

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR AN ANNUAL UPDATE IN THE GAS) PSC DOCKET NO. 13-348
ENVIRONMENTAL SURCHARGE RIDER RATE)
(FILED AUGUST 28, 2013))

ORDER NO. 8496

AND NOW, this 17th day of December, 2013, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, on August 28, 2013, Delmarva Power & Light Company ("Delmarva") filed the above-captioned application (the "Application") with the Commission seeking approval to increase the rate for its Environmental Surcharge Rider ("ESR") under the process approved in PSC Order No. 6401 (April 20, 2004) in Docket No. 04-53; and

WHEREAS, in its Application, Delmarva sought to increase its current ESR rate from a positive surcharge rate of \$0.00021 per ccf to a positive surcharge rate of \$0.00059 per ccf for all firm delivery service customers; and

WHEREAS, the Division of the Public Advocate ("DPA") exercised its statutory right of intervention on September 18, 2013; and

WHEREAS, by Order No. 8464 (September 26, 2013), the Commission permitted the proposed rate increase in the ESR rate from a positive surcharge of \$0.00021 per ccf to a positive surcharge rate of \$0.00059 per ccf to become effective for gas

usage on and after November 1, 2013, for all firm delivery service customers, with proration, subject to modification and refund after a public evidentiary hearing and final decision by the Commission; and

WHEREAS, by Order No. 8464 (September 26, 2013), the Commission also ordered that an evidentiary hearing regarding the Application would be conducted its regularly-scheduled meeting on Tuesday, November 21, 2013; and

WHEREAS, by that same order, the Commission ordered that interested persons or entities be afforded the opportunity to file, on or before October 17, 2013, written comments or objections to the proposed changes in the ESR rate and that the Commission would accept public comments on the Application immediately prior to the commencement of the evidentiary hearing on November 21, 2013; and

WHEREAS, Delmarva published notice of the filing of its Application and of the public evidentiary hearing in *The News Journal* newspaper on October 3 and 7, 2013, and the Staff of the Commission ("Staff") received no written comments in response to the publications of the notices; and

WHEREAS, due to scheduling issues, the parties agreed to postpone the evidentiary hearing for this matter and agreed that Delmarva would re-publish notice of the evidentiary hearing to be held on December 17, 2013; and

WHEREAS, Delmarva published notice of the rescheduled evidentiary hearing on November 23 and 30, 2013; and

WHEREAS, the Commission has conducted the duly-noticed public evidentiary hearing for this matter. At the evidentiary hearing, Delmarva, Staff, and the DPA presented to the Commission a proposed Settlement Agreement in which the parties agreed that Delmarva's Application should be approved. Witnesses for both Staff and the DPA testified that they reviewed the Application. In addition, Staff conducted an audit of the claimed expenses and shared their examination and findings with the DPA. Both Staff and the DPA concluded that the proposed Settlement Agreement will result in just and reasonable rates and is in the public interest because it will eliminate the legal costs and expenditure of time associated with filing additional testimony and preparing for a contested evidentiary hearing in a case where the only real issues are whether the costs were incurred and whether the proposed rate was calculated correctly; and

WHEREAS, Delmarva also presented a witness to testify that the proposed Settlement Agreement is in the public interest and will result in just and reasonable rates; and

WHEREAS, we admitted into evidence five exhibits which are listed in the attached Exhibit Log;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE
VOTE OF NO FEWER THAN THREE COMMISSIONERS:

1. Based on the evidence adduced at the evidentiary hearing, the Commission finds that the proposed Settlement Agreement, which was admitted into evidence and is attached to this Order as Attachment "A," will result in just and reasonable rates, is in the public interest, and is thus hereby **APPROVED**.

2. The Commission approves as final the proposed ESR rate of \$0.00059 per ccf for the Residential Gas Service, General Gas Sales Service and General Gas Firm Transportation Service rate classes and the proposed ESR rate of \$0.00591 per Mcf for the Medium Volume Gas Sales Service, Large Volume Gas Sales Service, Medium Volume Firm Transportation Service and Large Volume Firm Transportation Service rate classes, effective with service on and after November 1, 2013.

3. The Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary

Exhibit Log - PSC Docket 13-348

<u>Exhibit No.</u>	<u>Date of Admission</u>	<u>Sponsor</u>	<u>Description</u>
1	December 17, 2013	Staff	Affidavits of Publication of Public Notice
2	December 17, 2013	Delmarva	Application of Delmarva dated August 28, 2013
3	December 17, 2013	Delmarva	Direct Testimony of Susan A. Devito, Manager of Regulatory Compliance Pricing for PHI Service company, a subsidiary of PEPCO Holdings, Inc. (the parent company of Delmarva)
4	December 17, 2013	Delmarva	Direct Testimony of and David E. Langseder, Lead Environmental Engineer and Sr. Project Manager for Delmarva
5	December 17, 2013	Staff	Proposed Settlement Agreement

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR AN ANNUAL UPDATE IN THE GAS) PSC Docket No. 13-348
ENVIRONMENTAL SURCHARGE RIDER)
RATE (ESR) (FILED AUGUST 28, 2011))

