



STATE OF DELAWARE

**THE PUBLIC SERVICE COMMISSION**

861 SILVER LAKE BLVD  
CANNON BUILDING, SUITE 100  
Dover, Delaware 19904

TELEPHONE: (302) 736-7529  
TELECOPIER: (302) 739-4849

August 18, 2015

TO: The Chair and Members of the Commission

FROM: John Farber, Public Utilities Analyst 

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR A CHANGE TO ITS TRANSMISSION SERVICE CHARGE FOR ITS ELECTRIC SUPPLY AND TRANSMISSION CUSTOMERS  
(FILED JULY 10, 2014) PSC DOCKET No. 15-1117

---

**Summary**

On July 10, 2015, Delmarva Power & Light Company (“DPL” or “Company”) filed its application to increase its Transmission Service Charge for both its Standard Offer Service (“SOS”) Fixed Price Service and SOS Hourly Priced Service from \$2.545253 per kW-month to \$2.973246 per kW-month (an increase of approximately 17%) and to amend Tariff Leaf Nos. 111 and 114 to reflect the increase (the “Application”). The Company requested that the revised Transmission Service Charge be effective with usage on and after September 8, 2015. The proposed Transmission Service Charge was based on the Company’s 2015 Annual Update to the Network Integration Transmission Service Rate for the Delmarva Transmission Service Zone (“Network Rate”) in an informational filing with the Federal Energy Regulatory Commission (“FERC”) based on 2014 FERC Form 1 data.<sup>1</sup> The formula rate for the informational filing was the result of a settlement agreement approved by FERC in Docket No. ER05-515.<sup>2</sup> According to DPL, the Application implements the procedure for establishing retail transmission rates set forth in Section II F of the Settlement Agreement approved in Order No. 6746 (October, 11, 2005) in PSC Docket No. 04-391. That settlement established a pass-through mechanism that permits DPL to establish transmission rates for retail customers that mirror the transmission rates that PJM Interconnection, L.L.C. (“PJM”) charges DPL under FERC requirements.<sup>3</sup>

Generally, a 17% increase in a rate charged to ratepayers would result in a Staff recommendation to suspend the proposed rate increase or approve the proposed rate on a temporary basis subject to Staff’s review of the filing. In this instance, however, the proposed Transmission Service Charge is based on the update to the Network Rate in compliance with Attachment H-3E, Formula Rate Implementation Protocols approved by FERC in Docket No. ER05-515 (“Protocols”), and as filed May 15, 2015, in FERC Docket No. ER09-1158. As discussed further below, subject to the discovery and challenge procedures specified in the Protocols, Staff recommends that the Commission

---

<sup>1</sup>FERC Docket No. ER09-1158, May 15, 2015. The FERC issued a Letter Order dated February 17, 2010, directing, among other things, the Company to file Annual Updates in the forthcoming years, for informational purposes only, in Docket No. ER09-1158.

<sup>2</sup> Order Approving Uncontested Settlement, issued April 19, 2006, FERC Docket No. ER05-515.

<sup>3</sup> Discussion with the Company confirms that customers (including residential and other non-demand rate classes) are billed for transmission service on the basis of kW demands determined from actual AMI meter readings.

approve as final the proposed tariff revisions pertaining to Transmission Service Charges for its SOS Fixed Price and Hourly Priced Service offerings.

### **Analysis**

A preliminary review of the informational filing at the FERC indicates that some portion of the increase is due to the settlement approved for recovery of the MAPP costs in FERC Docket No. ER13-607 (“MAPP Settlement”).<sup>4</sup> Pursuant to the MAPP Settlement, this 2015 Annual Update reflects the final amount to be recovered. As discussed further below, however, cost increases were observed in other categories as well. Issues concerning the appropriate costs to be recovered in the Network Rate will be pursued subject to the Protocols. As Staff described in previous reviews of the annual update to the Network Rate, information requests (discovery) and any subsequent challenge regarding the review of the costs included in the FERC-approved formula rate are subject to the Protocols.

Staff’s preliminary review of the formula rate determined that the Gross Revenue Requirement of the Network Rate underlying the Transmission Service Charge (before adjustments for Transmission Enhancement Charges and revenue credits) increased approximately 13.4%. The increase in the Network Rate is mainly attributable to a 3.6% decrease in the peak load (denominator) used to recover costs and the cost increase in the zonal revenue requirement (numerator). The main increases to the zonal revenue requirement are from a 17.18% increase in total transmission rate base, as well as increases in transmission operations and maintenance expenses of 8%. As discussed above, the zonal revenue requirement includes the final amount for abandonment costs for the Mid-Atlantic Power Pathway (“MAPP”) Project pursuant to the MAPP Settlement. The MAPP Project was cancelled by PJM on August 24, 2012. The settlement amount for the MAPP abandonment cost to be ultimately recovered is \$80.5 million, versus the filed amount of \$101.5 million, in three annual installments of \$26,833,333 (with a “catch up” adjustment of \$4,357, 272 due to the under recovery of the settlement amount in the previous 2013 annual update).

As a result of a previous Staff request, the Company’s application provided customer bill impacts of the proposed Transmission Service Charge in Attachment E. The average annual increase due to the proposed Transmission Service Charge ranged from .27% to 1.13% for the Residential customers and 1.04% to 1.21% for the Residential Heating customers.<sup>5</sup> The increase for the “typical” (1000 kWh) residential customer was approximately 1.06%. For the non-residential customers, the average annual increases ranged from 0.79% and 1.02% for the small and medium commercial service (respectively) to increases of .80% for the larger general service customers.

### **Staff Recommendation**

Given the challenge procedures provided in the formula rate Protocols as discussed above, Staff respectfully recommends that the Commission approve as final the proposed Transmission Service Charge and the proposed Tariff Leaf Nos. 111 and 114 pertaining to Transmission Service Charges for its SOS Fixed Price and Hourly Priced Service offerings as filed on July 10, 2015.<sup>6</sup> The effective date for the revised tariff leafs should be for usage on and after September 8, 2015, as requested by the Company.

---

<sup>4</sup> Order Approving Settlement (Issued February 28, 2014)

[http://elibrary.ferc.gov/idmws/file\\_list.asp?document\\_id=14190690](http://elibrary.ferc.gov/idmws/file_list.asp?document_id=14190690)

<sup>5</sup> Staff would note that the proposed Transmission Service Charge is approximately 7% of the “typical” residential customer’s total bill.

<sup>6</sup> Staff recommends that this docket remain open to allow Staff to account for the time devoted to the appropriate rate charge for transmission service while pursuing potential issues pursuant to the Protocols.