PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Cost of Capital – Cost of Equity, Rate of Return and Related Issues

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Recommends a 10.25% ROE. HE believed he was presented with only two choices –10.25% or 9.35% Found DPL witness' studies more credible. Staff did not present a witness, DPA witness did not perform a multi-stage DCF, and presented fewer studies.	Supported 10.25%. Based on constant growth and multi-stage DCF, CAPM, and RP models. Changes to current and expected market conditions suggest an increase in ROE over the existing 9.75% which is reflected in the models used by DP&L's witness.	Staff relied on DPA's witness' ROE recommendation	Recommended 9.35% based on his DCF, CAPM and CE analyses, noting his recommended ROE was above mid-point of his DCF analyses and below mid-point of CE. He did not specifically rely on his CAPM results, although noting it should be considered a factor in determining the appropriate cost of equity for DP&L.	No position.
Decision: Recommends 10.25% ROE and an overall cost of capital of 7.53%				

Exceptions

	Delmarva	Staff	DPA	DEUG
	Supports HE position.	Commission primarily relies on DCF to determine ROE, DP&L's witness overstated actual ROE, he has never been exclusively relied on by any other Commission -- ever -- and to do so here would result in the highest ROE for any PHI operating Company.	Supports 9.35% ROE. HE erred in recommending 10.25% ROE for DP&L. (1) HE erroneously believed he was limited to the 2 data point ROEs that the witnesses recommended. (2) Other Commissions have rejected DP&L's witness' analyses and methodologies. (3) HE's conclusion the DP&L witness was more credible based on Staff's failure to present ROE witness should be rejected; (4) HE's reliance on DP&L's witness' multi-stage DCF model should be rejected because it was presented in rebuttal testimony and DPA/Staff witness had no	

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			opportunity to rebut it; (5) The HE apparently was persuaded by the number of cost of equity models that DP&L's witness used, which is an irrelevant consideration; (6) Commission should consider DP&L's witness' inconsistency in determining how much weight to give his testimony; (7) DP&L's DCF results are inflated because its witness only used earnings per share growth forecasts; (8) DP&L's witness ignored that the proxy companies were riskier than DP&L; (9) The HE misconstrued what DPA's ROE witness did with his CAPM results; (10) DP&L's witness' bond yield plus risk premium analysis is entitles to no weight; and (11) HE erred to the extent his recommendation includes allowances for flotation costs and DP&L's alleged small size.	
Commission Decision:				

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ISSUE: Rate Base --Average vs. Year-end rate base

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Accepted Staff's Recommendation to use Average rate base.	The use of year-end rate base as opposed to average rate base better reflects the assets and liabilities that would be serving customers during the rate effective period.	Average rate base better captures the relationship between earnings and expenses and the investment in plant that is actually used to provide service during the same period. The Company's change to the use of year-end rate base overstates the revenue deficiency by understating the income capacity of the plant investment made during the test period.	No Position.	No Position

Decision: Agreed with Staff recommendation to use average rate base

Exceptions

	Delmarva	Staff	DPA	DEUG
	Takes exception to the HE recommendation to reject the Company's use of year-end rate base and require it to use average rate base.			

Commission Decision:

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PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Rate Base --Reliability closings – Adjustment 26 – Post-test Period Reliability				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
Accepted the Company's Adjustment 26A but rejected 26B. The Commission has allowed post-test period adjustments for reliability investments in the past two litigated cases, nine months in Dkt. 09-414 over Staff and DPA's objections and four months in Dkt. 05-304 without objection from any party. Although outside the test period, the plant closings for which the Company seeks recovery are in-service, benefiting customers and are known and measurable. Unlike Adjustment 26A, 26B involves forecasted plant that was not in service at the close of the record. Recommends that Adjustment 26B be reviewed in Dkt. 13-152.	Both 26A and 26B should be allowed in rate base. 26A are those reliability plant additions that were placed in service between January 2013 and August 2013. 26B should also be allowed in rate base. Those rate base items although not complete at the time of the Company's rebuttal testimony will be placed in service by December 2013. The Commission has allowed post test period plant to be included in rate base in the past. Enhanced reliability investment is needed due to customer expectations and the increasing electronic nature of society. Storms are increasing both in number and size, which necessitates higher investment in plant and plant reliability.	Neither 26A, not 26B should be allowed in rate base. The Company has not shown a need for the investment. The Company's reliability metrics shows that it is exceeding the commission's requirement by over 50%. The adjustment is outside of the test year and test period and should not be allowed. If this adjustment is allowed there will be a mismatch between revenues and revenue requirement and there is no adjustment for lowered expenses gained by the installation of the new plant and DP&L's proposed rate base will be overstated because the appropriate reduction to existing rate base for accumulated depreciation has not been made. Also, the settlement in Dkt. 11-528 required that the Company work with Staff to establish metrics for the future recovery of reliability investments. Finally, that all of the post-test period 2013 plant investment should be the subject of the investigation in Dkt. 13-152.	Neither 26A nor 26B should be allowed in rate base. Customers have always expected reliable service. Delmarva has not adduced any evidence that its 2013 level of projected investment will improve or enhance reliability in Delaware. The ASCE reports do not support Adjustment 26. Reliability is important, but DP&L did not quantify the benefits to ratepayers. Comparison to other utilities' performance is not particularly useful for determining whether the post-test period plant should be included in rate base in this case. Delmarva's professional judgment is not at issue with respect to including post-test period plant in this case. Delmarva ignored adjustments that reduce rate base and increase revenues. Delmarva could have used a partially projected test period, but chose not to. The post-test period plant is not reasonably known and measurable. Delmarva performed no attrition analysis to support its claim for regulatory lag. The adjustment is outside of the test period, is not used and useful or entirely known and	No Position

