

**A REGULAR MEETING  
OF  
THE PUBLIC SERVICE COMMISSION**

1. A Regular Meeting was called to order by Chair Winslow in the Hearing Room, 861 Silver Lake Boulevard, Dover, Delaware, on Tuesday, August 18, 2015, at 10:00 a.m. with the following Commissioners in attendance: Joann Conaway, Harold Gray, Mike Karia, and Kim Drexler.

The following Staff members were in attendance: Brenda Mayrack, Deputy Attorney General, Julie “Jo” Donoghue, Deputy Attorney General, James McC. Geddes, Esquire, Robert Howatt, Matthew Hartigan, John Farber, Lisa Driggins, Malika Davis, Constance McDowell, Donna Nickerson and Leda Banning.

2. Commissioner Karia motioned to approve the meeting minutes from the August 4, 2015 meeting; seconded by Commissioner Drexler; the motion carried 4-0. Commissioner Gray not present at time of vote.
3. CONSENT AGENDA ITEMS:

A motion was made by Commissioner Conaway to adopt the following Consent Agenda items:

IN THE MATTER OF THE INQUIRY INTO VERIZON DELAWARE LLC’S (FORMERLY VERIZON DELAWARE, INC.) COMPLIANCE WITH THE CONDITIONS SET FORTH IN 46 U.S.C. §271 (FILED FEBRUARY 1, 2002) – PSC DOCKET NO. 02-001

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Commission to consider Staff Memorandum and proposed Order No. 8775.

COMPLIANCE FILING IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR THE APPROVAL OF QUALIFIED FUEL CELL PROVIDER PROJECT TARIFF (FILED JULY 31, 2015) – PSC DOCKET NO. 15-1161

Commission to consider Staff Memorandum and proposed Order No. 8774.

IN THE MATTER OF THE JOINT APPLICATION OF ODYSSEY ACQUISITION, LLC AND EXTENET SYSTEMS, INC. FOR APPROVAL OF THE TRANSFER OF INDIRECT CONTROL OF EXTENET SYSTEMS, INC. TO ODYSSEY ACQUISITION, LLC AND FOR EXTENET SYSTEMS, INC. TO PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS - (FILED AUGUST 6, 2015) – PSC DOCKET NO. 15-1261

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Commission to consider Staff Memorandum.

The motion was seconded by Commissioner Karia; the motion carried 4-0. Commissioner Gray was not present for vote.

4. REGULAR AGENDA ITEMS:

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN NATURAL GAS BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED DECEMBER 7, 2012) – PSC DOCKET NO. 12-546

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James McC. Geddes, Esquire, and Malika Davis appeared on behalf of Staff.

Regina Iorii, Esquire, Dave Bonar appeared on behalf of the Division of the Public Advocate.

Pamela Scott, Esquire appeared on behalf of Delmarva Power & Light Company.

A motion was made by Commissioner Conaway and seconded by Commissioner Drexler, to adopt Order No. 8776; motion carried unanimously.

A verbatim transcript was made of this proceeding.

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, 2015) – PSC DOCKET NO. 15-1117

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Regina Iorii, Esquire, and Dave Bonar appeared on behalf of the Division of the Public Advocate.

Brenda Mayrack, Esquire appeared on behalf of Staff.

Pamela Scott, Esquire, appeared on behalf of Delmarva Power & Light Company

A motion was made by Commissioner Drexler and seconded by Commissioner Gray, to adopt Order No. 8773; the motion carried unanimously.

A verbatim transcript was made of this proceeding.

IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC., FOR A REVISION OF RATES (FILED APRIL 11, 2014) – PSC DOCKET NO. 14-132

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Julie “Jo” Donoghue, Esquire, Brenda Mayrack, Esquire, James McC. Geddes, Esquire, Amy Woodward, Constance McDowell, and David E. Peterson appeared on behalf of Staff.

Regina Iorii, Esquire, Dave Bonar, Andrea Maucher, Glenn A. Watkins and J. Randall Woolridge (via phone) appeared on behalf of the Division of the Public Advocate.

R. Judson Scaggs, Jr., Esquire, Karl G. Randall, Esquire, and David B. Spacht, CEO appeared on behalf of Artesian Water Company.

Todd A. Coomes, Esquire, appeared on behalf of Christiana Care Health Services.

