation	0.5%	0.0%
High Voltage	0.0%	0.0%
Private Outdoor Lighting	0.0%	1.1%
Street Lighting	<u>0.4%</u>	<u>0.0%</u>
Total (100%)	69.4%	30.6%

1 **Q HOW DO THE PROPOSED CLASS ALLOCATORS FOR UNCOLLECTIBLE**
2 **EXPENSE TO BE RECOVERED IN THE UNCOLLECTIBLE RIDER COMPARE TO**
3 **THE ALLOCATORS USED FOR UNCOLLECTIBLE EXPENSE REMAINING IN**
4 **BASE RATES?**

5 **A For the High Voltage class, they differ greatly. For example, the allocators for**
6 **allocating uncollectible expense remaining in base rates to this class are very small.**
7 **They are shown as 0.0% in the table above due to rounding. The Company's**
8 **proposed allocator for the High Voltage class used to allocate uncollectible expense**
9 **to be recovered in the Uncollectible Rider is 4.61% based on a total class revenue**
10 **allocation.**

Q PLEASE DESCRIBE THE COMPANY'S PROPOSED UNCOLLECTIBLE RIDER.

A The Company's proposed rider will collect uncollectible expense eliminated from base rates as well as PIPP uncollectible expense from its customer classes in the amount of \$6,615,603 in the first year of the rider. Three items in the proposed Uncollectible Rider are described at page 3 of Mr. Teuscher's testimony. These items include:

(1) A reconciliation of the previous period's actual uncollectible expense net of the actual recovery through the Uncollectible Rider, plus the forecasted uncollectible expense for the upcoming year.

This amount equals \$3,643,913 and as previously described, was removed from base rates.

(2) The actual PIPP uncollectible expense related to non-payment of PIPP installment amounts from November 1, 2010 to September 30, 2015 net of the actual recovery through the Uncollectible Rider, plus the PIPP uncollectible expense incurred by the Company from October 1, 2015 up to the effective date of this Uncollectible Rider.

This amount equals \$2,940,053.

(3) Carrying charges set at the Company's cost of debt will be included in this rider at the onset of recovery.

This amount equals \$14,480.

Q HOW DOES THE COMPANY PROPOSE TO ALLOCATE UNCOLLECTIBLE EXPENSE THAT WILL BE COLLECTED IN THE UNCOLLECTIBLE RIDER TO CLASSES ?

A The Company proposes to allocate uncollectible expense to residential and non-residential customers based on total class revenues.

1 **Q DOES THE COMPANY PROPOSAL TO ALLOCATE UNCOLLECTIBLE EXPENSE**
2 **RECOVERED IN THE UNCOLLECTIBLE RIDER ON A CLASS REVENUE BASIS**
3 **REFLECT CLASS COST OF SERVICE?**

4 A No. The Company's proposal results in higher consumption customers paying more
5 than lower consumption customers for uncollectible expense. For example, under the
6 Company's proposal for the Uncollectible Rider, the 9 accounts in the High Voltage
7 class will pay on average \$33,924 per account on an annual basis in the first year of
8 the rider's implementation, while residential customers will pay on average \$8.55 per
9 account on an annual basis in the first year of the rider's implementation. Higher
10 consumption customers are not responsible for causing higher uncollectible expense
11 than lower consumption customers. The Company has not demonstrated that the
12 Company's higher consumption customers cause more uncollectible expense. The
13 Company's approach results in higher consumption customers subsidizing lower
14 consumption customers with respect to uncollectible expense and is inappropriate.

15 **Q DO YOU AGREE WITH THE COMPANY'S PROPOSAL TO ALLOCATE**
16 **UNCOLLECTIBLE EXPENSE BASED ON TOTAL CLASS REVENUE?**

17 A No. The allocation of expense included in base rates by DP&L is based on
18 distribution plant. Though not a typical allocation, the allocation of customer-related
19 costs on a plant basis is described in the National Association of Regulatory Utility
20 Commissioners ("NARUC") Electric Utility Cost Allocation Manual. The Company
21 has not provided any evidence as to why it has deviated from the allocation of
22 uncollectible expense included in its base rates for allocating uncollectible expense to
23 be recovered from customers in the Uncollectible Rider.

1 According to the NARUC manual, uncollectible expense is typically directly
2 assigned to the classes that cause it.¹ I recommend that DP&L either continue to
3 allocate uncollectible expense as it has for uncollectible expense remaining in base
4 rates, using Gross Distribution Plant, or directly assign uncollectible expense to those
5 classes responsible for the uncollection of revenues.