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			measurable. The Company's projections of projects are historically much higher than actual and are not indicative of actual investment and should not be relied on. The Company has done no cost benefit analysis in determining what plant to install. (Reduces rate base by $66.794 million).	
Decision: Agreed with Adjustment 26A, not 26B				

Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**
	Takes exception to the HE recommendation to reject the inclusion of Adjustment 26 B in rate base.	For the reasons cited in its Opening Brief (cited above), Staff opposes the inclusion of Adjustment 26A in rate base at this time.	(1) The HE applied the wrong standard for determining whether plant should be included in rate base – it is whether the plant is used and useful, not waste, bad faith or abuse of discretion. (2) The circumstances of this case are different from the prior cases in which the Commission approved including post-test period plant in rate base. (3) The Commission's quality service regulations require DP&L to establish that its reliability improvements are cost-effective. (4) AMI was supposed to improve reliability. (6) The real driver of these investments is what the MD PSC did to Pepco in MD. (7) Customers have always expected reliable service. (8) DP&L produced no evidence that the Adj. 26 investments will	

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			improve or enhance reliability in DE. (9) DP&L customers already think service is reliable. (10) The ASCE reports do not support the Adj 26 plant additions. (11) Comparison to other utilities is not useful in this case. (12) The DPA is not challenging DP&L's professional judgment. (13) DP&L ignored adjustments that reduce rate base and increase revenues. (14) DP&L could have used a partially-projected test period, but did not. (15) There is no attrition analysis to support DP&L's claim of regulatory lag. (Reduces rate base by $66.794 million).	
Commission Decision:				

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PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Rate Base/Revenue Requirement – CWIP & AFUDC				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
.Commission precedent is to exclude CWIP from rate base. No new arguments presented here. Recommends Commission remove CWIP and reverse the earnings adjustment for AFUDC. If AFUDC accrual policies are insufficient to compensate shareholders during construction, DP&L can change its accrual policies. HE does not agree with DP&L alternative proposal to create a regulatory asset for the full amount of the AFUDC	Asserts CWIP is used and useful and suggests recording AFUDC on all CWIP and treat the difference between the actual accrued AFUDC and the full calculated AFUDC as a reg asset that would be treated in their next rate case as if it were actually accrued AFUDC and amortized over an assigned life and included in rate base as if it had been capitalized	Removing CWIP from rate base, is consistent with Commission's prior determinations that it is not actually used and useful. In removing CWIP from rate base, it is also necessary to remove the AFUDC balance that was credited to operating income during the test period. Operating income is thereby reduced by $965,309.	Rejects including CWIP in rate base. DP&L has not provided any new facts or arguments that would justify the Commission reversing its position on including CWIP in rate base. Also necessary to remove AFUDC balance credited to operating income during the test period. (Reduces rate base by $70.154 million and reduces operating income by $965,309).	No Position
Decision: Agreed with Staff and DPA that CWIP should not be included in rate base and that the AFUDC credit should be removed from operating income				

Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**
	Clear that it is seeking a change from Commission precedent. Seeking to exercise its discretion to include CWIP in rate base. CWIP is not for major projects but part of every day business.			
Commission Decision:				

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PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Rate Base – Cash Working Capital - CWC				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
Agreed that DP&L did not carry burden of proof on issue. However, not able to make a recommendation as between Staff's proposed reduction of $4,200,129 and DPA's $1,889,057. Not addressed to HE's satisfaction in the record..	Included $10,887,807 in rate base. DP&L used expense lags for payroll, O & M, and affiliated transactions. Lead time was 14.43 days.	Argued lead time is 35.2 days, not 14.43 since under Service Agreement with its affiliate, Delmarva is only billed once a month and settles on the 15th business day for the proceeding month. By assigning a 14.43-day expense lead to the Service Company's billings, the CWC is significantly over stated for 70% of its expenses. Thus, CWC should be reduced by $4,200,129.	Average service period of 15.2 days. Uses a combined billing and payment lead of 15 calendar days instead of business days. Calculate expense lead time as 30.21 days. Commission has not approved this specific ratemaking treatment; has been silent on the issue. Other Commissions have rejected similar adjustments for affiliate transactions. Ratepayers should get benefit of terms of agreement which provides for once-monthly payments to service company rather that twice-monthly payments. ($1,889,057 reduction to rate base).	No Position.
Decision: Agreed Delmarva's requested CWC not supported, but unable to make recommendation on appropriate CWC adjustment				

Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**
	Performed its lead/lag study as it has historically which has been accepted by Commission.	Believes its adjustment is correct. Difference between Staff and DPA is the use of business days vs. calendar days. Staff believes the use of business days is appropriate and the record is clear that its adjustment to CWC is correct.	Accepts HE's conclusion that Staff/DPA's argument should be accepted; is satisfied with the amount of Staff's adjustment. ($4.2 million reduction to rate base).	

