

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of The |) | |
| Dayton Power & Light Company for |) | Case No. 16-0395-EL-SSO |
| Approval of Its Electric Security Plan. |) | |

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| In the Matter of the Application of The |) | |
| Dayton Power & Light Company for |) | Case No. 16-0396-EL-ATA |
| Approval of Revised Tariffs. |) | |

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| In the Matter of the Application of The |) | |
| Dayton Power & Light Company for |) | |
| Approval of Certain Accounting |) | Case No. 16-0397-EL-AAM |
| Authority Pursuant to Ohio Rev. Code |) | |
| § 4905.13. |) | |

**STIPULATION DIRECT TESTIMONY OF MATTHEW WHITE
ON BEHALF OF
INTERSTATE GAS SUPPLY, INC.
AND
THE RETAIL ENERGY SUPPLY ASSOCIATION**

****PUBLIC VERSION****

February 6, 2017

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. Please state your name and title.**

3 A. My name is Matthew White. I am employed by Interstate Gas Supply, Inc. ("IGS" or
4 "IGS Energy") as General Counsel, Legislative and Regulatory Affairs. My business
5 address is 6100 Emerald Parkway, Dublin, Ohio 43016.

6 **Q. On whose behalf are you testifying?**

7 A. I am testifying on behalf of IGS Energy and the Retail Energy Supply Association
8 ("RESA").

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

10 A. I have a Juris Doctor (J.D.) and Masters in Business Administration (M.B.A.) from the
11 College of William & Mary. I also have a Bachelor of Arts (B.A.) from Ohio University. I
12 started my career in energy working at the law firm of Chester, Wilcox & Saxbe as an
13 energy and utilities lawyer. At Chester Wilcox, I participated in numerous regulatory
14 proceedings relating to utility matters, including natural gas and electric rate cases and
15 electric power siting cases. I also have worked on power and gas sales transactions.
16 At the beginning of 2011, I was hired into IGS Energy's rotation program where I spent
17 the next 16 months working in various departments throughout the company, including
18 the electric and gas supply and risk departments, learning IGS' entire business. In 2012,
19 I began full-time as an attorney in IGS' regulatory affairs department. In 2014, I was
20 promoted to Manager, Legal and Regulatory Affairs at IGS. In 2015, I was promoted to
21 my current position, General Counsel, Regulatory and Legislative Affairs. In my current
22 position I oversee the regulatory and legislative activities for IGS Energy throughout the

country. My team is responsible for electric and natural gas litigation for IGS Energy, including electric and natural gas rate cases and other proceedings that relate to energy.

Q. Have you submitted testimony in regulatory proceedings before?

A. Yes. I have submitted written testimony in the following cases: Pennsylvania Public Utility Commission Docket Nos. R-2015-2469665, R-2015-2468056; P-2015-2511333, P-2015-2511351, P-2015-2511355, P-2016-2543140 and P-2015-2511356; Public Utilities Commission of Ohio Case Nos. 12-1685-GA-AIR, 13-2385-EL-SSO, 12-426-EL-SSO, 14-841-EL-SSO, 15-50-GA-RDR, 14-1051-EL-UNC, 14-1693-EL-RDR and 14-1297-EL-SSO; Michigan Public Service Commission Case Nos. U-17131, U- 17332 and U-17882; Kentucky Public Service Commission Case No. 2013-00167; Illinois Commerce Commission Case No. 14-0312; and Maryland Public Service Commission Case No. 9221.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support provisions in the Stipulation and Recommendation ("Stipulation") that would improve the landscape of the competitive retail electric service ("CRES") market in DP&L's service territory. Specifically I recommend that:

- The Commission authorize DP&L to take steps to deploy advanced metering infrastructure ("smart grid"), which may empower Ohio consumers and facilitate continued innovation in the competitive retail electric market.
- The Commission authorize DP&L to appropriately allocate costs to the standard service offer ("SSO"). Specifically, I recommend that the Commission "establish a component to the standard service offer as an addition to the SSO non-shopping rate-in order to recognize costs DP&L incurs to provide default

1 service to customers, or costs otherwise avoided by default service, that are
2 not reflected in SSO bypassable rates.” The Commission should then flow
3 back all dollars recovered through new SSO component to all distribution
4 customers through the Regulatory Compliance Rider, as proposed by the
5 Stipulation.

- 6 • I recommend that the Commission should authorize DP&L to begin taking steps
7 necessary to implement supplier consolidated billing.
- 8 • I recommend that the Commission authorize DP&L to make necessary changes so
9 that CRES providers may utilize the bill-ready function to bill for a more diverse range
10 of products as explained in my testimony.

11 **II. SMART GRID**

12 **Q. Does the Stipulation envision that DP&L will invest in smart grid?**

13 A. Yes, the Stipulation (Section II(3)(a)) provides that DP&L will file a comprehensive
14 Distribution Infrastructure Modernization Plan within three months of completion of the
15 Commission's grid modernization initiative or February 1, 2018.

16 **Q. Can smart grid provide benefits for Ohio customers?**

17 A. Yes. Smart grid has the potential to lay the groundwork for CRES providers to offer
18 customers innovative products and services that help reduce demand on the grid and
19 incentivize customers to use energy more efficiently. While there are many details that
20 must be addressed in DP&L's implementation plan, properly executed smart grid
21 deployment will provide great benefit to all customers.

1 **III. APPROPRIATE ALLOCATION OF COSTS**

2 **Q. Do you recommend that the Commission take measures that would encourage**
3 **customers to engage in Ohio’s competitive retail electric markets?**

4 A. Yes. One of the main benefits of smart grid is to give customers the ability to take control
5 of their energy usage in ways that were unavailable in the past. As DP&L modernizes
6 its grid, CRES providers and customers should receive access to granular customer
7 usage data. This information will allow the electric market to create new products and
8 services that benefit customers in numerous different ways. However, in order for
9 customers to be more willing to adopt value-added products and services that enable
10 them to use and consume energy more efficiently, customers must be engaged in the
11 competitive retail electric market.

12 **Q. Does the Stipulation recommend measures that will encourage residential**
13 **customer engagement in DP&L’s retail electric markets?**

14 A. Yes. Specifically, the Stipulation (Section III(1)(b)) recommends that DP&L
15 appropriately allocate costs to the SSO that DP&L incurs to make that product available,
16 as well as costs that the SSO avoids. As I discuss in my testimony, DP&L incurs costs
17 to provide default service to customers that are not reflected in SSO bypassable rates.
18 The Stipulation recommends that DP&L appropriately reflect those costs in the SSO
19 price. This would be an important step toward ensuring that the SSO product is not
20 subsidized or otherwise inappropriately advantaged in the market.

21 **Q. What does it mean to unbundle or allocate distribution costs to the SSO price?**

1 A. Currently, DP&L's SSO price is essentially a pass-through of wholesale capacity and
2 electric costs. However, DP&L incurs a number of other actual costs required to support
3 SSO service, but those costs are not reflected in the SSO price; instead they are
4 recovered through DP&L's distribution rates. Ohio's regulatory structure requires that
5 the SSO price be comparable and non-discriminatory to other products and services in
6 the market. Further, Ohio's regulatory structure prohibits subsidies flowing from
7 distribution rates to SSO service. By appropriately allocating SSO-related costs to that
8 service, the Commission can ensure that the structure of DP&L's SSO product comports
9 with Ohio regulatory policy. Thus, DP&L's SSO price should reflect all of the costs
10 required to support SSO service.

11 **Q. Can you explain further what you mean by unbundling distribution costs related**
12 **to the SSO?**

13 A. Yes. To be clear, by unbundling I am referring to allocating to the default service price
14 a portion of the costs that DP&L recovers through distribution rates, to the extent that
15 those costs are incurred to support the default service product. I do not believe that the
16 Commission should remove these costs from distribution rates. Instead, I recommend
17 that the Commission adopt the allocation methodology proposed in the Stipulation,
18 which adds new component to the SSO price and provides a credit to all customers
19 through the Regulatory Compliance Rider ("RCR").

20 **Q. Have other states with competitive retail electric markets allocated or unbundled**
21 **costs to support default service and charged those costs to default service?**

22 A. Yes. Ohio is significantly behind when it comes to ensuring that the default service price
23 reflects the full costs of providing retail electric service. In the states of Pennsylvania,

1 Maryland, Texas, Illinois, and New York, a number of non-commodity costs required to
2 support the default service are actually charged to the default service. Those include
3 the cost of IT, legal fees, infrastructure, customer service, cost of working capital, and
4 employee time to name a few. Although as noted above, the utilities in Ohio have yet
5 to begin this process. Ohio continues to treat default service price as just a pass-through
6 price for wholesale electric costs and other costs required to support SSO service are
7 not included in the default rate.

8 **Q. Why is it important that the SSO price be charged all of the costs required to**
9 **support the SSO?**

10 A. First, Ohio's regulatory structure requires that the SSO price be an unbundled
11 comparable price to a *retail* electric product in the market. Second, if the SSO price
12 does not reflect the full costs required to support that service, it will discourage
13 competition (particularly for the residential class) in Ohio's retail electric markets. By
14 encouraging customers to remain on SSO service, the Commission is effectively
15 adopting a policy that discourages engagement in the retail electric markets. In the long
16 run, a disengaged market will miss out on the multitude of innovative products and
17 technologies that will enhance Ohio's electric reliability and enable customers to use
18 energy more efficiently.

19 **Q. Did DP&L's initial application in this proceeding propose to allocate costs**
20 **incurred to support default service to the SSO price?**

21 A. Yes, but only a small portion of those costs. DP&L initially proposed to allocate to the
22 SSO the costs paid to the outside consultant to conduct the SSO auction and a small

1 amount of costs to account for cash and working capital.¹ While I certainly support this
2 cost allocation, there are other costs DP&L incurs to support default service, and thus,
3 as I explain further herein, the Stipulation provides a significant improvement for
4 purposes of creating a level playing field in the competitive retail electric market.

5 **Q. What level of cost does the Stipulation propose to allocate to the SSO price?**

6 A. The Stipulation proposes that the component added to the SSO rate will be \$.0033 per
7 kilowatt-hour for all default service customers. The total collected from this component
8 will first be applied to the Unbilled Fuel deferral (\$15 million amortized over 3 years) and
9 remaining amounts collected will then be refunded to all customers through the RCR.

10 **Q. Can you please give examples of additional costs that you believe DP&L incurs**
11 **to support SSO service?**

12 A. Yes. There are a number of costs I believe DP&L incurs required to support SSO
13 service. Those costs include:

- 14 (1) Call center infrastructure and employees to maintain appropriate
15 customer service for SSO customers;
- 16 (2) Outside and inside legal, regulatory, and compliance personnel to
17 comply with the regulatory rule requirements for the SSO;
- 18 (3) IT employees, infrastructure, and software;
- 19 (4) Office space for employees;
- 20 (5) Administrative and human resources staff to support the employees;

¹ Direct Testimony of Eric Brown at 11 (Feb. 22, 2016).

- 1 (6) Office supplies;
- 2 (7) Accounting and auditing services;
- 3 (8) Printing and postage to communicate with customers;
- 4 (9) Uncollectible expense; and
- 5 (10) The regulatory assessments for the PUCO and the Ohio Consumers'
- 6 Counsel ("OCC") that are based on SSO generation revenue, but are
- 7 recovered through distribution rates.

8 All of these costs are not reflected in the SSO price.

9 **Q. Do CRES providers incur all of the costs above in order to offer a retail product in**

10 **the market?**

11 A. Yes. For instance, CRES providers incur legal and compliance expense to meet a

12 variety of regulatory requirements to offer a product in the market. CRES providers must

13 pay the PUCO and OCC assessments based on their generation revenues. CRES

14 providers incur uncollectible expense and collection costs. CRES providers must

15 maintain a call center, and provide other account management services to customers.

16 CRES providers have overhead expense including IT and office space. All of these

17 expenses are required to make a retail product available in the market. Moreover, CRES

18 providers must pay switching fees each time a customer switches, although default

19 service incurs no such costs when a customer initially activates service or reverts to the

20 SSO. CRES providers must reflect these costs directly in the prices they charge

21 customers. Conversely, SSO service incurs these costs, but the costs are recovered

22 from all distribution customers, which CRES customers also pay. Thus, CRES

1 customers are paying not only for their own generation product, but they are also paying
2 to support SSO generation service through distribution rates.

3 **Q. Are these same costs currently allocated to or reflected in the SSO price?**

4 A. It is my understanding that they are not. As I previously explained, the SSO is essentially
5 just a pass-through price for wholesale electric costs.

6 **Q. Does the failure to allocate costs DP&L incurs to provide default service to that**
7 **service, or failing to allocate costs otherwise avoided by default service have anti-**
8 **competitive effects?**

9 A. Yes. The SSO price is a product that all products compete against. According to the
10 PUCO shopping statistics, 52% of residential DP&L customers receive service on the
11 utility SSO rate.² Thus, the SSO product has by far the largest market share for the
12 residential customer class. Therefore, to the extent that the SSO does not reflect costs
13 DP&L incurs to provide default service to customers, or costs otherwise avoided by
14 default service, it results in a subsidized SSO price that harms all other products that
15 must compete against the SSO.

16 **Q. Would allocating distribution costs result in higher prices paid for by customers?**

17 A. The net effect of the proposal would result in SSO customers paying slightly more but
18 since all customers would receive a distribution credit under the proposal, shopping
19 customers would pay slightly less. The mechanism utilized in the Stipulation to allocate
20 costs utilized to support default service is done in a revenue-neutral manner in which all

² <http://www.puco.ohio.gov/puco/index.cfm/industry-information/statistical-reports/electric-customer-choice-switch-rates-and-aggregation-activity/electric-switch-rates-by-customer/customers-3q2016/>.

1 costs recovered through SSO customers would be flowed back to all distribution
2 customers resulting in net revenue neutrality to all customers. Thus, the portion of the
3 charge that is not allocated to amortizing the unbilled fuel deferral, or approximately
4 \$.002 per kilowatt hour will be revenue neutral to customers. The remainder of the
5 charge will be used to amortize fuel costs that were incurred for the benefit of default
6 service customers.

7 **Q. Is the SSO cost allocation, and corresponding distribution credit, contemplated**
8 **in the Stipulation reasonable?**

9 A. Yes, I believe the allocation established in the Stipulation is a conservative allocation to
10 the SSO price. As I discuss in my testimony, I have identified approximately \$.0072 per
11 kilowatt hour in costs that DP&L incurs in order to support the SSO price. To be clear,
12 I am not recommending that the Commission allocate this amount to the SSO price in
13 this proceeding. Through the compromise struck by the Stipulation, the signatory parties
14 have agreed to allocate a significantly lower amount. Moreover, the Stipulation allows
15 the parties to further evaluate these costs in DP&L's pending distribution rate case.
16 Pending resolution of the distribution rate case, additional costs may be allocated to the
17 SSO price in a revenue neutral manner to DP&L.

18 **Q. How did you identify that amount of costs you believe could be allocated to the**
19 **SSO price?**

20 A. DP&L recently filed a proposed distribution rate case increase (Case Nos. 15-1830-EL-
21 AIR et al.). In that filing, DP&L included requested increases in both operation and
22 maintenance expense as well as in base distribution rates. The information supporting

1 DP&L's proposed increase is contained in the B and C Schedules. By analyzing DP&L's
2 B and C schedules and through a combination of discovery responses, I have been able
3 to identify \$28,333,028 million in costs that should be allocated to SSO service.³ Based
4 upon current levels of shopping, that would be equivalent a charge of \$0.0072 per kWh.⁴

5 **Q. Can you explain how you concluded that \$0.0072 per kWh to the SSO rate?**

6 A. There are four areas of DP&L's distribution expenses that I identified as areas that relate
7 to SSO service: Customer Accounts Expense,⁵ Customer Service and Information
8 Expense,⁶ Administrative & General ("A&G") Expense, and Taxes Other than Income
9 Taxes.⁷ These categories include costs, such as uncollectible expenses associated
10 with default service customers, PUCO and OCC assessments, legal and regulatory
11 expenses, payroll taxes, call center costs, and infrastructure costs, and several other
12 categories of costs I have identified throughout my testimony. For example, DP&L
13 proposes to include \$1.82 million in A&G expense related to its PUCO and OCC
14 Assessments.⁸ Each of these expense line items includes costs needed to support both
15 distribution and SSO service. After making the appropriate company adjustments, you

³ Stipulation Testimony Ex. MW1 (hereinafter referred to simply as "Ex. MW ____").

⁴ *Id.* See Ex. MW-9, Line 3 Column L (containing a forecast of SSO sales provided in ERB 2.1).

⁵ Ex. MW2 (DPL Schedule C-2 line 12); *see also* Ex. MW6.

⁶ Ex. MW2 (DPL Schedule C-2 line 13); *see also* Ex. MW6.

⁷ Ex. MW2 (DPL Schedule C-2 line 14); *see also* Ex. MW6.

⁸ Ex. MW7 (containing DP&L Response to IGS INT 6-1). Based on the assessment amounts paid by DP&L in 2015, the appropriate amount to allocate to default service is \$705,524. *See generally* Ex. MW3 Revenue Allocation Factor.

are left with \$68,806,933 of eligible expenses that need to be allocated equitably between both distribution and default service customers.

Table 1

| Schedule | Line | Description | Unadjusted Jurisdictional Revenue & Expenses | DP&L Adjustments | RESA/IGS Adjustments | Adjusted Jurisdictional Revenue & Expenses |
|----------|------|--|---|---------------------|-------------------------|---|
| C-2 | 12 | Customer Accounts Expense | \$ 45,587,070.00 | \$(30,173,863.00) | \$ 3,643,913.00 | \$ 19,057,120.00 |
| C-2 | 13 | Customer Service and Information Expense | \$ 23,593,776.00 | \$(23,523,402.00) | - | \$ 70,374.00 |
| C-2 | 14 | Administrative & General Expense | \$ 45,373,699.00 | \$ 1,705,725.00 | - | \$ 47,079,424.00 |
| C-2 | 22 | Taxes Other Than Income Taxes | \$ 104,708,806.00 | \$ (47,899,726.00) | \$ (54,209,065.00) | \$ 2,600,015.00 |
| | | | | Total: | | \$ 68,806,933.00 |

Table Source: Ex. MW2 and Ex. MW6 (DP&L Schedule C-2 Case No. 15-1830-EL-AIR, et al.)

Q. Of the \$68,806,933 identified above, how much could be allocated to the SSO?

A. Based on the expenses identified in Table 1, I have identified \$26,613,010 in costs that could be collected to the SSO to cover infrastructure, operation, financial, and other expenses incurred in order to offer the SSO product to customers.⁹

Q. How did you arrive at \$26,613,010 of allocated costs from the original \$68,806,933?

A. The costs listed in each category support both distribution service and SSO service and therefore there is a need to allocate costs to both services, not just distribution services.

⁹ Ex. MW2.

1 In order to do this, I chose to allocate costs based on the amount of SSO revenue DP&L
2 receives from customers. I developed an allocation factor based upon the relationship
3 of DP&L's SSO revenue to total DP&L revenue.¹⁰ Specifically, I divided DP&L's SSO
4 revenue by DP&L's total revenue collected from customers to get an allocation factor of
5 38.68%, which is the percentage of DP&L's total costs in the four categories that I
6 identified that should be added to the SSO service.

7 **Table 2**

| | |
|---------------------------------|------------------|
| SSO Revenue (DP&L) | \$280,458,250.31 |
| Total Revenue (DP&L) | \$725,114,198.15 |
| Allocation Factor | 38.68% |

8
9 *Table Source: See Ex. MW 3.*

10 **Q. Why did you choose SSO revenue as a means to calculate your allocation factor?**

11 A. SSO revenue is a reasonable proxy to calculate the actual expense DP&L incurs in order
12 to support default service. For instance, if 38.68% percent of DP&L's revenues comes
13 from default service, it is reasonable to conclude that 38.68% of the costs in the four
14 categories I identified should be allocated to default service as well.

15 **Q. Are you allocating a portion of all of DP&L's expenses to default service?**

16 A. No. I only am including a small number of DP&L distribution accounts (4 line items) in
17 the costs. These accounts, which I have identified, contain costs that are being incurred

¹⁰ Ex. MW3 (derived from DP&L-AIR 0009090); see also Ex. MW7 (DP&L Response to IGS INT-1-2 in Case No. 15-1830-EL-AIR, *et al.*).

1 to support to the SSO. For instance, Customer Account Expense contains customer
2 care and account management costs DP&L incurs to support the SSO. DP&L also
3 recovers items such as the PUCO and OCC assessment, legal and compliance and
4 other costs required to support default service through the General and Administrative
5 account. All of these are items directly support SSO customers and also are costs CRES
6 providers incur that are directly reflected in CRES generation pricing. DP&L has several
7 other distribution accounts which I have not included in my calculations. While there may
8 be SSO-related costs in these other distribution accounts, I chose not to allocate any of
9 these costs to the SSO in order to take a conservative approach in my cost allocation
10 methodology.

11 **Q. Did you make any adjustments to DP&L's total revenue amount which was used**
12 **as an input to calculate the revenue allocation factor?**

13 A. Yes. I eliminated the Service Stability Rider from DP&L's total revenue, which was
14 reversed by the Supreme Court of Ohio.¹¹ In addition to being reversed by the Supreme
15 Court, this revenue could not be properly characterized as default service-related or
16 distribution-related. I also excluded rider revenues associated with Discount EER,
17 Discount Eco Development Program, Off peak Meter Charge, rate stabilization charge,
18 Environmental Investment Rider, and Other Various Charges. I omitted these riders
19 because they had a de minimis impact on the calculation. Had those items been included
20 in the calculation, the revenue allocation factor would have been higher, having the
21 effect of allocating additional costs to default service.

¹¹ Ex. MW3. See *In re Application of Dayton Power & Light Co.*, Slip Opinion No. 2016-Ohio-3490.

1 **Q. Did you also review DP&L's rate base investments that should be allocated to**
2 **default service?**

3 **A.** Yes, I have reviewed various categories of costs that DP&L included in its rate base and
4 identified a subset of those costs that appear to have default service-related purposes.
5 I then identified the portion of those costs that DP&L proposed to include in its base
6 distribution rates and applied the allocation factor I derived to identify portions of DP&L's
7 rate base (depreciation, return of debt interest, return on equity, and grossed up for
8 income taxes) that should be allocated to default service customers to achieve a more
9 equitable allocation of costs.¹² The total amount that I identified is \$1,720,017.¹³

10 **Q. What is the total amount you have identified that should be allocated to default**
11 **service?**

12 **A.** The total amount I have identified is \$28,333,028.¹⁴

13 **Q. Have you identified significantly more costs than the Stipulation proposes to**
14 **allocate to the SSO price?**

15 **A.** Yes, I previously mentioned, the Stipulation proposed to add a \$.0033 per kilowatt
16 component to the SSO price. Based upon 2015 SSO sales, this is equivalent to
17 \$12,964,358, or less than half of the \$28,333,028 in costs I have identified. The \$0.0033
18 added to the SSO is a significant market enhancement that reflects a resolution amongst

¹² See Ex. MW8 (containing debt and equity rates utilized); see Ex. MW6, Schedule A-2 (containing gross revenue conversion factor); see *also* MW4.

¹³ Ex. MW4; Confidential Ex. MW5.

¹⁴ Ex. MW1; See *also* Ex. MW2 and Ex. MW4.

1 the Signatory and Non-Opposing Parties and benefits the public interest by sending a
2 more accurate price signal for purposes of the price-to-compare.

3 **Q. What would be the net impact of the new SSO component to customers?**

4 A. As I noted previously, approximately \$.0013 per kilowatt hour of the new SSO
5 component will be applied to amortize unbilled fuel for the first three years. Thus, the
6 remaining \$.002 per kilowatt hour collected will be applied as a credit to the RCR;
7 thereby reducing costs for all customers. Thus, the total impact of the new SSO
8 component to customers is approximately 1.3 mil per kilowatt hour, and it will be
9 completely revenue neutral once the unbilled fuel deferral is amortized.

10 **Q. Would the credit to the RCR need to be trued-up periodically to prevent any over-
11 or under-recovery of revenue by DP&L?**

12 A. Yes. The Stipulation proposes to establish a fixed kilowatt hour charge that would not
13 vary unless modified in the distribution rate case. However, because shopping levels
14 will vary in the DP&L service territory, the credit to the RCR will need to be trued-up and
15 reset periodically to account for over- or under-recovery by DP&L and changes in
16 shopping. Therefore, the Stipulation proposes an annual reconciliation in which DP&L
17 will re-calculate the RCR credit returned to all distribution customers to ensure it is not
18 over- or under-recovering costs.