PROPOSED SETTLEMENT

On this 6th day of December 2013, Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (“Staff”), and the Division of the Public Advocate (“DPA”) (individually a “Party” and together, the “Parties” or “Settling Parties”) hereby enter into this Proposed Settlement Agreement to settle all issues raised in this proceeding as follows.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On August 28, 2013, Delmarva filed an application (the “Application”) with the Delaware Public Service Commission (the “Commission”) for the annual update in its Gas Environmental Surcharge Rider Rate (“ESR”), effective on and after November 1, 2013, with proration, and with such revised factors to continue in effect until October 31, 2014. In its Application, Delmarva proposed to increase its current ESR rate as set forth in the Table in Paragraph 2 hereof based on \$1,123,465.39 in invoices paid during the applicable Environmental Cost Year (“ECY”) in remediation costs for the Wilmington Coal Gas South Site. These remediation costs were reduced by a Public Service Commission Assessment refund of \$614,687.41, thus reducing the amount of expenses to be paid by Delmarva’s gas customers to \$508,777.98.

2. Amortizing the current costs over five years, offset by the deferred tax benefit to customers, yields a recovery amount of \$463,810.18. The proposed increase in the ESR rate reflects the proper amortizable portion of the remediation expense balance

for the current period, the proper amortizable portion of the remediation expenses from prior periods, and the Public Service Commission Assessment, for a total of \$120,746.94.

The table below sets forth the proposed rate increase for each customer class.

Service Classification	Current 2012-13 ESR Rate	Proposed 2013-14 ESR Rate
Residential Gas Service General Gas Sales Service General Gas Firm Transportation Service	\$0.00021/ccf	\$0.00059/ccf
Medium Volume Gas Sales Service Large Volume Gas Sales Service Medium Volume Firm Transportation Service Large Volume Firm Transportation Service	\$0.00211/Mcf	\$0.00591/mcf

3. The proposed increase would result in an increase of approximately \$0.05 per month, or 0.1%, on the winter gas bill of the typical residential space heating customer using 120 ccf of natural gas during a winter month.

4. On September 26, 2013, in Order No. 8464, the Commission opened this docket and allowed the proposed ESR rates, reconciliation and true-ups to become effective on a temporary basis, with proration and subject to refund, effective with usage on and after November 1, 2013.

5. Pursuant to Order No. 8464, notice of the Application was published in *The News Journal* on October 3 and October 7, 2013, advising that an evidentiary hearing and public comment session would be held on Thursday, November 21, 2013, at 1:00 p.m. at the Commission's office located at 861 Silver Lake Boulevard, Suite 100, Dover, Delaware 19904. This date was subsequently changed to December 17, 2013, at 1:00 p.m. by mutual agreement of the parties.

6. The DPA filed its statutory notice of intervention on September 18, 2013. No other party intervened.

7. On August 14, 2013, prior to the filing of the Application, Delmarva provided Staff and the DPA with electronic copies of all invoices and backup information pertaining to the Wilmington Coal Gas South Site clean-up totaling \$1,123,465.39 for the current ECY. Upon receipt of the Application, Staff conducted an audit of the claimed ESR expenses and exchanged informal data requests with the Company. Staff shared its examination and findings with the DPA to enable the DPA to raise any issues it may have had.

8. As a result of Staff's audit and the DPA's review of the audit examination and findings, no issues were raised by the DPA. Staff raised the issue of the gross-up of contractor and/or subcontractor invoices; however, Staff will not pursue this issue in this particular docket. Thus, the parties agree that the Commission should approve Delmarva's Application as follows.

II. SETTLEMENT PROVISIONS

9. The Parties agree that the proposed ESR complies with Delmarva's natural gas tariff, results in just and reasonable rates and is in the public interest. Delmarva's revised tariff sheets, which set forth the proposed ESR rate for each customer class, are attached hereto and fully incorporated herein as "Attachment 1."

10. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Proposed Settlement other than as specified herein, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.

11. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

12. The Parties agree that this Proposed Settlement may be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

13. This Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all of its terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

14. The Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. Any final Commission order related to the enforcement or interpretation of this Proposed Settlement shall be appealable to the Superior Court of the State of Delaware, in addition to any other available remedy at law or in equity.

15. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order that prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Parties.

16. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Parties may assert (a) if the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or another governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding.