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Commission Decision:

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ISSUE: Rate Base – Prepaid Pension Asset & OPEB Liability				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
HE unpersuaded that DP&L contributed less than 10% of the account balance, and the rest is related to market earnings. If DPA is correct, an evidentiary hearing would have to be conducted as to the nature of the funds contained in the pension fund. Should remain in rate base -- not enough evidence to support changing Commission precedent.	Adjustments are known and measurable. Company included both in rate base. The pension expense in cost of service has been reduced by the return on its prepaid pension asset, which the Company has properly funded.	No filed position – but joined with DPA in pointing out that to the extent that funds for the pre-paid pension asset were not supplied by shareholders, it should not be included in rate base. Burden on Company to prove otherwise – that shareholders supplied 100% of the funds.	Commission should not allow pre-paid pension assets and OPEB liability to be included in rate base as it has done in the past. The prepaid pension asset is not used and useful as is required for an asset to be included in rate base. Even if the asset was used and useful, DP&L did not meet burden of to establishing that stockholders were the source of the funds cr4eating the asset, rather than ratepayers or market gains. The Commission made the wrong decision in Docket No. 05-304. in including this asset in rate base. Including the asset in rate base inappropriately combines the accrual and cash funding methodologies. ($62.5 million reduction to rate base for removal of pension asset; $8.2 million increase in rate base for removal of OPEB liability).	No Position.
Decision: Agreed with Delmarva – should remain in rate base				
Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**

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		HE ignored law -- that the burden of proof is on DP&L to show all funds contributed by shareholders, not the DPA. No requirement that all state case law nationwide be provided to him. Circumstances have changed from 05-304. There, DP&L had a negative pension expense, which was the predicate for the rate base inclusion. Here there is no negative expense which reduces operating expenses	HE incorrectly placed burden of proof on DPA. The prepaid asset is not used and useful. DP&L did not meet burden of establishing that stockholders were the source of the funds creating the asset rather than ratepayers or market gains. The Commission made the wrong decision in Docket No. 05-304. in including this asset in rate base. Ratepayers are already paying for pension and OPEB expense Including the asset in rate base inappropriately combines the accrual and cash funding methodologies. There is no requirement that parties provide nationwide case law. HE's citation to MD/DC/NJ PSC decisions addressing this issue was incorrect; cases cited in Commission Order No. 8011 addressed different issue with respect to pension expense. ($62.5 million reduction to rate base for removal of pension asset; $8.2 million increase in rate base for removal of OPEB liability).	
Commission Decision:				

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ISSUE: Rate Base - Credit Facility Costs

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Commission held that these costs should be included in rate base in Dkt. 09-414. HE says expense is important to DP&L and beneficial to its ratepayers	Allows DP&L to borrow in the commercial paper market and is a primary source of short-term liquidity. Results in a $200,057 decrease in earnings and an increase to test period rate base of $520,111. Argues that if its credit facility is eliminated the long-term credit rating of the Company will be effected.	Credit Facility should be accounted for as an increase in the effective cost of short-term debt in the calculation of the AFDUC rate. By including the costs in the AFUDC calculation, DP&L is appropriately compensated for its credit facility costs consistent with the Uniform System of Accounts. Start–up costs incurred before the test period should not be included in current rates.	Credit facility costs should be eliminated from revenue requirement, but if Commission permits recovery, then DP&L's capital structure should be amended to reflect the inclusion of this source of short-term debt so that ratepayers obtain some benefit from including these costs in the revenue requirement. Alternatively, recognize credit facility costs as increase in effective cost of short-term debt in the AFUDC rate. ($520,111 reduction to rate base; $337,108 reduction to operating expense)	No Position.

Decision: Agreed with Delmarva

Exceptions

	Delmarva	Staff	DPA	DEUG
	Adjustment is consistent with ratemaking treatment and consistent with order in Dkt. 09-414.	Ratepayers are already paying for working capital which is in rate base and DP&L is asking them to fund its working capital needs as well as the credit facility. Ratepayers aren't getting the benefit of the lower cost financing in the capital structure while paying CWC at the overall weighted cost of capital --unfair.	Credit facility costs should be eliminated from revenue requirement, but if Commission permits recovery, then DP&L's capital structure should be amended to include this source of short-term debt so that ratepayers obtain some benefit from including these costs in the revenue requirement. If these funds are funding working capital, then why is there a separate cash working capital allowance in rate base? Alternatively, recognize credit facility costs as increase in effective cost of short-term debt	

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			in the AFUDC rate. ($520,111 reduction to rate base; $337,108 reduction to operating expense)	
Commission Decision:				

