

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY FOR) PSC DOCKET NO. 12-546
AN INCREASE IN GAS BASE RATES)
AND MISCELLANEOUS TARIFF CHANGES)
(FILED DECEMBER 7, 2012))

DIRECT TESTIMONY OF
GARY B. COHEN
ON BEHALF OF
COMMISSION STAFF

June, 3, 2013

1 **Qualifications**

2 **Q. Please state your name, position and business address.**

3 **A.** My name is Gary B. Cohen. I am a President of GBC Consulting, LLC. My business
4 address is 221 Hoyer Ct., Wilmington, Delaware 19803.

5 **Q. Please summarize your qualifications and experience.**

6 **A.** I am a former employee of Pepco Holdings Inc. (PHI)/ Delmarva Power/ Conectiv
7 retiring in 2009 after over 35 years of service with the Company. I held several
8 management positions during my employment that included Manager of Regulatory
9 Affairs for Delaware & Virginia, Special Projects Manager, Revenue Management
10 Director, Manager of Billing and Collections, Manager of the Call Center, and Manager
11 of the Wilmington Business Office. After my retirement in 2009, I returned to PHI as a
12 consultant supporting the Regulatory Affairs Department, Governmental Affairs
13 Department and the Blue Print for the Future project. My main focus was on the
14 Advance Metering Infrastructure (AMI) deployment and implementation. In 2010, I
15 established my consulting company and currently provide consulting services to the
16 Delaware Public Service Commission in the areas of AMI, decoupling, dynamic pricing
17 and other customer related areas. My resume is attached (GC-1).

18 **Q. Have you previously participated or submitted testimony in regulatory**
19 **proceedings?**

20 **A.** Yes. I have presented testimony or participated in regulatory proceedings before the
21 following regulatory bodies:

1 **Delaware Public Service Commission**

- 2 - Submitted testimony in Docket No.11- 528 Delmarva’s Electric Base Rate Case
3 related to the Company’s request for recovery of cost related to the deployment of
4 the Automated Meter Infrastructure (AMI) project.
- 5 - Submitted testimony in Docket No.00-108, the Commission’s investigation into
6 the Billing System.
- 7 - Submitted testimony in Docket No. 03-378F, Delmarva’s Gas Cost Rate case
8 related to the Company’s budget billing programs.
- 9 - Represented Delmarva Power in Docket 02-231 related to the Company’s
10 customer service performance.
- 11 - -Represented Delmarva Power in Docket 06-168 related to the establishment of
12 Customer Service Benchmarks.
- 13 - Represented Delmarva Power on Competitive Billing and Competitive Metering
14 Working Groups.
- 15 - Represented Delmarva Power on Decoupling and Dynamic Pricing Working
16 Groups.

17 **Maryland Public Service Commission**

- 18 - Represented Delmarva Power on the Universal Service Program Working Group.
- 19 - Represented Delmarva Power on Competitive Billing and Competitive Metering
20 Working Groups.

21 **New Jersey Board of Public Utilities**

- 22 - Represented Conectiv on the Universal Service Fund program Working Group.

1 - Represented Conectiv on the Competitive Billing and Competitive Metering
2 Working Groups.

3 **Virginia State Corporation Commission**

4 - Represented Delmarva Power on the Competitive Billing and Competitive Meter
5 Working Groups.

6 **Direct Testimony**

7 **Q. For whom are you appearing in this proceeding?**

8 A. I am appearing on behalf of the Staff of the Delaware Public Service Commission
9 ("Staff").

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

11 A. My testimony focuses on the aspect of AMI deployment related to Delmarva's Gas
12 Business and the issues arisen during the deployment of the technology and, in particular,
13 the cost recovery proposal regarding the AMI regulatory asset submitted by Company
14 witness Ziminsky. The AMI deployment in the Gas Business is primarily related to the
15 installation of Interface Module Units (IMU's) that allows the Company to measure and
16 remotely transmit their Gas Customer's meter reading and will allow for the elimination
17 of meter readers.

18 **Q. Please summarize the Company's filing as it relates to the AMI regulatory asset**

19 A. On December 7, 2012, the Company included in its filing the AMI regulatory asset
20 balance of \$3.318 million updated to \$3.954 million in its supplemental filing on

1 March 11, 2013. This balance includes deferred O&M costs incurred from August where
2 the balance of \$1.986 million of deferred O&M costs was approved for recovery in
3 Docket 10-237 wherein the asset is amortized and recovered over a 15 year period. The
4 Company is proposing that the recovery begin 60 days after it has been demonstrated that
5 it is successfully reading at least 95% of its natural gas meters on a remote basis through
6 the IMU's.