19 **IV. RETAIL MARKET BILLING ENHANCEMENTS**

20 **Q. Does the Stipulation authorize DP&L to begin implementing a supplier
21 consolidated billing pilot program?**

1 A. Yes. The Stipulation contemplates DP&L implementing a supplier consolidated billing
2 pilot program for qualified and interested suppliers for a minimum two year period. The
3 methodology to govern the pilot will be established no later than twelve months from a
4 final order approving the Stipulation.

5 **Q. Is it important for CRES providers to have flexibility when billing for electric**
6 **service?**

7 A. Yes. More and more customers are demanding value added products and services with
8 their electric commodity. Therefore, it is important to be able to bill for value added
9 products and services in a way that is convenient for customers. For instance, if a
10 customer enrolls in a product with a CRES provider that includes the electric commodity,
11 a smart-thermostat, energy monitoring, energy efficiency and demand response, the
12 customer does not want separate bills for each individual component of that product.
13 Further, customers may not even want a separate price for each service, but rather may
14 want a bundled all-in price. As DP&L rolls out smart grid and supplier products continue
15 to evolve, the need for supplier consolidated billing will only increase. Therefore, in
16 order for CRES providers to offer value added products and services that customers
17 prefer it is important to have billing flexibility.

18 **Q. Do DP&L's tariffs currently allow for supplier consolidated billing?**

19 A. Yes. DP&L Tariff Sheet No. G8 of the Electric Generation Service Alternative Generation
20 Supplier Coordination Tariff allows CRES providers to bill on behalf of DP&L and collect
21 and remit receivables for DP&L; therefore currently supplier consolidated billing is
22 authorized in the DP&L service territory.

1 **Q. Functionally, does DP&L allow CRES suppliers to participate in its supplier**
2 **consolidated billing tariff?**

3 A. No. It is my understanding that DP&L has not developed the systems required for CRES
4 providers to participate in the supplier consolidated billing program. But the Stipulation
5 contemplates a process through which signatory parties and Staff will work together to
6 implement a supplier consolidated billing pilot program.

7 **Q. How does supplier consolidated billing work?**

8 A. While the Stipulation provides for a process through which the signatory parties and
9 Staff will work out specific details, under the supplier consolidated billing model, the
10 CRES providers purchases the receivables from the utility for the utility distribution
11 charges upfront, making the utility whole for all electric distribution charges and other
12 regulated charges the utility may be authorized to collect from customers. After the
13 CRES provider purchases the receivables from the utility, the CRES provider is then
14 responsible for collecting and billing all electric distribution and generation charges from
15 the customer. Under the supplier consolidated billing model, the customer does not
16 receive a bill from the utility.

17 **Q. How does supplier consolidated billing differ from utility consolidated billing?**

18 A. Supplier consolidated billing would enable CRES providers to provide customers with a
19 single bill for all the components of electric service, including the non-commodity
20 components. Supplier consolidated billing is similar to utility consolidated billing in that
21 the customer will receive only one bill for electric distribution and generation service.

1 However, with supplier consolidated billing model, the CRES provider issues the bill to
2 the customer instead of the utility.

3 **Q. Under supplier consolidated billing, would non-payment of non-commodity**
4 **charges trigger disconnection protocols toward a customer?**

5 A. No. While CRES providers would be able to bill non-commodity charges on the
6 customer's bills, with supplier consolidated billing, failure to pay non-commodity charges
7 would not trigger disconnection for the customer. Disconnect would only be applicable
8 to electric charges and be subject to the same laws and procedures as today. Further,
9 it would still be the utility's responsibility to initiate the physical disconnect for the
10 customer.

11 **Q. Would CRES providers still have to abide by the same billing rules and billing**
12 **format as the EDUs if supplier consolidated billing is adopted?**

13 A. Yes. Currently Ohio has rules that govern how utilities must bill customers and have
14 specific requirements for each utility bill. Under supplier consolidated billing, CRES
15 providers would still be subject to the same billing requirements in the rules and statutes
16 today.