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ISSUE: IRP and RFP Deferrals				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
Recommends that DP&L be allowed to recover $57,474 of deferred initial IRP-related costs incurred beginning in August 2009, with rate base treatment of the unamortized balance for ten years. Regarding RPF (Blue Water Wind) related costs DP&L seeks to recover $28,764 through amortization over ten years and rate base treatment of the unamortized balance.	Consistent with Commission decision in Dkt. No. 04-919 for initial IRP costs incurred before July 2009. Consistent with statue setting up IRP and RFP process.	Staff did not file direct testimony on the issue, but joined the DPA in its brief in supporting the principle that without a specific order from the Commission allowing the deferral, such costs can not be included in future rates.	Applicable statute does not insure DP&L 100 % recovery of such costs, nor how they should be recovered. PSC Order No. 7003 states that such costs are to be included in next distribution case, which was 09-414. No deferral language in the prior Commission order. Consistent with the Commission determination in PSC Order No. 7003, RFP costs should be recovered through SOS rates, not distribution rates. No Commission order says that such costs can be deferred and can be recovered in successive cases.	No Position
Decision: Deferrals should be allowed for these items				
Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**
		See above –Staff supports principle that no costs can be deferred for future collection without a specific Commission allowing such a deferral. DP&L's subsequent actions (non-actions) limit whatever statutory rights they may have had initially.	Did not except to HE recommensation.	

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Commission Decision:

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ISSUE: Rate Base/Earnings --Medicare Subsidy Deferred Costs

Hearing Examiner	Delmarva	Staff	DPA	DEUG
HE rejected DP&L's request to recover costs associated with a change in the law regarding Medicare Part D, which became effective in March 2010. This adjustment increases test period earnings by $21,860 and decreases rate base by $54,560.	Recovery of this expense should be allowed because of a change in the law that made a subsidy not tax deductible, and was outside DP&L's direct control.	Staff did not file direct testimony on the issue, but joined the DPA in its brief in supporting the principle that without a specific order from the Commission allowing the deferral, such costs can not be included in future rates.	Allowing this 2010 expense to be recovered in rates in this proceeding constitutes retroactive ratemaking and should not be allowed. DP&L did not obtain Commission authority to defer this expense for later recovery. Disallowance will not have material effect on DP&L's financial position. ($54,560 reduction to rate base; $21,860 increase to test period earnings).	

Decision: Agreed with DPA that costs should not be included in rates

Exceptions

	Delmarva	Staff	DPA	DEUG

Commission Decision:

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ISSUE: Revenue Requirement – Salary and Wage increase adjustments beyond test period				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
Consistent with Commission precedent -- should award the Company these known adjustments involving wages and FICA. Permit modifications to test period data occasioned by reasonably known and measurable changes in O&M expenses	Requests that Wages are increased through Oct 2014 – 2 years passed end of test period 12/31/12. Argues they are known and measurable based on contractual requirements for union employees. Adjustment $1,782,036.	Wage increases that fall outside of test period will be picked up in next case –now that Company's policy is to file annual cases. Some of these increases are not known or measurable – or even negotiated yet. Increases should await next case.	Wage increases fall outside test period. Only annualization of the wage and salary increases that occurred during the test period. Facts of this case are different because DP&L has said that it will file annual rate cases, so these adjustments will be included in the revenue requirement in its next rate case. DP&L could have used partially-projected test period, which would have encompassed 2013 wage increases. ($952,678 increase to operating income).	No position.
Decision: Agreed with Delmarva				

Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**
	The recovery of the costs would ensure that the rates set by this Commission reflect conditions that will exist during the period the new rates are in effect and are known and measurable. DP&L agrees with HE findings	See above. Wage and salary increases for test period should be annualized –no other adjustments.	DPA recommendation not arbitrary; is based on ratemaking principle of matching test period expenses, rate base and revenues. DP&L made no adjustment to test period to recognize increased revenues. Commission should consider timing of the case; DP&L has made clear its intent to file annual rate cases, so Commission should not include post-test period adjustments in the revenue requirement in this case because they will be in the	

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			revenue requirement in its next case. ($952,678 increase to operating income).	
Commission Decision:				

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ISSUE: Revenue Requirement – Non-Executive Compensation (AIP Plan)

Hearing Examiner	Delmarva	Staff	DPA	DEUG
DP&L has not met its burden of satisfying the Commission's threshold requirement of proving the amount of non-executive compensation that is attributable to the achievement of safety, reliability or customer service goals.	Includes costs related to non-officer incentive compensation. $1,993,802. Claims it is critical for attracting and retaining competent talent	Reject the adjustment. Unfair for utility to charge ratepayers an additional return that is then distributed to employees as part of a plan to divide extraordinary profits is unfair to ratepayers. Both dockets 05-304 & 09-414 Commission excluded.	Commission should not include any non-executive incentive compensation costs in revenue requirement. DP&L proffered no new facts or arguments to support including 100% of non-executive incentive compensation in revenue requirement. Even if all safety/reliability/customer service goals are met, employees receive nothing under AIP unless financial triggers are met. DP&L did not always have a non-executive incentive plan, yet employees performed their jobs ably and dependably then. Commission's rationale that such plans extend time between rate cases no longer true in light of DP&L intent to file annual rate cases. Commission should consider costs in context of existing economic circumstances. ($1,993,802 increase to test period earnings).	No Position

Decision: HE recommends the Commission remain consistent with Docket Nos. 05-304 and 09-414 and remove the Delmarva's Non-Executive Incentive Compensation Plan from its COS

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Exceptions

	Delmarva	Staff	DPA	DEUG
	States that HE statement regarding the Commission precedent with last 2 cases is imprecise and results in an incorrect recommendation. The evidence shows the plan is not linked to corporate financial goals override other performance goals but benefits both DP&L and its customers		Commission should not include any non-executive incentive compensation costs in revenue requirement. DP&L proffered no new facts or arguments to support including 100% of non-executive incentive compensation in revenue requirement. Even if all safety/reliability/customer service goals are met, employees receive nothing under AIP unless financial triggers are met. DP&L did not always have a non-executive incentive plan, yet employees performed their jobs ably and dependably then. Commission's rationale that such plans extend time between rate cases no longer true in light of DP&L intent to file annual rate cases. Commission should consider costs in context of existing economic circumstances. ($1,993,802 increase to test period earnings).	