7 **Q. What have you reviewed in the preparation of your testimony?**

8 **A.** Among other things, I have reviewed the Company's testimony, supporting exhibits and
9 work papers, and responses to data requests in this case, Docket No. 12-546. I have also
10 reviewed previous Commission orders, and documents from the last base rate case,
11 Docket No. 10-237, and the original Blueprint filing in Docket No. 07-28 and have
12 participated in the quarterly AMI update meetings held by the Company.

13 **Q. Please describe the progress and status of the Gas IMU deployment project.**

14 **A.** The original completion date of the project was December 2010. According to Company
15 witness Ziminsky, the forecast for activation of the IMU's is September 2013.¹ This
16 represents almost a three-year delay in the project. The Company has indicated in the
17 AMI quarterly updates that through February 28, 2013 that 83,010 or approximately 64%
18 of the Gas IMU's have been installed and 58,613 or approximately 45% of those IMU's
19 have been activated for billing purposes.

¹ Delmarva Direct Testimony of Jay C. Ziminsky, page 21, line 9

1 **Q. What have been the primary reasons for the delay in the project?**

2 **A.** According to Company witness Collacchi's testimony, "This project has been delayed
3 due to a number of product and technical issues."² These issues began shortly after the
4 Company started the full deployment of the IMU's in 2010 and various issues related to
5 the product or the installation continued through until October of 2012. These issues
6 include a number of faulty components of the IMU devices as well as incorrect
7 installations of the devices. Some of the various issues and problems were brought to the
8 attention of the Company by their customers, which included low gas pressure and a
9 clicking noise coming from their meters. Due to the concerns about the customer
10 complaints regarding low pressure and the clicking noise Delmarva's analysis revealed
11 that approximately 1,800 gas meters with IMU's had shown no gas consumption for one
12 or more months causing incorrect billings to these customers. It is possible that a
13 customer experiencing all the problems associated with the IMU's thus far may have had
14 as many as six different field visits to remediate the issues experienced at their gas meter
15 during the course of two and a half years.

16 **Q. Do you concur with Company Witness Ziminsky that the primary milestone**
17 **associated with the recovery of the regulatory asset should be tied to the benefit**
18 **associated with the remote meter reading and the subsequent reduction of manual**
19 **meter reading?**

20 **A.** Yes, the major benefit associated with the deployment of the AMI project, as it relates to
21 the full deployment of the Gas IMU's as filed in the AMI Business Case in Docket 07-28,

² Delmarva Direct Testimony of Robert Collacchi, page 8, lines 7 & 8

1 includes cost reductions for the Company’s elimination of manual meter reading and the
 2 associated improvement in billing activities as a result of the reduction in estimated bills.
 3 The elimination of manual meter reading and improved billing activities represent over
 4 90% of the benefit dollars associated with the deployment and successful operation of the
 5 Gas IMU’s as indicated by the following chart (Figure 4) filed by the Company in Docket
 6 07-28.

Line	Benefit Category	In Projected 2008 Dollars			Benefit Dollars as a % of Total		
		Delmarva DE-Elec	Delmarva DE-Gas	Delmarva Combined	Delmarva DE-Elec	Delmarva DE-Gas	Delmarva Combined
1	Eliminate Manual Meter Reading Costs	\$ 3,564	\$ 1,157	\$ 4,721	55.3%	77.8%	59.5%
2	Implement Remote Turn-on/Turn-off Functionality	\$ 1,592	\$ -	\$ 1,592	24.7%	0.0%	20.1%
3	Improve Billing Activities	\$ 484	\$ 186	\$ 670	7.5%	12.5%	8.4%
4	Reduce Off-Cycle Meter Reading Labor Costs	\$ 372	\$ 57	\$ 429	5.8%	3.8%	5.4%
5	Asset Optimization	\$ 219	\$ -	\$ 219	3.4%	0.0%	2.8%
6	Reduce Expenses Related to Theft of Service	\$ 88	\$ 36	\$ 124	1.4%	2.4%	1.6%
7	Eliminate Hardware, Software, Maintenance and Operations Cost	\$ 75	\$ 30	\$ 105	1.2%	2.0%	1.3%
8	Reduce Volume of Customer Calls Related to Metering	\$ 29	\$ 12	\$ 41	0.4%	0.8%	0.5%
9	Reduced Complaint Handling	\$ 24	\$ 10	\$ 34	0.4%	0.7%	0.4%
10	Total	\$ 6,447	\$ 1,488	\$ 7,935	100.0%	100.0%	100.0%