6 **Q DOES THE COMPANY'S PROPOSAL FOR ALLOCATING UNCOLLECTIBLE PIPP**
7 **EXPENSE REFLECT CLASS COST OF SERVICE?**

8 A No. Uncollectible PIPP expense related to low income customers is allocated and
9 recovered from all customers, including non-residential customers. The Company
10 has provided no evidence that PIPP uncollectible expense is caused by
11 non-residential customers and causes the Company to incur this expense.

12 **Q HOW SHOULD PIPP UNCOLLECTIBLE EXPENSE BE ALLOCATED TO THE**
13 **COMPANY'S RATE CLASSES?**

14 A The allocation of PIPP uncollectible expense to the Company's rate classes should
15 be based on direct allocation and allocated to the classes that cause it. This is
16 consistent with the NARUC manual. The \$2,940,053 of uncollectible PIPP expense
17 to be collected from all customers, including non-residential customers, is
18 inappropriate. Rather, this amount should be directly assigned to the residential
19 classes and collected from them.

¹NARUC Electric Utility Cost Allocation Manual, January 1992, Chapter 7, p. 103.

Uncollectible Rider Rate Design

**Q HOW DOES THE COMPANY PROPOSE THAT UNCOLLECTIBLE EXPENSE BE
RECOVERED FROM ITS RATE CLASSES?**

A The Company proposes that uncollectible expense be recovered on a per kWh basis.

Q DO YOU AGREE?

A No. Uncollectible expense is a customer expense and should be recovered on a customer basis. The allocated amount to each respective class should be recovered from that class on a customer basis. The recovery of uncollectible expense on a per kWh basis does not reflect cost of service and results in higher usage customers subsidizing lower usage customers.

Alternate Proposal

**Q DO YOU HAVE AN ALTERNATE PROPOSAL WITH RESPECT TO THE
ALLOCATION OF UNCOLLECTIBLE EXPENSE TO CLASSES?**

A If the Commission does not wish to allocate uncollectible expense collected in the Uncollectible Rider to classes based on the method used by DP&L to allocate uncollectible expense remaining in base rates or to directly assign uncollectible expense to customer classes, I recommend that all uncollectible expense be allocated and collected from customers on the basis of the Company's total number of accounts.

1 **Q WOULD THE ALLOCATION AND COLLECTION OF UNCOLLECTIBLE EXPENSE**
2 **ON A CUSTOMER ACCOUNT BASIS PROVIDE THE COMPANY WITH A MORE**
3 **STABLE RECOVERY OF UNCOLLECTIBLE EXPENSE AS COMPARED TO**
4 **RECOVERY ON A PER KWH BASIS?**

5 A Yes. Recovery of uncollectible expense on a per kWh basis subjects the Company's
6 recovery of uncollectible expense to the level of electricity sales made by the
7 Company in any given year, which can fluctuate from year to year based on weather
8 and economic conditions. Recovery of uncollectible expense on a customer account
9 basis will remove fluctuations in recovery due to weather sensitive sales and lessen
10 the impact of economic conditions that could depress electricity sales and also
11 reduce the recovery of uncollectible expense. Recovery of uncollectible expense on
12 a customer account basis will mitigate the need for reconciliation of uncollectible
13 expense necessary as a result of fluctuations in sales levels from year to year.

14 **Q WHAT IS THE IMPACT OF THIS ALTERNATE PROPOSAL ON A TYPICAL**
15 **RESIDENTIAL CUSTOMER USING 1,500 KWH PER MONTH?**

16 A Under the Company's proposal, a typical residential customer that uses 1,500 kWh
17 per month would pay \$1.13 per month in uncollectible expense under the first year of
18 the Uncollectible Rider. Under my proposal to allocate and collect uncollectible
19 expense on a total customer account basis, a typical residential customer that uses
20 1,500 kWh per month would pay \$1.02 per month in uncollectible expense under the
21 first year of the Uncollectible Rider, lower than the Company's proposal.

1 **Q HAVE YOU PREPARED AN EXHIBIT DEMONSTRATING THE IMPACT OF YOUR**
2 **ALTERNATIVE PROPOSAL ON ALL RATE CLASSES AS COMPARED TO THE**
3 **COMPANY'S PROPOSAL?**

4 **A Yes. This is attached as Exhibit BCC-1 to my testimony.**

5 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A Yes, it does.**

Qualifications of Brian C. Collins

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am a consultant in the field of public utility regulation and a Principal with the firm of
6 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A I graduated from Southern Illinois University Carbondale with a Bachelor of Science
9 degree in Electrical Engineering. I also graduated from the University of Illinois at
10 Springfield with a Master of Business Administration degree. Prior to joining BAI, I
11 was employed by the Illinois Commerce Commission and City Water Light & Power
12 ("CWLP") in Springfield, Illinois.

