

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY TO)
REVISE THE UTILITY FACILITY)
RELOCATION CHARGE ("UFRC")) PSC DOCKET NO. 16-0672
TO RECOVER COSTS INCURRED IN)
CONNECTION WITH THE RELOCATION OF)
GAS UTILITY FACILITIES)
(FILED MAY 26, 2016))

ORDER NO. 8912

This 12th day of July, 2016, the Public Service Commission of Delaware (the "Commission") determines and orders the following:

WHEREAS, under the provisions of 26 *Del. C.* §315, a natural gas utility may calculate and collect a "Utility Facility Relocation Charge" ("UFRC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible utility facility relocations" ("eligible relocations") put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular gas utility's UFRC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible relocations put into service within the preceding six months (see 26 *Del. C.* §315(a)(1) and 26 *Del. Admin. C.* §1009, subject to certain restrictions; and

WHEREAS, on November 30, 2015, Delmarva Power & Light Company ("Delmarva") filed an application in PSC Docket No. 15-1601 to reset its UFRC Rate from 1.74% to 1.95%, which the

Commission approved, subject to annual review, audit, and reconciliation;¹ and

WHEREAS, on April 21, 2016, Staff began the Annual Reconciliation and Audit ("2016 Audit") with Delmarva to discuss and compile the documentation that Staff deemed necessary to complete the audit of the UFRC component and calculations for Docket No. 15-1601. The 2016 Audit for Docket No. 15-1601 has not yet concluded; and

WHEREAS, on May 17, 2016, Delmarva Power filed a gas base rate case which was docketed as PSC Docket No. 16-0650. The Commission approved Order No. 8899 on June 7, 2016 allowing Delmarva Power to put interim rates into effect on or after July 16, 2016; and

WHEREAS, on May 26, 2016, Delmarva filed a subsequent application (the "Application") in PSC Docket No. 16-0672 to reset its UFRC Rate from 1.88% to 2.13%, an increase of 0.25%.² The requested UFRC Rate increase of 0.25% is based on net utility plant additions of \$12,872.05, a semi-annual depreciation expense of \$258.01, and semi-annual projected distribution revenues of \$30,514,537; and

WHEREAS, the statutory language of UFRC Rates and Distribution System Improvement Charge ("DSIC") rates are similar, and the Commission regulations governing recovery of expenditures through the DSIC and the UFRC are the same; and

¹ See PSC Order No. 8837 (Dec 15, 2015).

² Delmarva Power in its application reduced its existing UFRC rate from 1.93% to 1.88% to correct an error made in its prior filing.

WHEREAS, the Commission has previously determined in its review of DISC rates, as they apply to water utilities, that the statute requires a water utility to reset its existing DSIC Rate to zero at the time its interim rates from the pending rate case are allowed to go into effect; and

WHEREAS, Staff has reviewed the Application to ensure compliance with the provisions of 26 *Del. C.* §315 and 26 *Del. Admin. C.* §1009, and has determined that the requested UFRC Rate of 2.13% can go into effect for the period July 1, 2016 through July 15, 2016, but that once the interim rates associated with the pending base rate case are implemented on July 16, 2016, the prior UFRC Rate of 1.88% must be reset to zero, as mandated by the statute and regulations, and only the prospective rate of 0.25% for projects placed into service January 1, 2016 through April 30, 2016 may be collected; and

WHEREAS, the Commission heard oral argument from counsel representing Delmarva, the Commission Staff and the Division of the Public Advocate ("DPA") at its regularly-scheduled meeting on June 28, 2016; and

WHEREAS, Staff's proposed rate 0.25% is consistent with prior Commission decisions involving DSIC rates and the statute and regulations applicable to UFRC rates;

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

1. Pursuant to 26 *Del. C.* §§314 and 315 and 26 *Del. Admin. C.* §1009, the Commission will allow Staff's proposed UFRC rate of 0.25% to become effective on July 16, 2016 once interim

rates associated with the pending base rate case are implemented, subject to audit (the "Audit") and our final approval.³

2. Pursuant to 26 *Del. C.* §§314 and 315 and 26 *Del. Admin. C.* §1009 and the findings above, the Commission will allow the rate of 2.13% to become effective for the period July 1, 2016 through July 15, 2016.

3. If the Commission later finds that the UFRC Rate does not comply, in whole or in part, with the statutory prerequisites or was improperly calculated, the Commission may revise the UFRC Rate and provide an appropriate remedy for any UFRC charges improperly collected. Delmarva is thus put on notice that it may be obligated to refund or reimburse its customers in such a situation.

4. Pursuant to 26 *Del. C.* §§314(b)(8) and 315(c), the Commission reserves jurisdiction and authority to conduct the Audit.

5. Pursuant to 26 *Del. C.* §§314(b)(1) and 315(c), Delmarva shall provide information to its customers concerning the UFRC Rate.

6. Delmarva is hereby notified that it will be assessed the costs incurred by Staff and the DPA in this proceeding pursuant to 26 *Del. C.* §114(b).

7. The Commission reserves the jurisdiction and authority to enter such further orders in this matter as may be deemed necessary or proper.

³ Consistent with our DSIC orders, we do not specifically approve this UFRC Rate, but rather will rely on the Audit to ensure compliance with all applicable laws and regulations.

BY ORDER OF THE COMMISSION:

Chair

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary