

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

_____)) In the Matter of the Application of The)) Dayton Power and Light Company to)) Establish a Standard Service Offer in the)) Form of an Electric Security Plan.)) _____)	Case No. 12-0426-EL-SSO
_____)) In the Matter of the Application of The)) Dayton Power and Light Company for)) Approval of Revised Tariffs.)) _____)	Case No. 12-0427-EL-ATA
_____)) In the Matter of the Application of The)) Dayton Power and Light Company)) Approval of Certain Accounting)) Authority.)) _____)	Case No. 12-0428-EL-AAM
_____)) In the Matter of the Application of The)) Dayton Power and Light Company for)) Waiver of Certain Commission Rules.)) _____)	Case No. 12-0429-EL-WVR
_____)) In the Matter of the Application of The)) Dayton Power and Light Company to)) Establish Tariff Riders.)) _____)	Case No. 12-0672-EL-RDR

Direct Testimony of

Brian C. Collins

On behalf of

The Federal Executive Agencies

March 1, 2013



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Establish Tariff Riders.)	
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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.

1 **Q WHAT IS YOUR OCCUPATION?**

2 A I am a consultant in the field of public utility regulation and an Associate of Brubaker
3 & Associates, Inc., energy, economic and regulatory consultants.

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

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

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

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

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

15 A The purpose of my testimony is to respond to the Company’s proposed Reconciliation
16 Rider as described by DP&L witness Emily W. Rabb. It is my understanding that
17 Company witness Dona Seger-Lawson has adopted the testimony of Ms. Rabb in its
18 entirety.

19 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

20 A My recommendations are as follows:

- 21 1. I recommend that the Company’s proposed recovery of deferred costs
22 exceeding 10% of base recovery for the bypassable FUEL Rider, RPM

1 Rider, TCRR-B Rider, AER Rider, and CBT Rider via its proposed
2 Reconciliation Rider be rejected.

3 2. I recommend that all costs assigned to the above bypassable riders
4 remain with each respective rider and be recovered via each rider's
5 respective charges from customers taking Standard Service Offer ("SSO")
6 service from DP&L and those customers who have not provided timely
7 notification of switching to a Competitive Retail Electric Service ("CRES")
8 provider.

9 3. Customers who currently take electric supply service from a CRES
10 provider and continue to do so during DP&L's Electric Security Plan
11 ("ESP") period would continue to avoid all charges under the above
12 bypassable riders.

13 4. Customers that provide proper notification to the Company prior to each
14 annual auction that they intend to leave SSO service would avoid all future
15 charges under the bypassable riders.

16 5. Customers that leave SSO service without sufficient notification to the
17 Company prior to each annual auction, customers that provided
18 notification but failed to contract with a CRES provider prior to the flow of
19 power on June 1 of each year, or customers that leave SSO service after
20 the annual auction, would continue to pay the bypassable riders for one
21 year or portion thereof until the next auction.

22 6. Customers that return to SSO service would pay the bypassable rider
23 charges until the time they leave SSO service with proper notification prior
24 to the annual auction.

25 **Q PLEASE DESCRIBE THE COMPANY'S PROPOSED RECONCILIATION RIDER.**

26 **A** Under the Company's proposal for its non-bypassable Reconciliation Rider, the
27 Company proposes to recover from all customers, even those customers who take
28 supply service from a CRES provider, reconciled costs that exceed 10% of the base
29 cost recovery for the following bypassable riders: FUEL Rider, RPM Rider, TCRR-B
30 Rider, AER Rider, and CBT Rider. According to the testimony of Ms. Rabb (adopted
31 by Ms. Seger-Lawson) at page 8, the Reconciliation Rider is designed to recover
32 three types of costs:

33 1. The costs associated with administering and implementing the
34 Competitive Bidding Process ("CBP").

- 1 2. The costs the Company incurs for implementing certain competitive retail
2 enhancements.
- 3 3. Any deferred cost balance that exceeds 10% of the base recovery rate
4 associated with any of the following true-up riders: the FUEL Rider, the
5 RPM Rider, TCRR-B, AER and the CBT Rider.

6 **Q WHICH ASPECT OF THE RECONCILIATION RIDER IDENTIFIED ABOVE WILL**
7 **YOU ADDRESS AND PROPOSE AN ALTERNATE METHOD OF COST**
8 **RECOVERY?**

9 A My testimony will specifically address the third item above, the deferred cost balance
10 that exceeds 10% of the base recovery rate associated with the FUEL Rider, the
11 RPM Rider, TCRR-B, AER and the CBT Rider, and provide an alternative to the
12 Company's proposal for recovery of these rider costs.

13 **Q DID THE COMPANY EXPLAIN WHY IT IS SEEKING TO IMPLEMENT ITS**
14 **PROPOSED RECONCILIATION RIDER?**

15 A Yes. According to the testimony of Ms. Rabb (adopted by Ms. Seger-Lawson) at
16 page 10, she argues that since the FUEL Rider, the RPM Rider and TCRR-B are
17 bypassable, the utility is left with costs associated with providing service to customers
18 who no longer take SSO supply service from the utility when those customers switch
19 to CRES supply. She further argues that customers that remain on SSO should not
20 be required to bear the brunt of costs associated with those customers that have
21 switched to a CRES provider, nor should the utility. Therefore, she recommends
22 converting any deferral balances that exceed 10% for the bypassable riders to a non-
23 bypassable charge that applies to all customers. She opines that this stabilizes the
24 rate and provides benefits to both SSO customers and switched customers that may
25 elect to return to SSO service in the future.

1 **Q HOW DO YOU RESPOND?**

2 A Ms. Seger-Lawson argues that the recovery of cost balances greater than 10% will
3 provide benefits to both SSO and switched customers that **might** return to SSO
4 service. However, she fails to explain that customers who are on CRES supply for
5 the entire term of the ESP period would pay supply costs related to non-CRES
6 customers. This is not a benefit to the customers on CRES supply for the full ESP
7 period and does not reflect costs related to providing these customers' service.

8 **Q DOES MS. SEGER-LAWSON EXPLAIN WHY THE RECONCILIATION RIDER**
9 **CHARGES ARE NON-BYPASSABLE?**

10 A Yes. Ms. Seger-Lawson opines that it is appropriate for the over- or under-recovery
11 balances of the FUEL Rider, the RPM Rider, TCRR-B, AER and the CBT Rider to be
12 charged to all customers because these costs have been incurred by both shopping
13 and non-shopping customers.

14 **Q HOW DO YOU RESPOND?**

15 A Ms. Seger-Lawson's proposal fails to exclude shopping customers that remain with a
16 CRES provider for the entire term of the ESP from the portion of the Reconciliation
17 Rider charge that recovers deferred bypassable rider costs. The Company's proposal
18 is not appropriate because these CRES customers would not cause or contribute to
19 any of these non-recoverable deferred costs. If customers take electric supply from a
20 CRES provider and remain on CRES supply for the entire term of the ESP, they will
21 not contribute to this unrecoverable deferred cost.

22 Further, the Company's proposal fails to recognize that DP&L has an
23 opportunity to adjust its SSO load for customers that switch to CRES providers prior

1 to each annual auction. As a result, the proposal is inappropriate and should be
2 rejected.

3 **Q HAS THE COMPANY ADEQUATELY JUSTIFIED WHY 10% IS AN APPROPRIATE**
4 **THRESHOLD FOR COST RECOVERY?**

5 A No. Ms. Seger-Lawson states that DP&L believes 10% is a reasonable threshold
6 because it strikes a balance between recovering costs from SSO customers and
7 maintaining rate stability for all customers. However, to the best of my knowledge,
8 Ms. Seger-Lawson does not provide any support for the 10% level threshold, rather
9 this proposal appears to be arbitrary.

10 **Q DO YOU HAVE ANY OTHER CONCERNS WITH THE PROPOSED 10%**
11 **THRESHOLDS SO COST DEFERRAL?**

12 A Yes. There would be no need for cost deferral if all deferred costs are recovered in
13 market transactions. The lack of support for this level is particularly troublesome as it
14 appears that the Company has failed to consider that any revenues it receives for
15 power bought for SSO customers but later sold off-system after those customers
16 switch will offset its incurred costs. If market sales revenues are greater than the cost
17 deferral, there would be no need for cost recovery and DP&L would otherwise provide
18 a credit to customers costs.

19 **Q PLEASE CONTINUE.**

20 A This is a serious flaw in the Company's proposal. The Company's proposal for a
21 non-bypassable rider completely ignores any revenues from power in excess of the
22 SSO load as a result of customer switching that is sold off-system. These revenues

1 at times will partially offset the costs incurred to buy power for the switched SSO load
2 and could at times exceed the incurred costs. These revenues would reduce the
3 costs borne by all SSO customers.

4 **Q DOES MS. SEGER-LAWSON PROVIDE ANY OTHER BASIS FOR CHARGING**
5 **ALL CUSTOMERS FOR DEFERRED BALANCES GREATER THAN 10% OF THE**
6 **BASE COST RECOVERY FOR THE ABOVE RIDERS?**

7 A Yes. Ms. Seger-Lawson argues that in a competitive environment, where customers
8 are free to switch to alternative suppliers, there is the risk that costs will be incurred
9 during a period when there was little to no switching, but which must be recovered in
10 another period during significant switching. To the extent that such switching occurs,
11 all customers that have switched since the inception of these riders will have avoided
12 costs that were incurred because DP&L supplied SSO service to them, yet recovery
13 of these costs, and the increased carrying charges, would be borne by the remaining
14 SSO customers. She continues to argue that DP&L has experienced significant
15 switching levels over the last 24 months and there is no way to determine which
16 shopping or non-shopping customers caused these costs to be incurred. Therefore,
17 she concludes that a non-bypassable charge is necessary to avoid the potential for
18 having the remaining SSO customers pay for all of the costs that were incurred to
19 provide service to the customers who have already switched.

20 **Q HOW DO YOU RESPOND TO MS. SEGER-LAWSON'S COMMENTS?**

21 A Her proposal transfers all risk to DP&L's non-SSO customers, including customers
22 that may never take SSO service from DP&L, resulting in subsidies to SSO
23 customers paid by customers who are served by CRES providers. Off-system sales

1 revenue for excess SSO power resulting from switching would likely remove a
2 significant portion of any risk related to customer switching that the Company claims
3 is associated with under-recovery of procurement costs for SSO load. As a result of
4 transferring all risk to its customers, including shopping customers that never take
5 SSO service during the ESP period, the Company would have no incentive to
6 aggressively manage its portfolio of generating assets and purchases, as well as its
7 off-system sales, as efficiently as it otherwise should. This is inappropriate.

8 **Q IS THE COMPANY'S PROPOSAL FOR ITS RECONCILIATION RIDER**
9 **APPROPRIATE?**

10 A No. For the reasons previously explained in my testimony, the Company's proposed
11 Reconciliation Rider as currently designed is inappropriate. The Company's proposal
12 is not reasonable and does not properly reflect the cost of supply service for all its
13 customers. Under the Company's proposal, it appears that even customers who are
14 currently taking supply from CRES providers and remain on CRES supply for the
15 entire ESP period would still be responsible for a portion of the bypassable costs
16 incurred by DP&L to provide its SSO service. The Company's proposal does not
17 support the regulatory concept of cost causation but instead proposes to socialize the
18 costs to all customers.

19 **Q WHAT IS YOUR RECOMMENDATION?**

20 A I recommend that the costs associated with the FUEL Rider, RPM Rider, TCRR-B
21 Rider, AER Rider, and CBT Rider not be recovered in the Company's Reconciliation
22 Rider. I propose that all costs remain with their respective riders, and continue to be
23 recovered under their respective riders. As a result, the only costs that would be

1 recovered under the proposed Reconciliation Rider are the costs of the auction.
2 These costs fall under items 1 and 2 proposed by Ms. Rabb at page 8 of her
3 testimony (adopted by Ms. Seger-Lawson) to be recovered via the Reconciliation
4 Rider and earlier described in my testimony.

5 **Q DO YOU HAVE ANY OTHER RECOMMENDATIONS?**

6 A Yes.

7 **Q PLEASE EXPLAIN.**

8 A I propose that customers timely notify DP&L prior to each annual auction during the
9 ESP period of their intention to switch from DP&L SSO supply service to supply
10 service with a CRES provider. This will help DP&L manage its procurement costs as
11 customers switch to a CRES provider. By giving the Company enough time to
12 remove the load intending to switch to CRES supply from the amount of load to be
13 bid and procured in the auction, the Company can avoid the cost of procuring power
14 in the auction for those customers. Since the Company will conduct auctions in 2013,
15 2014, 2015, 2016, and 2017, each auction provides an opportunity to adjust its SSO
16 load for customers that have notified DP&L of their intent to switch.

17 Customers that timely notify DP&L of their intent to switch would avoid the
18 bypassable rider charges. However, if such a customer does not in fact contract with
19 a CRES provider prior to power flowing on June 1, that customer would continue to
20 pay the bypassable riders.

21 By providing timely notification, this balances the need for the Company to
22 recover its costs incurred for procuring power on behalf of its SSO load, and also the
23 desire of customers to avoid the costs of power supply that they did not cause DP&L

1 to incur, especially those customers who were on CRES supply at the time of the
2 auction and who remain off SSO service during the ESP period.