17 **Q. Are you recommending supplier consolidated billing as an alternative to requiring**
18 **DP&L to allow CRES providers to use the bill-ready billing functionality to bill for**
19 **non-commodity charges?**

20 A. No. As I explain further below, the Stipulation recommends that the Commission allow
21 CRESs to use the DP&L bill-ready function to bill for non-commodity charges for utility
22 consolidated billing *and* that the Commission authorize DP&L to implement supplier

1 consolidated billing. It will take time to establish program requirements and rules for
2 DP&L to build out its systems in a manner needed to implement supplier consolidated
3 billing so in the meantime CRESs should be able to use the DP&L bill-ready option to
4 bill for non-commodity charges.

5 **Q. Does DP&L have the functionality to allow CRES providers to bill for non-**
6 **commodity charges on the EDU bill?**

7 A. Currently DP&L offers bill-ready billing to CRES providers on the utility consolidated bill.
8 Bill-ready billing provides CRES providers a specific number of line items to put specific
9 charges on the EDU bill. However, currently DP&L only allows CRES providers to put
10 commodity charges on the EDU bill. The Stipulation would also authorize that DP&L
11 also allocate some of those line items to non-commodity charges.

12 **Q. Do you recommend that CRES non-commodity charges should trigger customer**
13 **disconnect?**

14 A. No. Processes should be put in place to ensure that past due non-commodity charges
15 do not trigger disconnect.

16 **Q. Would CRES providers be willing to pay for the cost to allow to bill for non-**
17 **commodity products and services?**

18 A. Yes. The Stipulation requires CRES providers to pay for half of implementation costs,
19 with equal share payments from participating CRES providers. Those charges could
20 come in the form of an upfront set-up fee to CRES providers or a per bill fee.

1 **Q. Are you aware of other utilities that allow for non-commodity billing on the utility**
2 **bill?**

3 A. Yes. Vectren Energy Delivery of Ohio and Columbia Gas of Ohio allow for competitive
4 gas suppliers to bill for certain non-commodity charges. Further, Duke Ohio, First
5 Energy and AEP Ohio allow for certain non-commodity charges to be billed on the utility
6 bill for select third party companies. Therefore, the Commission can look at other utilities
7 in Ohio to determine appropriate procedures and practices for non-commodity billing.

8 **V. CONCLUSION**

9 **Q. Do you have an opinion on whether the provisions in the Stipulation on allocation**
10 **of costs to the SSO and the pilot programs for billing non-commodity charges and**
11 **allowing supplier consolidated billing are in the public interest?**

12 A. Yes. All of these provisions in the Stipulation are in the public interest. Ohio policy is to
13 ensure the availability of unbundled and comparable retail electric service that provides
14 consumers with the supplier, price, terms, conditions, and quality options they elect to
15 meet their respective needs. Just as important, Ohio policy is to recognize the
16 continuing emergence of competitive electricity markets through the development and
17 implementation of flexible regulatory treatment. Each of the above-referenced
18 stipulation provisions follow those and other Ohio policies that are intended to promote
19 the development of the competitive retail markets in Ohio, and implementation of these
20 pilots will assist in the development of new products and programs that will benefit
21 consumers. Significantly, the Stipulation ensures that Staff will be involved in the
22 development and implementation of the supplier consolidated billing pilot and also

1 ensures that non-commodity products and/or services will be paid last under the non-
2 commodity billing program. Taken as a whole, the provisions in the Stipulation on the
3 allocation of costs to the SSO and the pilot programs for billing non-commodity charges
4 and allowing supplier consolidated billing are in the public interest.

5 **Q. Does this conclude your testimony?**

6 A. Yes it does. However, I reserve the right to further supplement my testimony.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio e-filing system will electronically serve notice of the filing of this document on the parties referenced in the service list of the docket card who have electronically subscribed to this case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served upon the persons below via electronic mail this 6th day of February 2017.

/s/ Joseph Olikier

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Summary: Stipulation Testimony of Matthew White electronically filed by Mr. Joseph E. Olier on behalf of IGS Energy and Retail Energy Supply Association