

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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

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

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

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

March 22, 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.
12 I 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
19 2012, I began full-time as an attorney in IGS’ regulatory affairs department. In 2014, I
20 was promoted to Manager, Legal and Regulatory Affairs at IGS. In 2015, I was
21 promoted to my current position, General Counsel, Regulatory and Legislative Affairs.
22 In my current position, I oversee the regulatory and legislative activities for IGS Energy
23 throughout the country. My team is responsible for electric and natural gas litigation

1 for IGS Energy, including electric and natural gas rate cases and other proceedings
2 that relate to energy.

3 **Q. Have you submitted testimony in regulatory proceedings before?**

4 A. Yes. I have submitted written testimony in the following cases: Pennsylvania Public
5 Utility Commission Docket Nos. R-2015-2469665, R-2015-2468056; P-2015-2511333,
6 P-2015-2511351, P-2015-2511355, P-2016-2543140 and P-2015-2511356; Public
7 Utilities Commission of Ohio Case Nos. 12-1685-GA-AIR, 13-2385-EL-SSO, 12-426-
8 EL-SSO, 14-841-EL-SSO, 15-50-GA-RDR, 14-1051-EL-UNC, 14-1693-EL-RDR and
9 14-1297-EL-SSO; Michigan Public Service Commission Case Nos. U-17131, U- 17332
10 and U-17882; Kentucky Public Service Commission Case No. 2013-00167; Illinois
11 Commerce Commission Case No. 14-0312; and Maryland Public Service Commission
12 Case No. 9221.

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

14 A. I will testify about certain measures and programs that have been put forth in these
15 proceedings and are addressed in the March 14, 2017 Amended Stipulation and
16 Recommendation that was filed in these proceedings. Those measures and programs
17 are deployment of advanced metering infrastructure (“smart grid”), evaluating and
18 appropriately allocating costs to the standard service offer (“SSO”), supplier
19 consolidated billing, and establishing rules so that CRES providers may utilize the bill-
20 ready function to bill for a more diverse range of products. These programs and
21 measures would improve the landscape of the competitive retail electric service
22 (“CRES”) market in DP&L’s service territory. In addition, I will address the recovery of
23 Ohio Valley Electric Corporation (“OVEC”) costs on a bypassable basis.

1 **II. SMART GRID**

2 **Q. Should DP&L invest in smart grid?**

3 A. Yes. Smart grid has the potential to lay the groundwork for CRES providers to offer
4 customers innovative products and services that help reduce demand on the grid and
5 incentivize customers to use energy more efficiently. Properly executed smart grid
6 deployment will provide great benefit to all customers.

7 **III. APPROPRIATE ALLOCATION OF COSTS**

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

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

18 **Q. Are there measures that will encourage residential customer engagement in**
19 **DP&L's retail electric markets?**

20 A. Yes. One measure is to evaluate the costs contained in DP&L's distribution rates and
21 identify those necessary to provide standard service offer service. These costs may
22 then be reallocated to the standard service offer on a revenue neutral basis. As I

1 discuss in my testimony, DP&L incurs costs to provide default service to customers
2 that are not reflected in SSO bypassable rates. This would be an important step
3 toward ensuring that the SSO product is not subsidized or otherwise inappropriately
4 advantaged in the market.

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

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

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

18 A. Yes. Ohio is significantly behind when it comes to ensuring that the default service
19 price reflects the full costs of providing retail electric service. In the states of
20 Pennsylvania, Maryland, Texas, Illinois, and New York, a number of non-commodity
21 costs required to support the default service are actually charged to the default
22 service. Those include the costs of IT, legal fees, infrastructure, customer service,
23 cost of working capital, and employee time to name a few. The utilities in Ohio have

1 yet to begin this process. Ohio continues to treat the SSO price as just a pass-through
2 price for wholesale electric costs, and other costs required to support SSO service are
3 not included in the default rate.

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

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

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

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

19 (1) Call center infrastructure and employees to maintain appropriate
20 customer service for SSO customers;

21 (2) Outside and inside legal, regulatory, and compliance personnel to
22 comply with the regulatory rule requirements for the SSO;

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

11 All of these costs are reflected in the distribution rates, rather than having the portion
12 used to exclusively support the SSO included within the SSO price.

