DELMARVA POWER & LIGHT COMPANY

REBUTTAL TESTIMONY OF TIMOTHY J. WHITE

BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

CONCERNING AN INCREASE IN GAS BASE RATES

DOCKET NO. 10-237

1. Q: Please state your name, position, and business address.

   A: My name is Timothy J. White. I am Manager Policy Coordination in the
   Regulatory Affairs Department for Pepco Holdings Inc. (PHI, Delmarva Power,
   or The Company). My business address is 401 Eagle Run Road, P.O. Box 9239,
   Newark, Delaware, 19714.

2. Q: Have you previously submitted testimony in this proceeding?

   A: Yes, I have.

3. Q: What is the purpose of your Rebuttal Testimony in this proceeding?

   A: I am rebutting the direct testimony of Andrea C. Crane on behalf of the
   Delaware Public Service Commission Division of the Public Advocate as her
   testimony deals with an adjustment to the lead/lag study that I performed in
   support of the Company’s cash working capital claim.

4. Q: Please describe Witness Crane’s adjustment to your cash working capital
   study.

   A: Witness Crane is recommending excluding cash working capital
   associated with purchased gas costs. She claims the Company has not
   demonstrated that there is any cash working capital requirement associated with
   purchased gas costs. She also claims that “due to the nature in which the GCR
   operates, there may be no cash working capital requirement generated by these
   costs.” She also states that “DPL is permitted to charge interest to ratepayers on
under-recoveries in its GCR account. The fact that the Company already collects a
carrying cost on this balance is another reason why DPL’s cash working capital
claim should be adjusted to eliminate gas costs.”

5. Q: Do you agree that this adjustment is appropriate?
   A: No, I do not. Witness Crane believes the Company’s lead/lag study
   incorrectly assumes a matching of monthly revenues and expenses. In her
   testimony she states that in any particular month the revenue received by the
   Company may be paying for purchased gas in the past or for gas to be purchased
   in the future.

6. Q: Is Witness Crane’s conclusion in support of her claim correct?
   A: No. In fact, the majority of the monthly gas purchases are to serve the
   customers in a given month. The customer is billed monthly based on usage. The
   difference between when the Company pays for gas purchased and when the
   Company receives payment from customers clearly generates a cash working
   capital requirement. The fact that there are carrying costs associated with over or
   under recoveries does not delineate that there is a cash working capital
   requirement for purchased gas costs. The interest calculated on over or under
   recoveries is the FERC Gas Refund Rate of 3.25%, effective in the fourth quarter
   of 2010, which is low compared to the Company’s overall rate of return presented
   in this proceeding of 8.04%. In addition, these amounts are rolled into the
   deferred fuel balance every year and are part of the GCR calculation. To exclude
   purchased gas costs from the lead/lag study denies the Company the appropriate
level of cash working capital to be included in rate base to compensate investors
for funds provided over and above net utility plant.

7. Q: Did Delaware Public Service Commission Staff recommend a similar
adjustment to the Company's cash working capital claim?

A: No, they did not.

8. Q: Does this conclude your testimony?

A: Yes, it does.