13 My responsibilities at the Illinois Commerce Commission included the review
14 of the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before
15 the Commission as well as the review of utilities' requests for certificates of public
16 convenience and necessity for new electric transmission lines. My responsibilities at
17 CWLP included generation and transmission system planning. While at CWLP, I
18 completed several thermal and voltage studies in support of CWLP's operating and
19 planning decisions. I also performed duties for CWLP's Operations Department,
20 including calculating CWLP's monthly cost of production. I also determined CWLP's

1 allocation of wholesale purchased power costs to retail and wholesale customers for
2 use in the monthly fuel adjustment.

3 In June 2001, I joined BAI as a Consultant. Since that time, I have
4 participated in the analysis of various utility rate and other matters in several states
5 and before the Federal Energy Regulatory Commission ("FERC"). I have filed or
6 presented testimony before the Arkansas Public Service Commission, the Delaware
7 Public Service Commission, the Florida Public Service Commission, the Idaho Public
8 Utilities Commission, the Illinois Commerce Commission, the Indiana Utility
9 Regulatory Commission, the Minnesota Public Utilities Commission, the Missouri
10 Public Service Commission, the North Dakota Public Service Commission, the Public
11 Utilities Commission of Ohio, the Oregon Public Utility Commission, the Rhode Island
12 Public Utilities Commission, the Virginia State Corporation Commission, the Public
13 Service Commission of Wisconsin, the Washington Utilities and Transportation
14 Commission, and the Wyoming Public Service Commission. I have also assisted in
15 the analysis of transmission line routes proposed in certificate of convenience and
16 necessity proceedings before the Public Utility Commission of Texas.

17 In 2009, I completed the University of Wisconsin – Madison High Voltage
18 Direct Current ("HVDC") Transmission Course for Planners that was sponsored by
19 the Midwest Independent Transmission System Operator, Inc. ("MISO").

20 BAI was formed in April 1995. BAI and its predecessor firm has participated in
21 more than 700 regulatory proceeding in forty states and Canada.

22 BAI provides consulting services in the economic, technical, accounting, and
23 financial aspects of public utility rates and in the acquisition of utility and energy
24 services through RFPs and negotiations, in both regulated and unregulated markets.
25 Our clients include large industrial and institutional customers, some utilities and, on

1 occasion, state regulatory agencies. We also prepare special studies and reports,
2 forecasts, surveys and siting studies, and present seminars on utility-related issues.

3 In general, we are engaged in energy and regulatory consulting, economic
4 analysis and contract negotiation. In addition to our main office in St. Louis, the firm
5 also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

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THE DAYTON POWER AND LIGHT COMPANY

Class Allocation of Uncollectible Expense

Line	Tariff Rate Class	Company Proposal					FEA Alternate Proposal				
		Allocated Uncollectible Expense - Annual (Class Revenue Basis)	Allocated Expense as % of Total	Average Accounts - Annual	Average Annual \$ Per Account	Average \$ Per Month Per Account	Allocated Uncollectible Expense - Annual (Total Customer Account Basis)	Allocated Expense as % of Total	Average Accounts - Annual	Average Annual \$ Per Account	Average \$ Per Month Per Account
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Residential	\$ 3,942,474	59.6%	460,869	\$ 8.55	\$ 0.71	\$ 5,659,143	85.5%	460,869	\$ 12.28	\$ 1.02
2	Secondary	1,246,770	18.8%	57,692	21.61	1.80	708,418	10.7%	57,692	12.28	1.02
3	Primary	879,552	13.3%	467	1,883.41	156.95	5,734	0.1%	467	12.28	1.02
4	Primary Substation	199,760	3.0%	8	24,970.00	2,080.83	98	0.0%	8	12.28	1.02
5	High Voltage	305,316	4.6%	9	33,924.00	2,827.00	111	0.0%	9	12.28	1.02
6	School	15,657	0.2%	98	159.77	13.31	1,203	0.0%	98	12.28	1.02
7	Private Outdoor Lighting	9,083	0.1%	19,397	0.47	0.04	238,181	3.6%	19,397	12.28	1.02
8	Street Lighting	\$ 16,995	0.3%	221	\$ 76.78	\$ 6.40	\$ 2,718	0.0%	221	\$ 12.28	\$ 1.02
9	Total	\$ 6,615,607	100%	538,762	\$ 12.28	1.02	\$ 6,615,607	100.0%	538,762	\$ 12.28	1.02

Source: Company's Schedule E-4.1, tariff Class Revenue Summary

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Case No(s). 15-1830-EL-AIR

Summary: Testimony FEA's Direct Testimony of Brian C. Collins electronically filed by Mrs. Ebony M Payton on behalf of Federal Executive Agencies