Figure 4 (In \$ millions)³

7

8 **Q. Do you agree with the Company’s proposed ratemaking process regarding the**
 9 **timing of the proposed ratemaking process as related to the primary Gas AMI**
 10 **related milestone?**

11 **A.** No I do not. Company witness Ziminsky proposes that similar to the approved plan for
 12 phasing in the electric AMI regulatory asset in Docket 11-528 that upon demonstration
 13 that it is successfully reading at least 95% of the gas meters through the IMU’s that the
 14 Company will file with the Commission to establish in rates the recovery of rates of the
 15 regulatory asset balance giving the parties a 60 day period for discovery to verify the

³ Delmarva Direct testimony of Jay Ziminsky page 25 lines 13-22 & page 26 lines 3-5.

1 asset balance and achievement of the benefit. He proposes to amortize the regulatory
2 asset over a 15 year period without the necessity of being included in future base rate
3 filings.³

4 The Company has indicated that during the years of the IMU deployment (2010-12) that
5 2,663 customers have received 5,789 incorrect bills related to problems with the
6 deployment. Thus, the proposal for recovery is not fair to customers since the IMU's
7 have had numerous problems over the two and a half years of their deployment and have
8 not demonstrated any sustained reliability over a substantial period of time.

9 **Q. What is your proposal for the recovery of the AMI regulatory asset associated with**
10 **the deployment of the Gas IMU's?**

11 **A.** The recovery should be broken down over two phases. The first phase should occur after
12 95% of the IMU's have been installed at customer premises and are providing on average
13 99.8% accurate & timely readings to customers for six months. Timely and accurate bills
14 should be defined as bills not requiring any adjustments due to meter reading errors and
15 being issued within three days of their scheduled meter reading. The filing of the
16 recovery by the Company should take place by April 1, 2014 and the Commission staff or
17 other parties analysis should take place thereafter with the new rates effective with
18 approval June 1, 2014 and should be for 50% of the regulatory asset. This would allow
19 the Company until October 2013 to have the IMU's activated which is beyond the third
20 quarter target that they have projected for their activations. This would also allow for the
21 assessment of the performance of the IMU's to include the winter months when a larger
22 portion of gas flows through the meters and also a period of time when a large portion of

1 incorrect bills were produced when the IMU's were not recording consumption in the
2 winter of 2010/11. The second phase of the recovery for the remaining 50% should
3 follow the same path with the filing by the Company to take place on April 1, 2015,
4 analysis thereafter and upon approval new rates reflecting the remaining 50% of the asset
5 effective June 1, 2015. The second phase of recovery would require 99% deployment
6 and activation of the IMU's to Delmarva's gas customers and an accuracy and timely
7 requirement of 99.9% as defined above. The timeline for the second phase of the
8 analysis should be for the period of time between April, 2014 and March, 2015. Both of
9 these phases should follow the fifteen year amortization for purposes of rate recovery.

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

11 **A.** Yes it does.

Gary B. Cohen
 221 Hoyer Ct.
 Wilmington De. 19803
 302-529-7090
garybcohen@aol.com

Professional Experience

President, GBC Consulting	Consulting Services to the De. Public Service Commission	June 2010-
Present		

Providing consulting services to the Delaware Public Service Commission in the areas of the smart grid, advanced metering, dynamic pricing, revenue decoupling, and the customer education programs associated with these initiatives that are being implemented by Delmarva Power. I was a witness for the Delaware Public Service Commission in Delmarva Power's Electric Base Rate Case No. 11-528, and am currently a witness for the DPSC in Delmarva Power's Gas Base Rate Case No 12-546. The focus of my testimony is on the AMI deployment and associated benefits recovery requested by Delmarva Power.