A motion was made by Chair Winslow and seconded by Commissioner Conaway to approve a 9.75 percent ROE for Artesian Water Company, Inc.; the motion carried unanimously.

A verbatim transcript was made of this proceeding.

Chair Winslow announced that the following would be heard and then the Commission would consider the remaining issues in Docket No. 14-132.

## 5. DIRECTOR'S COMMENTS

John Farber briefed the Commission on status of the Artificial Island issues.

Mr. Farber reminded the Commission of the letter Staff sent to the PJM Board of Management expressing concerns with the Artificial Island issues. As a follow-up to that letter, Staff additionally sent a request to have discussions with the transmission owners who are under the PJM regime. They are responsible for making tariff changes that would address Staff's issues and the transmission owners agreed to have a discussion with the Public Service Commission.

The basis of that letter Staff identified the circumstances that they felt would justify a departure from the existing cost allocation requirements. Staff also made solutions to address the issue such as recognition that some of those costs should be allocated on a regional basis because the generation being accommodated provided a regional benefit.

The transmission owners could not support further discussions.

The Staff was hoping for two tracks, one with the transmission owners, and the other track being the regulatory track with the Federal Regulatory Energy Commission. Staff is left with a one-track option which is the regulatory filing with the Federal Energy Regulatory Commission, ("FERC"). In order for Staff to proceed on that track, they are currently developing a complaint filing under Federal Power Act Section 206 in which they have to establish what is occurring at PJM on their cost allocation regime is unjust and unreasonable. Staff is going to suggest some solutions or some outcomes that would result in just and reasonable rates. That is the requirement for the complaint.

The complaint needs to be filed next week in order to establish an effective date for the cost allocation of Artificial Island.

PJM has indicated that they have a requirement to file within 30 days of the Board's decision, which would make that filing either August 27<sup>th</sup> or August 28<sup>th</sup>. In PJM's filing they would seek approval from FERC to allocate the cost based on the tariff.

The intention is to file the complaint prior to that so that should FERC grant the Public Service Commission relief, Staff would have an effective date that's in place prior to the effective date that PJM is requesting that cost allocation be approved.

Staff has been in discussions with potential experts to help address the issues. However, given the timing, Staff is not sure they will be able to obtain somebody who can sufficiently address the issue.

Staff will frame the complaint based on the issues as they see them and hope that they can provide further depth as the proceeding goes on.

Sharon Segner, of LS Power, stated that LS Power is watching the situation on the cost allocation issues carefully and will weigh in as appropriate once the issue hits FERC

6. REGULAR AGENDA (CONT'D)

IN THE MATTER OF VERIZON DELAWARE LLC'S OBJECTION TO THE PRODUCTION OF CERTAIN DOCUMENTS IN RESPONSE TO A FREEDOM OF INFORMATION ACT REQUEST, FILED JUNE 9, 2015 AND AMENDED JUNE 25, 2015, BY THE COMMUNICATIONS WORKERS OF AMERICA, AFL-CIO (FILED JULY 13, 2015)

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Brenda Mayrack, Esquire, appeared on behalf of the Public Service Commission.

Bonnie Metz, Esquire, and Shari Smith appeared on behalf of Verizon Delaware LLC.

A motion was made by Commissioner Conaway and seconded by Commissioner Karia, to approve the release of the documents agreed upon and to keep confidential those agreed upon by Ms. Mayrack and Ms. Metz as part of the settlement process; the motion carried unanimously.

A verbatim transcript was made of this proceeding.

IN THE MATTER OF THE NOTICE OF POTENTIAL VIOLATIONS OF 26 DEL. ADMIN. C. §8001 AND ASSOCIATED CIVIL PENALTIES ASSESSED TO LEA BLVD. 2007, LLC (OPENED APRIL 27, 2015) – PSC DOCKET NO. 15-0955

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Julie “Jo” Donoghue, Esquire, and Jerry Platt appeared on behalf of the Public Service Commission.

A motion was made by Commissioner Conaway and seconded by Commissioner Gray, to adopt Order No. 8769; motion carried unanimously.

IN THE MATTER OF THE NOTICE OF POTENTIAL VIOLATION FILED AGAINST BRANDYWINE HILLS APARTMENTS, LLC (FILED JUNE 26, 2015) – PSC DOCKET NO. 15-1069

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Julie “Jo” Donoghue, Esquire, and Jerry Platt appeared on behalf of the Public Service Commission.