Commission Decision:

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PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Revenue Requirement – Relocation Expenses

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Agreed with the DPA that DP&L did not present any evidence as to why its 2012 test period relocation expenses were 4 to 5 times the amounts in years 2009-11. No evidence that the high level of relocation expense in 2012 likely to continue.	Includes $130,447 of relocation expenses and claims it is well supported by the record from Dkt. No. 05-304 and Dkt. No. 09-414 by using the test period expense level and there is no support for normalization because expenses can vary year to year.	No Position	Recommends normalization of the expenses over 3 years. DP&L did not meet burden of proving adjustment is reasonable. Normalization is proper when test period expenses are out of line with past experience and test period level isn't expected to be representative of future. 2012 expense level clearly out of line based on prior years. ($55,198 increase to test period income).	No Position

Decision: HE agreed with the DPA position

Exceptions

	Delmarva	Staff	DPA	DEUG
	States the company has met its burden of proof by including test period expenses allowed in previous proceedings before the Comm. The expenses are well accepted expenses of operating a regulated utility and are incurred in the ordinary course of business.		Recommends normalization of the expenses over 3 years. DP&L did not meet burden of proving adjustment is reasonable. Normalization is proper when test period expenses are out of line with past experience and test period level isn't expected to be representative of future. 2012 expense level clearly out of line based on prior years. ($55,198 increase to test period income).	

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Commission Decision:

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ISSUE: Revenue Requirement – Healthcare Benefits

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Based upon the recent decision in Dkt. No. 09-414, HE agrees with DP&L that the costs are reasonably known and measurable -- supported by industry data.	Increase test period expenses by 8% for medical and 5% for vision and dental based on "work" from their consultant.	Reject the adjustments because DP is self-insured and the adjustment is based on general trends in healthcare costs, not DP&L's actual results. It is in essence an estimate.	Reject adjustments. Lake Study is hearsay and sponsoring witness is not an expert in the health benefits field so cannot rely on it. Alternatively, Lake Study provides no data specific to DP&L, PHI or DE. Trends are not "reasonably known and measurable." DP&L has evidence of its own experience, which is generally lower than the trends. Adjustment is an inflation adjustment which PSC has history of rejecting. ($318,253 increase to test period earnings).	No Position

Decision: Agreed with Delmarva that the adjustment should be included in rates.

Exceptions

	Delmarva	Staff	DPA	DEUG
		The adjustment is not reasonably known and measurable. DP&L based it on estimates derived from a survey of companies in a different geographical area. It should be rejected.	HE erred in rejecting DPA's legal contentions that report is hearsay and witness is not an expert entitles to rely on report. Administrative rulings cannot rest solely on hearsay evidence and Lake hearsay report is only evidence supporting adjustment. No evidence to support DP&L adjustment, although there is evidence of DP&L's own	

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			experience, which was generally lower than the proposed adjustment. Alternatively, Lake Study provides no data specific to DP&L, PHI or DE. Trends are not "reasonably known and measurable." DP&L has evidence of its own experience, which is generally lower than the trends. Adjustment is an inflation adjustment which PSC has history of rejecting. ($318,253 increase to test period earnings).	
Commission Decision:				

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ISSUE: Revenue Requirement – SERP Benefits expenses

Hearing Examiner	Delmarva	Staff	DPA	DEUG
In Dkt. No. 09-414, the Commission allowed SERP expenses in the Company's COS.. The Commission felt these were true retirement benefits, necessary to attract and retain executive talent, and were not tied to achievement of financial goals.	Includes $1,101,782. Argues that these benefits are a way to circumvent the IRS salary caps found in defined benefit plans. Say they are consistent with Commission precedent. Help attract and retain qualified employees	Supports DPA's adjustment to remove this expense. Rate recovery should only be permitted if it has been established that the payment of the expenses provides benefits to ratepayers.	Remove SERP expense from revenue requirement. These are benefits above and beyond normal retirement benefits provided to all DP&L employees. Commission should consider expense in context of existing economic circumstances. SERP recipients are already receiving lavish compensation and perks. Other commissions have disallowed SERP expenses from revenue requirement. ($653,963 increase to test period earnings).	No Position

Decision: Agreed with Delmarva and recommends the Commission include SERP expenses

Exceptions

	Delmarva	Staff	DPA	DEUG
	DP&L agrees with HE to accept the expenses that these are necessary to attract and retain executive level talent	Commission should reject – DP&L showed no evidence that it provides any benefit to ratepayers. Like incentive compensation benefits (AIP), should not be included in operating expenses.	Remove SERP expense from revenue requirement. These are benefits above and beyond normal retirement benefits provided to all DP&L employees. Commission should consider expense in context of existing economic circumstances. SERP recipients are already receiving lavish compensation and perks. Other commissions have disallowed SERP expenses from revenue requirement. Requiring ratepayers to fund this	

