



STATE OF DELAWARE

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February 29, 2016

MEMORANDUM

TO: The Chair and Members of the Commission

FROM: Pamela Knotts, Regulatory Policy Administrator *PK*

SUBJECT: THE MATTER OF THE PROVISION OF RENEWABLE ENERGY PORTFOLIO STANDARDS COMPLIANCE CHARGE AND CREDIT RATE TO RETAIL CONSUMERS IN THE SERVICE TERRITORY OF DELMARVA POWER & LIGHT COMPANY (FILED APRIL 1, 2015)
PSC DOCKET NO. 15-0890

Application

On April 1, 2015, Delmarva Power & Light Company (“Delmarva” or the “Company”) filed with the Commission revised electric tariffs reflecting new Renewable Energy Portfolio Standard Charge (“RPS Charge”) and Renewable Energy Portfolio Standard Credit (“RPS Credit”) with an effective date of June 1, 2015, (the “2015 RPS Filing”). Delmarva also provided supporting work papers. According to the Company’s rate change, the RPS Charge impact on the monthly bill for a residential customer using 1,000 kWh on an annual average basis will be increased by approximately \$0.50¹ (or an increase of approximately 14%).

The Company’s 2015 RPS Filing includes implementation of the RPS Charge.² This charge consists of (1) the cost to acquire renewable energy credits (“RECs”), solar renewable energy credits (“SRECs”), and their equivalents necessary to comply with the Delaware Renewable Energy Portfolio Standards Act (“RPS”); (2) the cost and/or benefit of the energy from contracts for renewable energy entered into by the Company with the approval of the Commission; and (3) the adjustment of the Qualified Fuel Cell Provider Project (Bloom) on the

¹ This does not include the Qualified Fuel Cell Provider Monthly Charge.

² This term is defined above in the first paragraph.

RPS obligations. The imputed RPS Charge is \$0.003948/kWh for all service classifications or an increase of 14% from the 2014 RPS Charge of \$0.003448.

The RPS Credit increased from \$0.004246 to a credit of \$0.005076. The RPS Credit is applied to customers who entered into an electric supply contract with a Third Party Supplier that includes the cost of RPS compliance prior to March 1, 2012. The credit in effect prevents such customers from incurring the cost of the RPS charge twice; once in the above Renewable charge, and a second time through the Third Party Supplier's Supply Service Charge which also includes this embedded rate.

Additionally in this filing Delmarva seeks to recover the solicitation and administrative costs for the 2014 SREC Procurement Program. Pursuant to Order No. 8450 dated September 10, 2013, the Commission approved the 2013 SREC Procurement Program, and stated, "Delmarva will be required to justify any SEU-related costs above what ratepayers would have paid had Delmarva managed the solicitation itself and had Delmarva not used the SEU as a contractual intermediary." Staff continues to use this as a benchmark for cost recovery.

On May 5, 2015, the Commission issued Order No. 8732 which, among other things, placed the proposed rates into effect on June 1, 2015, on a temporary basis, with proration, subject to refund. On or about November 24, 2015, Delmarva discovered it had inadvertently failed to publish the public notice in compliance with Order 8732 and on December 15, 2015 Delmarva amended Order 8732 and set new dates for the publication of public notice and a revised deadline for the filing of motions to intervene, comments or objections. The amended order allowed for the public comment period to end on January 26, 2016. Staff did not receive any public comments or objections in this docket.

Analysis

Staff met with the Company and the DPA in one workshop to discuss and resolve issues. Staff appreciated the detailed exchange of information which helped to alleviate rounds of formal discovery questions.

As part of the cost recovery for the RPS costs in the instant filing, Delmarva included the 2014 SREC Procurement Program auction and administrative costs charged by the SEU and its contract administrator ("Inclime") for the period January-December 2014.

As part of Staff's analysis, they compared what the SEU and Inclime, charged for the 2014 auction and the administration compared to what costs Delmarva would have incurred if it managed the auction and the administration of contracts itself. The estimate that Delmarva provided in their workpapers did not include any legal expenses that would be incurred to transition these functions and responsibilities to Delmarva, nor any other legal expenses that may arise in connection with the program during the respective time frame, or any incremental IT costs associated with bringing in-house Inclime's IT infrastructure and ongoing IT expenses to maintain and update the system. Delmarva stated that the IT expenses could be substantial. According to Delmarva's work papers, the cost would have been greater if Delmarva had conducted the auction

and managed the administration of contracts itself.

After a thorough examination, Staff concluded that these costs were not over and above what it would have cost Delmarva to administer the 2014 Program.

Staff also reviewed all the other sections of the filing, and did not note any calculation errors, and found the filing to be consistent with prior orders.

Staff's Recommendation

Staff respectfully recommends that the Commission approve as final the RPS charge rate and the RPS credit rate 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.