1. **Q:** Please state your name and position.
   
   **A:** My name is Timothy J. White. I am Manager Policy Coordination in the Regulatory Affairs Department for Pepco Holdings Inc. My business address is 401 Eagle Run Road, P.O. Box 9239, Newark, Delaware, 19714. I am testifying on behalf of Delmarva Power & Light Company (Delmarva or the Company”).

2. **Q:** Please state your educational background and professional qualifications.
   
   **A:** I graduated from Rutgers University – Camden in 1979 with a Bachelor of Arts degree in accounting. I have served as a consultant and worked in accounting and finance since 1979 in the areas of financial analysis, forecasting, financial modeling, budgets, rate case preparation, lead/lag studies, and private and public accounting. My positions prior to joining PHI were Vice President AUS Consultants – Utility Services Group in Mt. Laurel, N.J. and Director of Finance of Shorelands Water Company in Hazlet, N.J. I joined PHI in 1998 and assumed my current position in November 2004.

3. **Q:** Have you previously presented testimony before a regulatory body?
   
   **A:** Yes, I have. I have previously presented testimony as a witness before the Delaware Public Service Commission (DPSC or the Commission) in several proceedings including the Company’s two most recent base rate proceedings, Docket Nos. 06-284 and 09-414/09-276T, as well as presenting testimony before
the Maryland Public Service Commission, the New Jersey Board of Public
Regulatory Commission (FERC).

4. **Q:** What is the purpose of your testimony in this proceeding?

   **A:** The purpose of my testimony is to discuss the method employed in
   preparing the lead/lag study to determine the cash working capital allowance the
   Company is recommending as an element of the revenue requirement. This
   testimony and accompanying exhibits were prepared by me or under my direct
   supervision. The source documents for my testimony are Company records,
   public documents, and my personal knowledge and expertise.

5. **Q:** Please discuss the reasons for the inclusion of cash working capital in rate
   base.

   **A:** Cash working capital is an amount that must be included in rate base to
   compensate investors for funds provided over and above the net utility plant for
   use on a day-to-day basis. The amount of cash working capital is intended to
   provide for the current requirements and not for any long-term capital
   requirements.

6. **Q:** What method of determining cash working capital would you recommend?

   **A:** The method of determining cash working capital generally depends upon
   the size, nature, and operation of the utility. For utilities not large enough to
   justify a detailed study, or when a detailed study would be impractical and costly,
   a formula approach may be used to develop cash working capital. For larger
   companies, such as Delmarva, a lead/lag study is commonly used. A lead/lag
study is generally recognized as the most accurate method of determining cash working capital because it is based on a detailed analysis of company specific data. Additionally, the lead/lag methodology was used to determine the Company’s cash working capital requirement in previous base rate cases before the Commission. The lead/lag methodology estimates the timing difference between when the Company renders service and payment is received from the customer (the “revenue lag”) versus when the Company incurs expenses required to render service and the payment of such expenses (the “expense lag”). The “net lag” (the difference between the revenue lag and expense lag) is multiplied by the daily operating expenses to produce the cash working capital requirement.

7. Q: Was a lead/lag study used by the Company to determine the cash working capital requirement in its current filing?
   A: Yes. The Delmarva Power Delaware Gas distribution cash working capital requirement is $13,133,273, as shown on Schedule TJW-1.

8. Q: Is it necessary to prepare a new lead/lag study for each and every rate case filing?
   A: No. When the time between rate case filings is short, it is my opinion that the study used in a previous filing is valid, subject to review and updating. A lead/lag study was prepared for Delmarva Power for use in a Maryland rate filing utilizing calendar 2005 data.

9. Q: Have you reviewed the lead/lag study filed in the previous Delmarva filing?
   A: Yes. I have reviewed all of the lags calculated in the lead/lag study filed in the Delmarva Maryland filing. Based upon my review, I have made several
revisions. I have revised the collection lag using 2009 accounts receivable data to more accurately reflect current customer payment activity. I have also revised the payment lags for the Maryland Franchise Tax and Maryland property Taxes to reflect current payment patterns.

10. **Q:** Have the factors developed in the lead/lag study been applied to the test year results of operations?

    **A:** Yes. The cash working capital lag factors were computed on historic data and applied to the test year results of operations.

11. **Q:** What period of time was used for preparing the lead/lag study?

    **A:** Other than the revisions previously explained, all transactions used in preparing the lead/lag study were from calendar 2005.

12. **Q:** Would you describe how the revenue lag was determined?

    **A:** Revenue lags represent the length of time the Company has extended credit for services rendered to its customers until the time payment is received from the customers for such services rendered. In developing the revenue lag, I first determined the service lag, which is the midpoint of the period during which the service is rendered. This procedure is followed throughout the test period and results in a service lag of 15.21 days for services billed monthly (365 days /12 /2) as can be observed in Schedule TJW 2. The next step is to develop the billing lag. The billing lag reflects the time between the meter reading date at the end of the service period until the time the bill is prepared and rendered. The result of this calculation produces an average billing lag of 1.46 days, as shown on Schedule TJW 2. I determined the collection lag by taking the accounts receivable balance
at the beginning of the study period, adding the daily customer billings, deducting daily customer payments, and adding or subtracting any miscellaneous accounts receivable adjustments to develop a daily accounts receivable balance outstanding for the twelve month period. Dividing the total customer payments for the study period into the sum of the daily accounts receivable balance produces the average time between the bill mailing date and the date of payment for all services billed. This calculation results in a collection lag of 43.41 days, as shown on Schedule TJW 2. This results in a total revenue lag of 60.08 days.

13. **Q:** Would you describe how the expense lags were determined?

   **A:** Expense lags occur when the Company has received credit for various items and services, which have been advanced to the Company by its creditors. It represents the length of time between the receipt of such services and payment for them by the Company.

14. **Q:** How were the categories of O&M Expense selected for the study?

   **A:** The most efficient method is to concentrate on the largest dollar expense items. The O&M expense categories were functionalized into their major components. The major expenses were reviewed such as purchased fuel, other production expenses, transmission and distribution expenses, taxes other than income taxes, income taxes, interest and other expenses.

15. **Q:** How are the lag days for these expenses calculated?

   **A:** I analyzed the invoices relative to each group of expenses to determine the service period and payment date for these expenses. The midpoint of the service period to the payment date results in the expense lag for each category of
expense. Except for the other expense category within O&M expenses, all of the
invoices or transactions for these expenses were examined individually because
they represent large elements of expense. For income taxes, I have used the
statutory payment schedules. The weighted average lag days for these categories
are shown on Schedule TJW-1.

16. **Q: Please explain the category of other expenses.**

A: The category of Other included all other operating expenses, which are
represented by a large volume of individual invoices. A representative random
sample was used to develop an expense lag for this category in order to minimize
time as well as cost. In all 326 invoices were reviewed. The invoices selected
were then used to compute the lag for the other expenses included in the weighted
average expense lag for O&M expenses as shown on Schedule TJW-1.

17. **Q: How is cash working capital then calculated?**

A: I reduced each expense lag by the revenue lag producing net lag days
for each expense. I multiplied the daily requirements by the net lags to arrive at
the cash working capital requirement.

18. **Q: Does this conclude your testimony?**

A: Yes.