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			expense for already-well compensated employees is not the signal the Commission should send. ($1,101,782 increase to test period earnings).	
Commission Decision:				

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ISSUE: Revenue Requirement– IRP Recurring Costs

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Rejects estimated IRP expense level as not reasonably known and measurable. Recommends a normalized amount of IRP expense be included in rates based on the three-year average of DP&L's actual expenses from 2010 through 2012	Proposes $1,745,000 over 2 years and included one year of $872,500. Proposes to normalize costs going forward. It claims the costs will not decline and DP will need the flexibility to address new important issues as they arise in order for the IRP to remain useful and relevant.	Costs have varied over the years. Suggests normalizing DP&L's actual IRP expenses over the last seven years which reduces the annual allowance for IRP preparation from $872,500 to $700,587. Since 2009 DP&L has over collected these costs. Reducing the amount collected in rates to more properly reflect actual cost incurrence is appropriate and fair.	IRP expense level should be normalized over the most recent three year period (2010-2012), which amounts to $425,615 expense allowance –not $872,500	No Position

Decision: Normalized Delmarva's IRP recurring costs to reflect most recent three year average

Exceptions

	Delmarva	Staff	DPA	DEUG
	Objects to HE's recommendation		No exception.	

Commission Decision:

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ISSUE: Revenue Requirement – Regulatory Expenses

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Agrees with the DP&L that it should be awarded the full adjustment because its regulatory expenses were $634,054 in the last case Dkt. 11-528 and it was settled; this case is being litigated which should result in additional fees and costs.	Include $53,316 of non-rate case regulatory costs and $632,600 of estimated costs for this case. The latter include $92,600 for its COC witness. It claims that the DPA has not offered any credible evidence that its expenses were made in bad faith and inefficient. Seeks to amortize the expenses over 3 years	Exclude estimated costs – not known and measurable. Proposes to use an average of the last several cases resulting in a $68,723 reduction in expenses. Adjustment is in agreement with DPA	Proposed a 3 year normalized regulatory expense level of $426,432. Commission has not addressed issue in previous cases and its silence cannot be construed as approval of proposed ratemaking treatment. Expense is excessive; notes that settled case cost more than fully-litigated cases. Notes that DP&L's ROE charged four times more than DPA ROE witness and approximately $40,000 than DP&L's ROE witness in 09-414. Amortization proposal should be rejected. ($40,791 increase in test period income).	No Position

Decision: Agreed with Delmarva

Exceptions

	Delmarva	Staff	DPA	DEUG
	Says that HE also recognizes that additional fees and costs DP&L has incurred in the litigation of this proceeding compared to the prior case that settled.	Better approach would be to normalize the Company's rate case expenses based on the average of the last three rate cases	HE erred in relying on DP&L's estimate. Commission has not previously addressed this issue. Expenses are excessive. DP&L's litigated cases actually cost less than settled case. DP&L's ROE witness only benefits stockholders so ratepayers shouldn't have to pay for him. Commission should make clear that it does not agree with Company's suggestion to authorize amortization of rate	

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			case expenses.	
Commission Decision:				

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ISSUE: Rate Base/Revenue Requirement – DP (Dynamic Pricing) Program

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Award actual costs through the end of the test period of $2,456,025 consistent with DPA position – using matching principle in Order No. 7420 matching and giving consideration to both costs and savings.	15 year amortization of previously deferred costs associated with this program; include O & M costs related to the program that are not already included in rates; include in their Revenue Requirement and amortization costs for related equipment costs.	Since full deployment of the DP Program did not occur before or during test period and creates a mismatch of test period results – since the costs are being recognized before the expected benefits are achieved. Recommends DP&L continues to defer all costs related to the program whci hinsures eventual recovery	Reject adjustment - inconsistent with PSC Order No.7420 – should be consistent with the matching principle. Limited to actual costs through the end of the test year. Additional costs deferred through 2013 should be evaluated once implementation of the program is complete	No Position

Decision: Agreed with DPA

Exceptions

	Delmarva	Staff	DPA	DEUG
	At a minimum the actual costs should be included in cost of service. DPA doesn't reflect the reclassification in Jan 2013 of certain costs from AMI regulatory asset to the DP&L regulatory asset. Should reject HE recommendation.		No exceptions.	