13 **Q. Do CRES providers incur all of the costs above in order to offer a retail product**
14 **in the market?**

15 A. Yes. For instance, CRES providers incur legal and compliance expenses to meet a
16 variety of regulatory requirements to offer a product in the market. CRES providers
17 must pay the PUCO and OCC assessments based on their generation revenues.
18 CRES providers incur uncollectible expense and collection costs. CRES providers
19 must maintain a call center, and provide other account management services to
20 customers. CRES providers have overhead expense including IT and office space.
21 All of these expenses are required to make a retail product available in the market.
22 Moreover, CRES providers must pay switching fees each time a customer switches,

1 although no fees are assessed to initially activate default service or revert to default
2 service. CRES providers must reflect these costs directly in the prices they charge
3 customers. Conversely, SSO service incurs these similar costs, but the costs are
4 recovered from all distribution customers.

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

8 A. Yes. The SSO price is a product that all products compete against. According to the
9 PUCO shopping statistics, 52.8% of residential DP&L customers receive service on
10 the utility SSO rate.¹ Thus, the SSO product has by far the largest market share for
11 the residential customer class. Therefore, to the extent that the SSO does not reflect
12 costs DP&L incurs to provide default service to customers, or costs otherwise avoided
13 by default service, it results in a subsidized SSO price that harms all other products
14 that must compete against the SSO.

15 **Q. How can the Commission ensure that SSO costs are properly allocated?**

16 A. The Commission should ensure that any SSO costs approved in these proceedings
17 should only be recovered through bypassable rates. For example, DP&L's
18 uncollectible expenses associated with uncollected SSO generation rates should be
19 recovered through bypassable charges. Additionally, the Commission should evaluate
20 the allocation of other costs in DP&L's pending distribution rate case. Pending
21 resolution of the distribution rate case, additional costs may be allocated to the SSO
22 price in a revenue neutral manner to DP&L.

¹ This statistic is for the fourth quarter of 2016. See, <http://www.puco.ohio.gov/industry-information/statistical-reports/electric-customer-choice-switch-rates-and-aggregation-activity/#sthash.SOJeuZGE.dpbs>.

1 **IV. RETAIL MARKET BILLING ENHANCEMENTS**

2 **Q. Should DP&L implement a supplier consolidated billing pilot program?**

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

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

17 A. Yes. DP&L Tariff Sheet No. G8 of the Electric Generation Service Alternative
18 Generation Supplier Coordination Tariff (Section 11) allows CRES providers to bill on
19 behalf of DP&L and collect and remit receivables for DP&L; therefore, currently
20 supplier consolidated billing is authorized in the DP&L service territory.

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

22 A. Under supplier consolidated billing, the CRES providers purchases the receivables
23 from the utility for the utility distribution charges upfront, making the utility whole for all

1 electric distribution charges and other regulated charges the utility may be authorized
2 to collect from customers. After the CRES provider purchases the receivables from
3 the utility, the CRES provider is then responsible for collecting and billing all electric
4 distribution and generation charges from the customer. Under the supplier
5 consolidated billing model, the customer does not receive a bill from the utility.

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

7 A. Supplier consolidated billing would enable CRES providers to provide customers with
8 a single bill for all the components of electric service, including the non-commodity
9 components. Supplier consolidated billing is similar to utility consolidated billing in that
10 the customer will receive only one bill for electric distribution and generation service.
11 However, with supplier consolidated billing model, the CRES provider issues the bill to
12 the customer instead of the utility.

13 **Q. Under supplier consolidated billing, should non-payment of non-commodity**
14 **charges trigger disconnection protocols toward a customer?**

15 A. No. While CRES providers would be able to bill non-commodity charges on the
16 customer's bills, with supplier consolidated billing, failure to pay non-commodity
17 charges should not trigger disconnection for the customer. Disconnect would only be
18 applicable to electric charges and be subject to the same laws and procedures as
19 today. Further, it would still be the utility's responsibility to initiate the physical
20 disconnect for the customer.

