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PUBLIC SERVICE COMMISSION

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May 1, 2014

TO: The Chair and Members of the Commission

FROM: Patricia Gannon, Public Utilities Analyst

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER &  
LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND  
MISCELLANEOUS TARIFF CHANGES (FILED March , 6 2014) PSC  
DOCKET NO. 11-528

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### Application

On March 6, 2014, Delmarva Power and Light Company made a compliance filing for the purposes of implementing certain rate changes in Docket No. 11-528 that will occur if approved by the Commission on June 1, 2014. The rate changes will result in a \$2,487,406 increase in distribution rates per year. The change represents the third of three phases related to recovery of the Automated Meter Infrastructure (AMI) regulatory asset approved by the Commission in Order No. 8265. For a typical residential customer using 1000 kWh per month, the bill will increase \$0.53 or .37% a month on the total bill.

In connection with its review of the Company's compliance filing, Staff performed a field audit on March 27, 2014 focused on the costs and benefits included in the AMI regulatory asset and the operational results required by Order No. 8265. The order permits the Company to recover "the remainder of the AMI asset will be put into rates on June 1, 2014" if the Company meets the following conditions:

- If by June 1, 2014 Delmarva has not implemented remote connect/ disconnect capability for failure to pay and other involuntary service terminations (theft of service, safety violations, etc.) for a period of *at least* 60 days, then it may not include in rates the value of that portion of the AMI regulatory asset in June 2014.

- If by June 1, 2014 Delmarva has not demonstrated success in Phase 2 of its dynamic pricing program for its residential customer base *at least* 60 days prior to June 1, 2014, then it may not include in rates the value of that portion of the AMI regulatory asset in June 2014.<sup>1</sup>”

## Staff Review

### Regulatory Asset Balance

The documentation in the Company’s filing includes work papers supporting the third phase–in of recovery of the AMI regulatory asset. The first phase of the recovery was approved by the Commission in Order No. 8265 on December 12, 2012 which permitted 20% of the regulatory asset to be included in rates. The second phase of the recovery which permitted 50% of the regulatory asset was approved by the Commission in Order No. 8377 on May 21, 2013. In this third and final request by the company, the application shows the remaining amount of the regulatory asset as of January 31, 2014 was \$17,801,972 and the revenue requirement to be put into rates effective June 1, 2014 as \$2,487,406. This amount will be amortized over 15 years resulting in a monthly increase of \$0.53 to the typical residential customer using 1000 kWh per month.

Staff’s review shows the documentation provided by the company supports the updated balance of the regulatory asset.

### Remote Connect and Disconnect and New Reconnect Charge

In December, 2012, Delmarva Power began utilizing the remote connect and disconnect functionality of AMI for customers requesting connection and/or disconnection of electric service. The Company demonstrated the ability to remotely turn customers on and off during the audit performed last year associated with Phase II AMI Regulatory Asset implementation for rates that were effective June 1, 2013 (*see*, Settlement provision a. ii, above). Delmarva Power began using the AMI remote connect and disconnect functionality in late November 2014 for customers disconnected for failure to pay. The initial phase consisted of using the technology for small groups of customers in order to validate the systems and processes in a production environment on a small, easily monitored scale.

Delmarva began ramping up the use of this function in January of 2014, starting with select accounts in the New Castle region. Specifically, 67 accounts were selected, as they were AMI activated and identified as past due. Of those, 64 disconnects were issued via the remote process and leveraged the AMI infrastructure. Three accounts were removed from the process because payment had been received. The success rate for remote orders was 100%, leading Delmarva to expand the use of the technology throughout the remaining service territory. Please see the table below which summarizes these results. The company is currently using the remote

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<sup>1</sup> Delaware PSC Order No. 8265, p. 28.

processes for all eligible AMI activated meters that are disconnected for a customer's failure to pay their bill. In February and March, 996 out of 1,005 meters were successfully disconnected/reconnected using the AMI technology. This represents a success rate of 99.10%. The Company has a process to investigate any failures and make improvements.

**January, 2014 Remote Credit Disconnect and Reconnect Figures:**

Functionality	*Orders Sent to the Field	Successfully Completed	% Success
Credit Disconnect	64	64	100%
Credit Reconnect	45	45	100%
<b>Totals</b>	<b>109</b>	<b>109</b>	<b>100%</b>

\* Some accounts were paid via an in person payment or the establishment of a payment plan with the company. As such, the accounts were removed from the list of accounts to be disconnected.

**February 2014 Remote Credit Disconnect and Reconnect Figures:**

Functionality	*Orders Sent to the Field	Successfully Completed	% Success
Credit Disconnect	203	202	99.51%
Credit Reconnect	134	132	98.51%
<b>Totals</b>	<b>337</b>	<b>334</b>	<b>99.11%</b>

**March 2014 Remote Credit Disconnect and Reconnect Figures:**

Functionality	*Orders Sent to the Field	Successfully Completed	% Success
Credit Disconnect	444	440	99.10%
Credit Reconnect	224	222	98.11%
<b>Totals</b>	<b>668</b>	<b>662</b>	<b>99.10%</b>

On June 20, 2012, Delmarva filed a proposal requesting that the Commission amend Regulation Docket No. 53 ("Regulations Governing Termination of Residential Electric or Natural Gas Service by Public Utilities for Non-Payment During Extreme Seasonal Temperature Conditions"). That petition proposed to amend the regulation that requires Delmarva to make a reasonable good faith attempt to make personal contact at the premises prior to termination. Delmarva's proposal is still being discussed with Staff and other parties, therefore, Delmarva continues to make a good faith attempt to make personal contact at the premises prior to termination. The termination now occurs remotely through AMI technology after efforts to make personal contact have been complied with.