Commission Decision:

DRAFT

PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Rate Base/Revenue Requirement – DLC (Direct Load Control) Program

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Agrees with Staff and DPA – no actual costs were incurred through the end of the test period and the program is much less developed that the DP Program	Seeks recovery of a net $5,708,782 of costs to be amortized over 15 years with rate base treatment for the unamortized balance. Split adjustment into 2 parts – first was actual asset costs incurred through August 2013 and the 2nd adjustment relates to forecasted reg asset costs from Sept-Dec 2013. Program not yet implemented but already devices installed in customers' residences, receiving benefits	Full deployment of the Program did not occur before or during test period and creates a mismatch of test period results – Recommends DP&L continue to defer all costs for future recovery	Reject adjustment - inconsistent with Order No.7420 – should be consistent with the matching principle. No costs were actually incurred during the test period; therefore deferral should continue for future cost recovery	No Position

Decision: Agreed with Staff and DPA

Exceptions

	Delmarva	Staff	DPA	DEUG

Commission Decision:

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ISSUE: Revenue Requirement – AMI

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Uncontested but see Staff	Asserts AMI has been fully deployed to all DE customers and makes a series of adjustments to reflect in rates ongoing O&M expenses, associated savings, depreciation and amortization expenses	DP&L should defer the associated savings as a credit to the AMI Regulatory Asset account until the next rate base case where the savings can be factored into base rates.		No Position

Decision: Uncontested – Use Delmarva's uncontested adjustments #17, #18, #19

Exceptions

	Delmarva	Staff	DPA	DEUG
	Even when the AMI data is fully incorporated into the CCOSS that data will not be current as of 1 month prior to the filing date of the next rate case			

Commission Decision:

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PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Revenue Requirement – Corporate Governance

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Company has not met its burden of proof – HE could not determine on the record what the money was spent on since the expenses were not documented or segregated.	Claims these expenses relate to both the manner in which PHI and Delmarva are directed and controlled, as well as social responsibility expenses, which directly benefit customers. Also that they are normal and ordinary business expenses	No Position	DP&L has not borne its burden of proof for including these expenses in the revenue requirement.	No Position

Decision: Agreed with DPA –no recovery of expenses

Exceptions

	Delmarva	Staff	DPA	DEUG

Commission Decision:

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ISSUE: Revenue Requirement – Meals and Entertainment Expenses

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Lack of evidence produced by DP&L to support its request to include $298,182 of business expenses related to meals and entertainment. Accepts DPA recommendation that they not be included in operating expenses	DP&L includes in expenses that were not deductible on its income tax return. Says they are well supported and the expenses were incurred during the normal course of business. Included entertainment expenses and sporting event costs	No Position	If IRS deems that they are not appropriate expenses then the Commission should reach the same conclusion. Ratepayers should not be paying for entertainment of Delmarva of PHI – no support that these are business related	No Position

Decision: No Evidence to support these expenses

Exceptions

	Delmarva	Staff	DPA	DEUG
	States the inclusion of these expenses follows Delaware law and past ratemaking treatment.			

Commission Decision:

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ISSUE: Revenue Requirement – Membership Fees and Dues Expenses

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Agrees with Company in that it has excluded all lobbying costs from its EEI. Agrees with DPA that 20% should be deducted from the total because the remaining groups are not necessary for providing safe and reliable service.	DP&L includes $315,474 of expenses for organizations to which PHI and/or DP&L pays.	No Position	These organizations engage in lobbying activities such as public affairs, media relations and other advocacy initiatives, which are no necessary for safe and reliable service. Recommended that 20% be disallowed or $63,094 from the requested $315,474, which results in an adjustment of $252,380	No Position

Decision: Agreed Delmarva should be awarded the adjustments minus the DPA lobbying costs removed

Exceptions

	Delmarva	Staff	DPA	DEUG
	States the dues in its test period are net of reporting lobbying expenses and that inclusion of these expenses in cost of service follows DP&L practice and Commission acceptance of such expenses in last two cases			

Commission Decision:

DRAFT

ISSUE: Revenue Requirement – Wilmington Franchise Tax

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Uncontested adjustment	DP&L includes a 0.106% allowance for the tax in its revenue conversion factor. It proposed to collect the tax from all of its Delaware distribution customers, even though the tax only applies to customer's who live in WIlmington	Overcollecting the tax because all customers pay the tax not just residents of Wilmington and customers outside of the City are paying for municipal services they are not actually receiving.	No Position	No Position

Decision: Delmarva agrees with Staff position if Commission Orders it

Exceptions

	Delmarva	Staff	DPA	DEUG

Commission Decision:

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ISSUE: Revenue Requirement – Interest Synchronization

Hearing Examiner	Delmarva	Staff	DPA	DEUG
Uncontested adjustment	DP&L includes an adjustment in conjunction with the rate base for which they are asking rates to be based.	Recommends a lower rate base, the interest expense associated with Staff's rate base must be adjusted as well and synchronize with the debt portion of the overall return that Staff is recommending. This is a fallout from the rate base that is used to set rates. It is not a contested issue.	No Position	No Position

Decision: Agreed in concept the adjustment to be made in conjunction with the rate base allowed.

Exceptions

	Delmarva	Staff	DPA	DEUG

Commission Decision:

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PSC DOCKET NO. 13-115: DELMARVA POWER & LIGHT COMPANY
ELECTRIC DISTRIBUTION BASE RATE CASE ISSUES

ISSUE: Cost of Service – Demand Allocator for the Costs of the Underground and Overhead Distribution Facilities

Hearing Examiner	Delmarva	Staff	DPA	DEUG
HE recommends DP&L's position of same demand allocator for the costs of the underground and overhead distribution facilities..	DP&L uses the same demand allocator for the costs of the underground and overhead distribution facilities.	Staff position is that residential customers use overhead facilities more than underground and commercial customers use more underground facilities than overhead and therefore the demand allocator would be different.	No Position	No Position

Decision: Approved Delmarva's Position

Exceptions

	Delmarva	Staff	DPA	DEUG
		H.E. relied on evidence that was not in the record. DP&L provided information in its Reply Brief that was not record evidence.		