1 **Q. Should CRES providers abide by the same billing rules and billing format as the**
2 **EDUs if supplier consolidated billing is adopted?**

3 A. Yes. Currently, Ohio has rules that govern how utilities must bill customers and have
4 specific requirements for each utility bill. Under supplier consolidated billing, CRES
5 providers should be subject to the same EDU billing requirements in the rules and
6 statutes today.

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

10 A. No. The Commission should not only authorize DP&L to implement supplier
11 consolidated billing but *also* authorize steps leading to a rulemaking to establish rules
12 so that CRES providers may utilize the bill-ready function to bill for a more diverse
13 range of products. This will allow a CRES provider to utilize the billing model best
14 suited for its business model. As well, it will take time to establish program
15 requirements and rules for DP&L to build out its systems in a manner needed to
16 implement supplier consolidated billing so in the meantime CRES providers should be
17 able to use the DP&L bill-ready option to bill for non-commodity charges.

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

20 A. Currently DP&L offers bill-ready billing to CRES providers on the utility consolidated
21 bill. Bill-ready billing provides CRES providers a specific number of line items to put
22 specific charges on the EDU bill. However, currently DP&L only allows CRES
23 providers to put commodity charges on the EDU bill. Through a rulemaking process,

1 the Commission can create rules that could not only allocate some of those line items
2 to non-commodity charges but also establish parameters for non-commodity billing in
3 all electric distribution utility service territories.

4 **Q. Should CRES non-commodity charges trigger customer disconnect?**

5 A. No. Through additional rules, I anticipate that the Commission would require that
6 processes be put in place to ensure that past due non-commodity charges do not
7 trigger disconnect.

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

10 A. Yes. Vectren Energy Delivery of Ohio and Columbia Gas of Ohio allow for competitive
11 gas suppliers to bill for certain non-commodity charges. Further, Duke Energy Ohio,
12 FirstEnergy and AEP Ohio allow for certain non-commodity charges to be billed on the
13 utility bill for select third party companies.

14 **V. OVEC COST RECOVERY**

15 **Q. Do you believe that any cost recovery from customers related to DP&L's Ohio
16 Valley Electric Corporation entitlement should be on a bypassable basis?**

17 A. Yes. To the extent the Commission allows DP&L to recover costs related to its
18 entitlement from the OVEC coal units at the Kyger Creek and Clifty Creek facilities,
19 that recovery should be on a bypassable basis. By setting OVEC cost recovery as a
20 bypassable charge, it preserves the right of shopping customers to select their choice
21 of competitive generation supply. Making any cost recovery related to DP&L's OVEC
22 entitlement bypassable avoids an anticompetitive subsidy that would result from

1 collecting generation related costs through nonbypassable charges imposed on
2 shopping customers.

3 **VI. CONCLUSION**

4 **Q. Do you have an opinion on whether the allocation of costs to the SSO, a pilot**
5 **program for supplier consolidated billing and implementing rate-ready billing for**
6 **non-commodity charges are in the public interest?**

7 A. Yes. All of these measures and programs are in the public interest. Ohio policy is to
8 ensure the availability of unbundled and comparable retail electric service that
9 provides consumers with the supplier, price, terms, conditions, and quality options they
10 elect to meet their respective needs. Just as important, Ohio policy is to recognize the
11 continuing emergence of competitive electricity markets through the development and
12 implementation of flexible regulatory treatment. Each of the above-referenced
13 measures and programs follow those and other Ohio policies that are intended to
14 promote the development of the competitive retail markets in Ohio, and
15 implementation of both supplier consolidated billing and non-commodity billing will
16 assist in the development of new products and programs that will benefit consumers.

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

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

CERTIFICATE OF SERVICE

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/s/ Michael J. Settineri _____

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Summary: Testimony Direct Testimony of Matthew White on Behalf of Intestate Gas Supply, Inc. and the Retail Energy Supply Association electronically filed by Mr. Michael J. Settineri on behalf of Retail Energy Supply Association and Interstate Gas Supply, Inc.