17. The provisions of this Proposed Settlement are not severable. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Parties agree in writing to waive the application of this provision. The Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

18. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

19. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the Party executing it (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

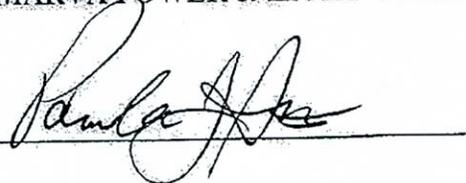
[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By:  Date: 12/5/2013

DELMARVA POWER & LIGHT COMPANY

By:  Date: 12/6/13

**THE DIVISION OF THE PUBLIC ADVOCATE OF THE STATE OF
DELAWARE**

By:  Date: 12-5-13

ATTACHMENT 1
REVISED TARIFF SHEETS

RATES AND CHARGES
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Residential Gas Sales Service ("RG")</u>		
Customer Charge	\$11.96	per month
Delivery Charge	\$0.52672	per CCF
Space Heating Delivery Charge 1/ Over 50 CCF	\$0.42267	per CCF
Environmental Surcharge Rider	\$0.0002 ⁰⁰⁰⁵⁹	per CCF
Gas Cost Rate (GCR)	\$0.68967	per CCF
<u>General Gas Sales Service ("GG")</u>		
Customer Charge	\$34.17	per month
Delivery Charge		
First 750 CCF	\$0.43756	per CCF
Over 750 CCF	\$0.32684	per CCF
Environmental Surcharge Rider	\$0.0002 ⁰⁰⁰⁵⁹	per CCF
Gas Cost Rate (GCR)	\$0.68967	per CCF
<u>Gas Lighting Sales Service ("GL")</u> (Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 7.41	per gas light
Gas Cost Rate (GCR)	\$10.35	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>		
Customer Charge	\$524.54	per month
Demand Charge	\$ 16.76	per MCF of Billing MDQ
Delivery Charge 2/	\$0.53771	per MCF
Environmental Surcharge Rider	\$0.002 ⁰⁰⁵⁹¹	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.6589	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	\$5.1051	per MCF
<u>Large Volume Gas Sales Service ("LVG")</u>		
Customer Charge	\$793.92	per month
Demand Charge	\$ 10.31	per MCF of Billing MDQ
Delivery Charge 2/	\$0.12935	per MCF
Environmental Surcharge Rider	\$0.002 ⁰⁰⁵⁹¹	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.6589	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	Varies	per MCF

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% Charged on all non-exempt services, in the City of Wilmington, including the GCR.

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating delivery rate for all gas used in excess of 50 ccf for the billing months of October through May, inclusive.

2/ All LVG and "Electing" MVG Customers pay a monthly Commodity Charge GCR based upon the system Weighted Average Commodity Cost of Gas ("System WACCOG"). "Non-Electing" MVG Customers pay the annual GCR Commodity Charge listed here.

Order Nos. 8397 & 8406

Filed: ~~July 5~~^{August 28}, 2013

Docket Nos. ~~12-419F & 12-546~~ Effective with Usage On and After ~~July 7, 2013~~ ^{November 1, 2012}

~~Filed in Compliance with Order No. 8397 in Docket No. 12-419F~~

~~to reflect Gas Cost Rate Approved as Final~~

~~(Originally Effective November 1, 2012) 2013~~

~~and Filed in Compliance with Order No. 8406 in Docket No. 12-546~~

Proposed

RATES AND CHARGES
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Large Volume Gas Sales Service-Qualified Fuel Cell Provider-Renewable Capable Power Production ("LVG-QFCP-RC")</u>		
Customer Charge	\$3,641.67	per month
Capital Recovery Charge	Varies	per Customer's Executed Service Agreement
Environmental Surcharge Rider	\$0.0024 ¹⁰⁰⁵⁹¹	per MCF
Gas Cost Rate (GCR) Commodity Charge 1/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% charged on all non-exempt services, in the City of Wilmington.

- 1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York price plus any premiums incurred by Delmarva to provide this service.

RATES AND CHARGES

CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation Service ("GVFT")</u>		
Customer Charge	\$378.21	per month
Delivery Charge		
First 750 CCF	\$0.43756	per CCF Redelivered
Over 750 CCF	\$0.32684	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.03348	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00024 ⁰⁰⁰⁵⁹	per CCF
<u>Medium Volume Firm Transportation Service ("MVFT")</u>		
Customer Charge	\$868.60	per month
Demand Charge	\$ 16.76	per MCF of Billing MDQ
Delivery Charge	\$ 0.53771	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3348	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.0024 ⁰⁰⁵⁹¹	per MCF
<u>Large Volume Firm Transportation Service ("LVFT")</u>		
Customer Charge	\$1,137.96	per month
Demand Charge	\$ 10.31	per MCF of Billing MDQ
Delivery Charge	\$ 0.12935	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3348	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.0024 ⁰⁰⁵⁹¹	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$11.6589	per MCF of Standby MDQ
Commodity Charge		Monthly System WACCOG per MCF (adjusted for losses and unaccounted for)

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2.00% Charged on all non-exempt Services, in the City of Wilmington, including the GC.

Order No. ~~8397 & 8406~~^{Nos.} Filed: ~~July-5~~^{August 28,} 2013
Docket No. ~~12-419F & 12-546~~^{Nos.} Effective with Usage On and After ~~July 7, 2013~~^{November 1, 2012}
Filed in Compliance with Order No. 8397 in Docket No. 12-419F
to reflect Gas Cost Rate Approved as Final
(Originally Effective November 1, 2012) 2013
and Filed in Compliance with Order No. 8406 in Docket No. 12-546
Proposed