Commission Decision:

DRAFT

ISSUE: Cost of Service – Allocator for the Costs of Transformers

Hearing Examiner	Delmarva	Staff	DPA	DEUG
HE recommends DP&L's position of allocating the cost of its transformers.	DP&L allocates the cost of its transformers using a simple average, 50/50 split, of its single customer demand cost metric and class demand metric.	Staff position is that some of DP&L's transformers serve single customers and others serve multiple customers and there is no study that supports this 50/50 split.	No Position	No Position

Decision: Approved Delmarva's Position

Exceptions

	Delmarva	Staff	DPA	DEUG
		There was no evidence in the record to support DP&L position and therefore the HE erred in recommending this position.		

Commission Decision:

DRAFT

ISSUE: Cost of Service – Load Data and AMI

Hearing Examiner	Delmarva	Staff	DPA	DEUG
HE recommends that DP&Luse all available AMI data in its Cost of Service Study in its next rate case including current as of one month prior to the case's filing date..	DP&L uses 2011 load data for its Cost of Service.	Staff position is that DP&L's 2011 load data is not accurate since the case involves 2012 test year and test period. The Company should also rely on AMI data for its Cost of Service.	DPA Staff position is that DP&L's 2011 load data is not accurate since the case involves 2012 test year and test period. The Company should also rely on AMI data for its Cost of Service.	No Position

Decision: Recommends using all available AMI data in next case including data one month prior to the case's filing date.

Exceptions

	Delmarva	Staff	DPA	DEUG
	DP&L believes that a full year of AMI data is needed for the Cost of Service Study.	HE stated in his exceptions that Staff advocated using AMI data in this proceeding.		

Commission Decision:

DRAFT

ISSUE: Cost of Service – The Cost Allocation Approach Used				
Hearing Examiner	**Delmarva**	**Staff**	**DPA**	**DEUG**
HE recommends DP&L's cost Allocation approach because he states it was approved in previous Commission proceedings.	DP&L used the Cost Allocation Approach approved by the Commission in Dks. 05-403, 09-414 and 11-528.	Staff position is there are no orders in Dkts. 05-403, 09-414 that approve DP&L's cost allocation approach. The Commission approved a settlement agreement in Dkt 09-414 that included a provision for the parties to hold a workshop to address these Cost of Service issues. A workshop was held but not issues were resolved.	DPA position is there are no orders in Dkts. 05-403, 09-414 that approve DP&L's cost allocation approach. The Commission approved a settlement agreement in Dkt 09-414 that included a provision for the parties to hold a workshop to address these Cost of Service issues. A workshop was held but not issues were resolved..	The classification and allocation of certain distribution plant accounts should be modified to classify a portion of those accounts as customer-related, rather than as demand-related or energy-related. Delmarva's CCOSS fails to reflect a reasonable customer component for certain distribution investments that are unrelated to the customer's demand level or energy usage. DEUG submitted a revised CCOSS that takes into account actual cost causation, and that should be used to allocate distribution revenue and design rates.
Decision: Approved Delmarva's Position				
Exceptions				
	Delmarva	**Staff**	**DPA**	**DEUG**

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		HE erred. No Orders support DP&L's position.	HE erred. No Orders support DP&L's position.	The classification and allocation of certain distribution plant accounts should be modified to classify a portion of those accounts as customer-related, rather than as demand-related or energy-related. Delmarva's CCOSS fails to reflect a reasonable customer component for certain distribution investments that are unrelated to the customer's demand level or energy usage. DEUG submitted a revised CCOSS that takes into account actual cost causation, and that should be used to allocate distribution revenue and design rates.
Commission Decision:				

DRAFT

ISSUE: Rate Design – Gradualism and General Service Transmission Service

Hearing Examiner	Delmarva	Staff	DPA	DEUG
HE recommends that no gradualism be employed and does not agree with DEUG that the rate design for General Services Transmission customers is flawed.	DP&L distributes the revenue by moving each class rate of return toward or within a reasonable band of the overall system rate of return and allocate the remaining revenue to all classes equally based on their current distribution revenue as a percentage of total distribution revenue.	No Position	DPA wants the revenue increase for residential customers to be gradually increased by DP&L because the current case would increase residential customers' bills by 21% and residential heating customers' bills by 35%. Residential customer's bills would increase by $14 a month in the last 3 years if DP&L position approved.	Rate design for General Services Transmission customers is flawed. It fails to take into account the fact that these customers were offered a credit for power factor improvement that reduces costs and benefits the entire system and this design negates this credit and inflates the revenue burden.

Decision: Approved Delmarva rate design

Exceptions

	Delmarva	Staff	DPA	DEUG
			DPA wants the revenue increase for residential customers to be gradually increased by DP&L because the current case would increase residential customers' bills by 21% and residential heating customers' bills by 35%. Residential customer's bills would increase by $14 a month in the last 3 years if DP&L position approved.	Rate design for General Services Transmission customers is flawed. It fails to take into account the fact that these customers were offered a credit for power factor improvement that reduces costs and benefits the entire system and this design negates this credit and inflates the revenue burden.

Commission Decision:

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