A motion was made by Commissioner Gray and seconded by Commissioner Drexler, to adopt Order No. 8777; motion carried unanimously.

IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC., FOR A REVISION OF RATES (FILED APRIL 11, 2014) – PSC DOCKET NO. 14-132

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Julie “Jo” Donoghue, Esquire, Brenda Mayrack, Esquire, James McC. Geddes, Esquire, Amy Woodward, Constance McDowell, and David E. Peterson appeared on behalf of Staff.

Regina Iorii, Esquire, Dave Bonar, Andrea Maucher, Glenn A. Watkins and J. Randall Woolridge (via phone) appeared on behalf of the Division of the Public Advocate.

R. Judson Scaggs, Jr., Esquire, Karl G. Randall, Esquire, and David B. Spacht, CEO appeared on behalf of Artesian Water Company.

Todd A. Coomes, Esquire, appeared on behalf of Christiana Care Health Services.

A motion was made by Commissioner Conaway and seconded by Commissioner Karia, to adopt the company's position as modified in rebuttal with regard to cash working capital; motion carried unanimously.

A motion was made by Commissioner Gray and seconded by Commissioner Conaway, to approve the Hearing Examiner's recommendation in regards to normalization of revenue projection program; motion carried unanimously.

A motion was made by Chair Winslow and seconded by Commissioner Gray, to approve the Findings and Recommendations of the Hearing Examiner in regards to Company's Incentive Comp, bonuses and stock options except the \$800 holiday bonus with the exception of approving a merit wage increase of \$583,975, and the comp study, which the Hearing Examiner did not admit, would be admitted into the record and costs would be allowed; motion carried unanimously.

A motion was made by Commissioner Gray and seconded by Chair Winslow, to adopt the Hearing Examiner's recommendation as modified to be normalized over a 30 month period in regards to rate case expense; motion carried unanimously.

A motion was made by Commissioner Conaway and seconded by Commissioner Drexler, to adopt the Hearing Examiner's recommendation to allow recovery of \$20,723 for the Susquehanna River Basin Commission Surcharge ("SRBC"); motion carried unanimously.

A motion was made by Commissioner Gray and seconded by Commissioner Conaway, to adopt the Hearing Examiner's recommendation regarding charitable donations; motion carried unanimously.

A motion was made by Chair Winslow and seconded by Commissioner Drexler, to approve \$110,154 under social and professional dues; motion carried unanimously.

A motion was made by Commissioner Conaway and seconded by Commissioner Drexler, to approve the recommendations of the Hearing Examiner denying recovery of approximately \$800,000 of pre-test year expenses, but permit recovery of approximately \$800,000 of expenses incurred in test year and test period regarding Chester Water Authority legal expenses.; motion carried 4-1.

Chair Winslow announced that for the remaining issues Commissioner Karia would not be available due to other obligations.

A motion was made by Chair Winslow and seconded by Commissioner Drexler, to adopt Artesian Water Company's changes regarding seasonal reconnection charge-ready to serve charges which would allow rental properties that are vacant a period of more than 12 months Artesian would not back charge however long it took to rent the property; motion carried 4-0.

A motion was made by Chair Winslow and seconded by Commissioner Drexler, to allow Artesian Water Company to increase security deposits for rental properties; motion carried 3-1.

A motion was made by Chair Winslow and seconded by Commissioner Conaway, to adopt the Hearing Examiner's recommendation regarding cost of service and rate design with respect to pumping power cost and purchased water cost; motion carried 4-0.

A motion was made by Commissioner Drexler and seconded by Commissioner Conaway, to accept the recommendations of the Hearing Examiner to increase the monthly customer charge to \$14.51; motion carried 3-1.

A motion was made by Chair Winslow and seconded by Commissioner Conaway, to defer a decision until a later date regarding substitution of witnesses; motion carried 4-0.

An omnibus motion was made by Chair Winslow and seconded by Commissioner Drexler, to approve uncontested issues in the Hearing Examiner's findings; motion carried 4-0.

Mr. Geddes proposed a minute order for this case be presented to the Commission at its upcoming September 8<sup>th</sup> Commission meeting with more in-depth findings, the opinion and order.

There was no further business and the meeting adjourned at 6:45 p.m.

Respectfully submitted,

/s/ Donna Nickerson

Secretary