3 **Q ARE YOU AWARE OF ANY TARIFF IN ANY OTHER JURISDICTION THAT**
4 **REQUIRES TIMELY NOTIFICATION OF SWITCHING TO A THIRD-PARTY**
5 **PROVIDER OF ELECTRIC SUPPLY IN ORDER TO AVOID CERTAIN**
6 **PROCUREMENT COSTS?**

7 A Yes. Ameren Illinois requires that customers eligible for its Rider HSS (Hourly Supply
8 Service) notify it by April 15 in order to avoid the costs of capacity contracts that are
9 secured to serve Rider HSS load during the capacity obligation period of June
10 through September. Lack of notice to Ameren Illinois by eligible customers taking
11 service under Rider HSS on April 15 is considered under the tariff a confirmation that
12 the customer intends to remain on Rider HSS service through the entire summer
13 capacity obligation period that begins June 1. Customers that cease to take supply
14 from Ameren Illinois without prior notice or that notified Ameren Illinois of their intent
15 to switch to service from Ameren Illinois but subsequently elected alternative service
16 would be assessed capacity charges for the June through September capacity
17 obligation period.

18 **Q WHAT WOULD BE THE SPECIFIC DEADLINE FOR NOTIFICATION TO DP&L IN**
19 **ORDER TO AVOID PAYING THE BYPASSABLE RIDER CHARGES?**

20 A I recommend that the exact date for the notification deadline be determined in
21 conjunction with the Company's input. However, the date should be sufficient to
22 allow for DP&L to remove all noticed load that intends to switch to CRES supply from
23 the auction and avoid flowing power for these customers on June 1 of each year.

1 **Q WOULD CUSTOMERS THAT SWITCH STILL BE RESPONSIBLE FOR ANY**
2 **PRIOR YEAR UNDER-COLLECTIONS?**

3 A Though customers that provide timely notification of a switch to CRES supply would
4 avoid all future bypassable rider charges, these customers still should be responsible
5 for any prior year under-collections of rider charges. Similarly, they should also
6 receive credit for any prior year overcharges.

7 **Q IF A CUSTOMER SWITCHES AFTER THE DEADLINE, WOULD IT CONTINUE TO**
8 **PAY THE BYPASSABLE RIDERS?**

9 A Yes. This will help the Company recover its costs for procuring power for customers
10 it thought would remain on the Company's SSO service, and the application of these
11 charges for failure to provide timely notice will incent customers to notify the
12 Company in timely fashion.

13 **Q UNDER YOUR PROPOSAL, WHAT WOULD HAPPEN IF A CUSTOMER RETURNS**
14 **TO SSO SERVICE?**

15 A It would pay all the bypassable rider charges.

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

17 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 an Associate in the field of public utility regulation with the firm of Brubaker &
6 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 FERC. I have filed or presented testimony before the Florida Public
6 Service Commission, the Idaho Public Utilities Commission, the Illinois Commerce
7 Commission, the Indiana Utility Regulatory Commission, the Minnesota Public Utilities
8 Commission, the Missouri Public Service Commission, and the Public Service
9 Commission of Wisconsin. I have also assisted in the analysis of transmission line
10 routes proposed in certificate of convenience and necessity proceedings before the
11 Public Utility Commission of Texas.

12 In 2009, I completed the University of Wisconsin – Madison High Voltage
13 Direct Current (“HVDC”) Transmission Course for Planners that was sponsored by
14 the Midwest Independent Transmission System Operator, Inc. (“MISO”).

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

17 BAI provides consulting services in the economic, technical, accounting, and
18 financial aspects of public utility rates and in the acquisition of utility and energy
19 services through RFPs and negotiations, in both regulated and unregulated markets.
20 Our clients include large industrial and institutional customers, some utilities and, on
21 occasion, state regulatory agencies. We also prepare special studies and reports,
22 forecasts, surveys and siting studies, and present seminars on utility-related issues.

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Brian C. Collins* by the Federal Executive Agencies has been served upon those persons listed below via electronic mail this 1st day of March, 2013.

/s/ Chris Thompson
Ohio Pro Hac Vice
Attorney for FEA

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Summary: Testimony Direct Testimony of Brian C. Collins on behalf of Federal Executive Agencies electronically filed by MR CHRIS C THOMPSON on behalf of FEDERAL EXECUTIVE AGENCIES ATTY