President, GBC Consulting	Z, Inc.	Consulting Services to June 2012
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Provided consulting services to Z, Inc. a Corporation that provides consulting services to Federal Government Agencies. My role was to assist Z, Inc in analyzing survey responses for a Federal Energy Regulatory Commission report received from utilities and independent system operators related to demand response and advanced metering questions.

Consultant	ZeroChaos for Pepco Holdings Inc/ Delmarva Power	2009- June 2010
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Providing consulting services for three areas at Delmarva Power; Regulatory Affairs, Governmental Affairs and Blueprint for the Future project. Major focus is on Advance Metering Infrastructure deployment and implementation as well as the decoupling and dynamic pricing initiatives.

Manager Regulatory Affairs & External Issues	PHI/Delmarva Power	2005-2009(retired)
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Responsible for regulatory filings and case management in Delaware and Virginia, provided testimony and served as expert witness in those jurisdictions. In addition position required building and maintaining positive relationships with the regulators, public advocates, public officials and their staffs. The duties were expanded to handle escalated customer issues throughout the Company's Delaware, Maryland, Virginia, New Jersey and District of Columbia service territory.

Special Projects Manager 2005	Delmarva Power/Conectiv	2001-
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Regulatory lead on all major special projects, including low income, outage management, enhanced security and customer service initiatives. Responsibilities included representing the Company on working groups in Delaware, Maryland, Virginia and New Jersey on billing, metering

and low income issues. In addition, testified before legislative committees in Delaware, Maryland and New Jersey relating to issues regarding Rising Energy Prices, Low Income programs and various Customer Service issues.

Revenue Management Director Delmarva Power/Conectiv 1998-2001

Responsible for all energy and non-energy billing as well as credit and collection activities throughout the Delmarva Power (Delaware, Maryland and Virginia), and Atlantic City Electric (New Jersey) service territories. As Department Head responsible for staff of approximately 100 management and bargaining unit employees this position was also responsible for all budget, financial and performance targets.

Manager Billing & Collections Delmarva Power 1995-1998

Responsible for all energy billing and credit and collections activities throughout Delmarva Power's service territory in Delaware, Maryland and Virginia. This position was responsible for a staff of approximately 60 management and bargaining unit employees. This position was responsible for the timely and accurate energy billing and maintaining a low level of delinquent accounts receivable. Delmarva Power was considered an industry leader in these categories during this period as measured by several benchmarking entities.

Manager Call Center Delmarva Power 1990- 1995

This position was responsible for the management of all Call Center activities in the Company's Northern Division. This included all inbound and outbound phone calls related to new service, turn on/off, billing, credit and collection, outage and miscellaneous activities. This position was responsible for a staff of approximately 50 management and bargaining unit employees. The position was also responsible for all budget and goal setting activities. During this time period the Call Center was considered a leader in the industry by benchmarking measures and was regularly visited by other utilities for learning opportunities

Manager Wilmington Office Delmarva Power 1986-1990

This position was responsible for all the customer service activities associated with the Company's largest business office. The responsibilities including the management of a staff of 15 management and bargaining unit employees who handled all walk-in customer activity. In addition this office was responsible for cashier related activities associated with the processing of energy payments. During this period the office also developed consecutive estimation and no read programs as well as maintaining various other programs.

PSP Internal Consultant Delmarva Power 1984-1986

This position was one of six in the Training and Organizational Development department that was responsible for the integration and training of a new Participative Skills Process management in the organization. Responsibilities included the training of management employees in effective leadership, Team meeting, and employee relationship building skills, as well as effective goal setting and positive reinforcement techniques.

Senior Accountant Delmarva Power 1981-1984

This position was responsible for the all the journal entry and reconciliation process associated with the corporate customer accounting general ledger accounts. This position managed a staff of 8 employees who were responsible for maintaining the records for various transactions that impacted these accounts.

Accounting and Information Technology Delmarva Power 1973-1981

Served in a variety of positions in the Company's General Accounting and Information Technology Departments. These areas included Payroll, Bookkeeping, and Computer Operations.

Education

Widener University	Various Continuing Education Courses	1983-84
Brandywine College	Degree in Business Management	1977-78 1970-71

Community and Civic Experience

President	Springer Woods Maintenance Corporation	2011- Present
Vice President	Springer Woods Maintenance Corporation	2009- 2011
Vice President	Summerset Civic Association	2003- Present
Director	Kingswood Community Center	1987-1995
President	President Pierson Farms Civic Association	1986-1990