



STATE OF DELAWARE

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February 5, 2016

To: The Chair and Members of the Commission

From: Shona Marshall, Public Utilities Analyst 
Toni Loper, Public Utilities Analyst 

Subject: IN THE MATTER OF THE PROVISION OF STANDARD OFFER SUPPLY
TO RETAIL CONSUMERS IN THE SERVICE TERRITORY OF DELMARVA
POWER & LIGHT COMPANY (FILED APRIL 1, 2015) – PSC Docket No. 15-
0889

Application:

On April 1, 2015, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Commission revised electric tariffs reflecting new Standard Offer Service ("SOS") rates, its new Procurement Cost Adjustment (the "PCA"),¹ and its Reasonable Allowance for Retail Margin ("RARM"),² with an effective date of June 1, 2015, (the "2015 SOS-PCA-RARM Filing"). Delmarva also provided supporting work papers. According to the Company's calculations, not including the Qualified Fuel Cell Provider Project ("Bloom") or the Renewable Portfolio Standard Charge ("RPS Charge"), the monthly bill for a residential customer using 1,000 kWh on an annual average basis will decrease by approximately \$2.48 (or a decrease of 1.7%).

¹ The PCA is a component of the "Full Requirements Cost" portion of both "fixed" and "hourly" priced SOS rates. It is designed to collect, or return, over the subsequent rate year any past period differences between the amounts billed to customers for fixed-price SOS (FP-SOS) and Hourly Priced services (HPS) and the amounts Delmarva actually paid to wholesale suppliers and PJM Interconnection to provide such full requirements for FP-SOS and HPS. The PCA is calculated by customer class, and any differences are also subject to an interest charge.

² When the Commission approved the settlement agreement in PSC Docket No. 04-391, the "Electric Utility Restructuring Act of 1999" directed Delmarva to include in its SOS rates a "reasonable allowance for retail margin to be determined by the Commission." See 26 *Del. C.* §1006(a) (2) (c), prior to 2006 amendments. With the "Electric Utility Supply Act of 2006" (i.e., House Bill No. 6), the General Assembly rewrote §1006 and, among other things, deleted the reference to "reasonable allowance for retail margin ("RARM"). While there is no longer any specific statutory requirement for SOS to include an RARM, the new §1007(c)(1)(a) from the Supply Act of 2006 cites the SOS "procurement process approved in PSC Docket No. 04-391" as comprising a portion of the SOS resource mix, which process includes collection of the RARM at this time.

Additionally, the Settlement Agreement approved by the Commission in PSC Docket No. 09-9³ (“RARM Settlement”) provides that where the change in the total RARM rate exceeds +/- 5.25%, the Company is required to submit a formal filing for review. According to the Company’s filing, the RARM rate for fixed price customers decreased by 12.50% from the RARM rate currently in effect. Therefore, the Company considers the RARM component to be a formal filing, and the RARM factor will decrease. The Company provided workpapers supporting the results of the RARM factor on an actual basis for the reporting year ended December 31, 2014 and estimated basis for the prospective rate period.

The 2015 SOS-PCA-RARM Filing also includes recovery of certain franchise and State utility taxes that Delmarva is required to collect from customers and transfer to State and local taxing authorities. For a three-year period, beginning June 1, 2007, and ending May 31, 2010, DPL paid those taxes but failed to collect the amounts that it paid to taxing authorities in SOS rates (the “Uncollected Amounts”). According to the Settlement Agreement in Docket No. 11-528 dated August 28, 2012, the total amount to be collected over a three-SOS year period, beginning June 1, 2012, is \$3,346,205 (“\$3.4 million”). Thus, each year there will be a true-up for the Uncollected Amounts. The total Uncollected Amounts, however, will not exceed the \$3.4 million. To date the amount recovered is \$2,902,817. The Company will continue to collect the remaining balance of \$443,388 during the period for which this filing was prepared. The final true-up will be in the 2016 RARM Filing expected to be filed April 2016.

On May 5, 2015, the Commission issued Order No. 8731 which, among other things, placed the proposed rates into effect on June 1, 2015, on a temporary basis, with proration, subject to refund.

On November 24, 2015, the Company realized that it inadvertently had not published the public notice for this docket. The Company proposed an amended Order No. 8731⁴ (“Amended Order”) which the Commission approved on December 15, 2015. This Amended Order required Delmarva to publish the form of notice on January 5, 2016 and January 6, 2016 in The News Journal and the Delaware State News respectively and extended the intervention and written comment period to January 26, 2016. No comments were received in this docket.

Staff’s Review:

Staff performed a review of the application and additional supporting documentation provided by the company for accuracy and completion. Staff met with the Company in one workshop to review the 2015 SOS-PCA-RARM Filing and all related work papers and resolve any outstanding issues related to the filing. Staff reviewed all sections of the filing, and did not note any calculation errors, and found the filing to be consistent with prior orders.

³ See PSC Order No. 7703, issued December 22, 2009.

⁴ See Amended PSC Order No. 8731, issued December 15, 2015.

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Staff's Recommendation:

Staff respectfully recommends that the Commission approve as final the rates that went into effect on a temporary basis on June 1, 2015, with proration, for the period from June 1, 2015, to May 31, 2016.