

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE PROVISION OF)
STANDARD OFFER SUPPLY TO RETAIL)
CONSUMERS IN THE SERVICE TERRITORY) PSC DOCKET NO. 16-0304
OF DELMARVA POWER & LIGHT COMPANY)
(SUBMITTED APRIL 1, 2016; FILED)
MAY 6, 2016))

ORDER NO. 8887

This 17th day of May, 2016, the Public Service Commission ("Commission") determines and orders the following:

WHEREAS, on April 1, 2016, Delmarva Power & Light Company ("Delmarva") submitted revised electric tariffs and requested approval of the 2016 Standard Offer Service ("SOS") Rates, Procurement Cost Adjustment ("PCA"), and Reasonable Allowance for a Retail Margin ("RARM") (collectively, the "2016 SOS-PCA-RARM Filing"). The 2016 SOS-PCA-RARM Filing included revised tariff leafs 39 to 41; 43 to 47; 50; 112; and 114. Additionally, Delmarva filed work-papers supporting the proposed tariff changes as well as the monthly bill impact information that showed a proposed decrease of approximately \$6.80 (or a decrease of 4.6%) for a typical residential customer using 1,000 kWh on an annual average basis; and

WHEREAS, as discussed further below, Staff has begun its review of the 2016 SOS-PCA-RARM Filing. At this time, pending further review of the 2016 SOS-PCA-RARM Filing, Staff recommends that the Commission approve Delmarva's proposed rate changes on a temporary basis, subject to refund with interest effective with usage on and after June 1, 2016, and with the appropriate public notice; and

WHEREAS, Staff notes that the 2016 SOS-PCA-RARM Filing 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, Delmarva paid those taxes on behalf of its customers but, due to mistaken application of the PCA, failed to collect the amounts that it paid to taxing authorities in SOS rates (the "Uncollected Amounts"). According to the Settlement Agreement which the Commission approved as part of Order No. 8265 (December 18, 2012) in PSC Docket No. 11-528, the total amount to be collected over a three-SOS year period, beginning June 1, 2012, is \$3,346,205 ("\$3.4 million"). Thus, the final true-up for the Uncollected Amounts will occur in 2015. The total Uncollected Amount, however, will not exceed \$3.4 million. Staff will review the Uncollected Amounts claimed by Delmarva as part of its overall review of the 2016 SOS-PCA-RARM Filing; and

WHEREAS, on December 22, 2009, via Order No. 7703, the Commission approved a Settlement Agreement in PSC Docket No. 09-9 ("RARM Settlement") that provides that where the change in the total RARM rate exceeds 5.25%, Delmarva is required to submit a formal filing for review. According to the 2016 SOS-PCA-RARM Filing, the RARM rate for fixed price customers increased by 12.79% from the RARM rate currently in effect. Therefore, Delmarva considers the RARM component to be a formal filing, and the RARM factor will increase. Delmarva included work-papers supporting the results of the RARM factor on an actual basis for the reporting year ending December 31, 2015, and on an

estimated basis for the rate effective period. The RARM component will be subject to formal discovery; and

WHEREAS, on October 7, 2008, pursuant to 26 Del. C. §1007(c)(1) and the Commission's jurisdiction in PSC Docket No. 04-391, the Commission issued Order No. 7461 which approved Delmarva's request to utilize in its annual SOS procurement process a reverse auction process conducted by World Energy Solutions Inc.; and

WHEREAS, on November 30, 2015, and February 1, 2016, Delmarva conducted its eleventh annual SOS procurement for supply contracts commencing on June 1, 2016. The procurement, which was conducted in two "tranches," secured three-year supply contracts for one-third of the residential SOS load and one-year contracts for 100% of the load for other "fixed price" types of service. Liberty Consulting Group, Inc. ("Liberty"), along with Staff, observed and evaluated the supply procurement in each tranche; and

WHEREAS, at the Commission's March 8, 2016 meeting, Liberty presented its final report dated March 8, 2016, which discussed the details of each procurement and the successful bids for the 2014-2015 SOS RFP. The 2015 SOS-PCA-RARM Filing reflects the results of the successful bids, as well as the PCA and RARM; and

WHEREAS, as discussed in its report, Liberty found that the auction resulted in bids that were consistent with expectations based on market conditions; and

WHEREAS, Staff recommends that the Commission approve the final report prepared by Liberty and presented to it on March 8, 2016, and that the revised rates and revised tariff provisions set forth in the

2016 SOS-PCA-RARM Filing be permitted to take effect on a temporary basis with usage on and after June 1, 2016; and

WHEREAS, because Delmarva failed to submit a required verification pursuant to 26 *Del. Admin. C.* §1001-1.7.2, the filing was not complete until Delmarva subsequently filed such required document on May 6, 2016;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. The "Technical Consultant's Final Report - To the Delaware Public Service Commission - Delmarva Power & Light [Company] 2014-15 Request for Proposals for Full Requirements Wholesale Electric Supply for Standard Offer Service" dated March 8, 2016, as prepared and given to the Commission by Liberty, is hereby accepted.

