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: <u>Please state your name , position, and business address.</u>

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: <u>Have you previously submitted testimony in this proceeding?</u>

A: Yes, I have.

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

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: <u>Please describe Witness Crane's adjustment to your cash working capital study.</u>

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: <u>Do you agree that this adjustment is appropriate?</u>

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: <u>Is Witness Crane's conclusion in support of her claim correct?</u>

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: <u>Did Delaware Public Service Commission Staff recommend a similar adjustment to the Company's cash working capital claim?</u>

A: No, they did not.

8. Q: <u>Does this conclude your testimony?</u>

A: Yes, it does.