In this filing, the Company has also proposed to update the reconnect charges as stated in Section B of Tariff Leaf No. 32 in the Company's Electric Service Tariff. In addition to the current reconnect charges in the tariff, the Company is proposing new reduced reconnect charges for customers who are disconnected and reconnected using the remote technology due to failure

to pay their bill. The Company proposed to reduce the charge from \$75.00 to \$45.00. This proposed lower charge represents the estimated cost to turn a customer off remotely and then subsequently turn a customer back on remotely, while still sending someone to make a good faith attempt to make personal contact at the premises. This change is included in Attachment C of this filing.

Staff has reviewed the documentation associated with the remote connect and disconnect functionality and found them to be in accordance with the requirements of the settlement. The Staff has also reviewed the calculation associated with the new \$45.00 reconnect charge and found it to be accurate.

### Dynamic Pricing

The Company implemented phase one of the dynamic pricing program, also called the peak energy savings program, from May through September 2012 for approximately 7000 residential customers. On October 22, 2012, the Company hosted a workshop which was attended by representatives from the DPA and Staff to discuss the summer 2012 program results and assess the program implementation. The Company presented information regarding customer education, customer participation, PJM market bid results, and customer research results. The Company reported that 6,371 customers were eligible for the July event and that 4,207 customers earned bill credits. For the September event, 6,343 customers were eligible and 3,547 earned bill credits.

The Company filed a report on December 19, 2012 documenting the information presented to Staff and the DPA in the October workshop. The report also included a section on lessons learned and improvements that the Company planned to make for the phase two rollout of the program to all residential customers in 2013.

In accordance with Order No. 8265 the Company launched phase two of the dynamic pricing program in the spring of 2013 by expanding the program to all residential Standard Offer Service customers except for Net Energy Metered customers and Time of Use customers. The Company incorporated the lessons learned from phase one by simplifying the program marketing material, shortening the period of time it took to notify customers, and improving the My Account web site.

Delmarva called two dynamic pricing events, one on July 17, 2013 and a second on September 11, 2013. Both events were called for the time period of 2 p.m. to 6 p.m. and both met the criteria established for calling events. Customers were notified of the events on the prior day via email, text messaging, and phone calls. Customers who reduced their load compared to their baseline received a bill credit the following month. The Company submitted a report following each event. For the July event, 159,053 customers participated and received an average rebate of \$5.38. In September, 134,387 customers participated and received an average rebate of \$5.42.

On December 11, 2013, the Company held another workshop to discuss the 2013 program. The Company, Staff, and Public Advocate discussed the events, criteria for events, and the Company's activity in the PJM RPM Capacity Market and Energy Market, including information on any market revenue received. Highlights of the 2013 customer education and

operational lessons learned included: (1) customers want simple and concise messaging on the program on energy saving tips and on how to increase their program credits (customer testimonials including credit amount, more program credit opportunities, etc.); and (2) PJM has been slow to post Locational Market Price (LMP) information which has somewhat delayed the day-ahead initiation of events. The Company also stated that it will complete its final phase of implementation by expanding the program to all small and medium commercial SOS customers in 2014.

The Company followed the program guidelines that had been discussed with the Commission Staff, kept Staff informed throughout the 2013 phase-in, filed the required reports, and held the required assessment workshop. Staff believes the Company has demonstrated the success of Phase Two of the dynamic pricing program in accordance with the requirements of the settlement.

### **Recommendation**

According to PSC Order No. 8265, Delmarva must implement "...remote connect/disconnect capability for failure to pay and other involuntary service terminations (theft of services, safety violations, etc.) for a period of at least 60 days"<sup>2</sup> prior to June 1, 2014 in order to qualify for recovery. In addition, Delmarva must implement "Phase 2 of its dynamic pricing program for its residential customer base at least 60 days prior to June 1, 2013."<sup>3</sup> Staff's review confirms that the Company has met this criteria.

In summary the total impact of the three phases of recovery of the regulatory asset for the Delaware Electric AMI program is as follows: \$43,247,802 total which consists of Phase I (\$8,237,934) Phase II (\$17,207,896) and Phase III (\$17,801,972). The revenue requirement associated with the Phases is: \$6,048,217 total which consists of Phase I (\$1,152,791) Phase II (\$2,408,020) and Phase III (\$2,487,406) amortized over a fifteen year period. The bill impact total is \$1.27 per month and consists of Phase I (\$0.24) Phase II (\$0.50) and Phase III (\$0.53) to the typical 1000 kWh residential customer.

Staff's review supports the revised tariffs as consistent with the Settlement Agreement and with Order No. 8265. Accordingly, Staff recommends that the Commission approve implementation of the Company's proposed rates for this final phase of AMI recovery as filed in the March 2014 compliance filing, with usage on or after June 1, 2014.

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<sup>2</sup> Delaware PSC Order No. 8265, p. 28

<sup>3</sup> Delaware PSC Order No. 8265, p. 28