2. Pursuant to 26 *Del. C.* §306(a)(1), the Commission hereby approves on a temporary basis, subject to usage on and after June 1, 2016, the 2016 SOS-PCA-RARM Filing, including the revised rates and revised tariff sheets. Such rates shall be subject to refund, with interest, if the Commission determines in a final order that such rates are, in whole or in part, unjust or unreasonable.

3. Delmarva shall publish the form of notice attached as Exhibit "A" in the following newspapers, on the designated dates, in two-column format outlined in black:

June 1, 2016 - The News Journal; and

June 2, 2016 - Delaware State News

Delmarva shall cause the affidavits of publication of the above notices to be filed in this docket within two weeks of becoming available.

4. Interested persons may file petitions for intervention, written comments, or objections to the proposed rates and tariff changes **on or before July 29, 2016**. If material written comments or objections are filed, or if Staff recommends changes to the proposed rates or tariff revisions temporarily approved by this Order, the Commission will determine, by further Order, the course of any further proceedings. If material written comments or objections are not filed and Staff recommends final approval of the rates and revised tariff leafs, then the Commission may enter a final order at a duly-noticed public hearing.

5. Delmarva is hereby notified that it will be charged the costs of this proceeding under 26 *Del. C.* §114(b)(1).

6. 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

Commissioner

Commissioner

Commissioner

Commissioner

PSC Docket No. 16-0304, Order 8887 Cont'd

ATTEST:

Secretary

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**PUBLIC NOTICE OF CHANGES TO
FIXED PRICE STANDARD OFFER SERVICE RATES
AND PROCUREMENT COST ADJUSTMENT AND REASONABLE ALLOWANCE FOR
RETAIL MARGIN RATE FACTORS**

**TO: ALL CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY TAKING
STANDARD OFFER SUPPLY**

On April 1, 2016, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application requesting changes to its Electric Tariff related to its Standard Offer Supply ("SOS") service offerings including:

(a) Changes in the rates for "fixed" price SOS to reflect the bid prices from the recent "fixed price" SOS wholesale procurement process;

(b) Revision of the "Procurement Cost Adjustment" factors applicable to both fixed price SOS and hourly prices (SOS and returning customer) services; and

(c) Revision of the Reasonable Allowance for Retail Margin applicable to both fixed price SOS and Hourly Prices (SOS and returning customer) services.

According to the Company's calculations, not including the Qualified Fuel Cell Provider Project ("Bloom") or RPS Charge, the monthly bill for a residential customer using 1,000 kWh on an annual average basis will decrease by approximately \$6.80 (or a decrease of 4.6%).

On May 17, 2016, in PSC Order No. 8887, the Commission allowed the proposed rates and tariff changes to go into effect with usage on or after June 1, 2016, on a temporary basis, but subject to refund with interest if the Commission later determines in a final order that such rates and charges are incorrect, unjust, or unreasonable.

Interested persons may file written comments or objections to the proposed rates and tariff changes **on or before July 29, 2016**. If you wish to formally participate as a party in this matter, with the right to present evidence and be represented by counsel, you must file with the Commission a written petition asking for leave to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (26 Del. Admin. C. §1001-2.9) **on or before July 29, 2016**. All written comments, objections, or petitions for leave to intervene should be sent to the Commission's address:

Public Service Commission
861 Silver Lake Blvd.
Cannon Bldg., Suite 100
Dover, DE 19904

Attn: PSC Docket No. 16-0304

Petitions filed after the deadline of July 29, 2016, will not be considered except for good cause shown.

You are invited to review Delmarva's filing and supporting documents to determine how your interests may be affected. You may review documents posted on the Commission's website in the DelaFile E-filing system located at <https://delafile.delaware.gov/> using docket number 16-0304. If you would like to review documents at the Commission's offices, please contact Donna Nickerson at donna.nickerson@state.de.us to arrange a time for your review. You may also review copies of Delmarva's filing and supporting documents at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French Street, Wilmington, Delaware 19801, or 29 South State Street, Dover, Delaware 19901. Please call (302) 577-5077 (Wilmington) or (302) 241-2545 (Dover) to arrange for a time to review the documents at those locations.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. This form may be found at <http://smu.portal.delaware.gov/cgi-bin/mail.php?foia-request&subj=DOS>. There is also a link to the Freedom of Information Act Request Form on the Commission's website at http://delaware.gov/help/foia_request.shtml?subj=PSC. The Commission will respond to your request in accordance with the Delaware Freedom of Information Act, 29 Del. C. ch. 100.

If you have a disability and wish to participate or to review the materials in this matter, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by writing, by telephone (including text telephone), by Internet e-mail, or other means.

If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500 (voice and text telephone). You may also send questions regarding this matter by Internet e-mail addressed to pamela.knotts@state.de.us.