

**Proposed Forward Looking Rate Plan of
Delmarva Power & Light Company**

Docket No. _____

**Cover Letter
Direct Testimony and Schedules of
Moore, Zibinski, and Santacecilia**

Before the Delaware Public Service Commission

October 2, 2013



A PHH Company

Gary R. Stockbridge
President, Delmarva Power Region

Todd L. Goodman
Associate General Counsel

79NC59
PO Box 9239
Newark, DE 19714-9239

October 2, 2013

Alisa C. Bentley, Secretary
Delaware Public Service Commission
Cannon Building
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904

Bob Howatt, Executive Director
Delaware Public Service Commission
Cannon Building
861 Silver Lake Boulevard, Suite 100
Dover, DE 19904

Re: Policy Filing - Delmarva Power & Light Company's
Proposed Forward Looking Rate Plan

Dear Secretary Bentley and Mr. Howatt:

Enclosed for filing with the Commission is Delmarva Power & Light Company's (Delmarva or the Company) policy filing entitled: "Proposed Forward Looking Rate Plan of Delmarva Power & Light Company." The proposed Forward Looking Rate Plan (or "FLRP") arises out of the obligation of the parties as set forth in the Settlement of Delmarva's last electric base rate case (Docket No. 11-528), which was approved by the Commission in Order No. 8265 (the "11-528 Settlement"). The pertinent portion of the 11-528 Settlement provides that Delmarva, Commission Staff ("Staff") and the Division of the Public Advocate ("Public Advocate") agree "to meet and discuss several issues outside the confines of [a] rate proceeding in the hopes of resolving each of them." Those issues include:

- 1) the establishment of metrics to help customers understand how investment in Delmarva's plant in service benefits them in a quantifiable manner, and
- 2) alternative regulatory methodologies which would include, but not be limited to, multi-year rate plans.

Immediately following the 11-528 Settlement, Delmarva began working in earnest on the development of an alternative regulatory methodology that would accomplish both of the issues

addressed above. Delmarva, Staff, and the Public Advocate began meeting informally and discussing the general design concepts of a plan. These discussions spanned several months and included a number of potential components of the Forward Looking Rate Plan, including but not limited to: customer and Company impacts, potential terms and conditions, levels of spending for capital and operations and maintenance (or O&M) costs, and the development of more stringent minimum reliability performance standards. While the FLRP is a Delmarva proposal, it incorporates issues of importance to Staff and the Public Advocate, many of which were developed during these meetings.

The FLRP presents a change from the traditional rate making process used for many years. Unlike the traditional rate making process, where the Commission looks at a past "test year" in an effort to set rates that will reflect a utility's cost during a future rate effective period, the FLRP aligns rates with the costs actually being incurred to provide service. This alignment is achieved by estimating the amount that Delmarva will spend on capital and O&M for each of the future four years that FLRP rates will be in effect. Rates are established based upon the amount of spending determined to be appropriate for those four future years. As explained below, this change will provide significant benefits to customers, the Company, and the State. A number of events have led Delmarva to the conclusion that now is the time to consider the benefits of a multi-year or "forward looking" rate plan, including:

- Customer research has established that the primary issue of importance to Delmarva's customers, both business and residential, is the reliability of electric service;
- The increased frequency and severity of storms over the last decade; coupled with the damage to the regional grid and economic impact caused by these storms, has resulted in a national recognition of the critical need to make the system less vulnerable to weather-related outages and reduce the time it takes to restore power after an outage occurs.
- The digital/electronic requirements of individuals, business, government, communication systems, healthcare and emergency services have developed to the point where the level of reliability required is now greater than in the past. There has been broad recognition among respected independent professional organizations, federal and local government agencies, businesses, first responders and Homeland Security officials of the critical need to increase the reliability of the electric grid.
- The slow economy's impact on load growth, combined with increased capital investment in infrastructure driven by increased customer expectations and needs around reliability, have had the effect of increasing the frequency of distribution rate increase requests by the Company;

- Numerous stakeholders have expressed concerns over the frequency and cost of rate increase filings that ultimately get passed on to consumers and the ability of consumers to manage unpredictable rate increases in the current economy;
- In its currently pending base rate case, Delmarva testified that in order to address the reliability and system maintenance needs, Delmarva plans to invest \$397 million in capital into its system from 2013 through 2017. Staff filed a petition, which led to the opening of the Reliability Docket (Docket No. 13-152) regarding the Company's level of planned investments in reliability and the rate impact those investments may have upon Delmarva's customers.
- Staff has consistently expressed its concern that Delmarva's customers be able to understand the benefits they receive from increased investments in the reliability of the system.

The proposed FLRP is a multiyear rate plan carefully designed to address all of these issues. This filing will demonstrate that the proposed FLRP balances the needs and concerns of customers, the Company, the Commission and the State while achieving the following:

1. Providing Delmarva with the ability to develop a more reliable electric distribution system that meets the needs and expectations of Delmarva's customers and the State of Delaware.
2. Providing more stringent mandatory minimum reliability performance standards that are backed by bill credits to customers if the reliability standards are not met by Delmarva.
3. Providing known, reasonable and manageable distribution rates over a four year period, while reducing the regulatory costs to our customers caused by multiple annual filings.
4. Providing customers with rate predictability not available under the traditional rate making process by establishing what rates will be each year for a future four year rate effective period.

Set forth below are the customer distribution rate impacts of the proposed FLRP. As the attached testimony describes in detail, these rates would include not only the reliability capital investments through 2017, but also the additional non-reliability capital costs, as well as the operations and maintenance expenses needed to maintain and enhance the distribution system through year 2017.

	Year 1	Year 2	Year 3	Year 4
Monthly Total Bill \$ Impact ¹	\$3.00	\$3.85	\$1.97	\$0.69
Monthly Total Bill % Impact	2.23%	2.80%	1.39%	0.48%
Authorized Return on Equity (ROE)	9.75%	9.75%	9.75%	9.75%
Estimated FLRP Earned ROE	7.41%	8.80%	9.75%	9.75%

Table 1 – Typical Residential Customer Bill Impact and Company Return

The table above illustrates that under the FLRP, the typical residential customer would experience bill increases once per year averaging less than \$2.40 per month, which equates to an average total bill increase of less than 1.8% per year over the four year FLRP period.² While Delmarva recognizes that even moderate bill increases are difficult for some customers, providing reliable and safe electric delivery service comes with costs. As experts and leaders from across the nation and Delaware have expressed, if we do not make these critical electric distribution system infrastructure investments now, customers will pay far higher costs later in the form of damage to the economy, reduced household income, loss of jobs, compromised emergency services, and a higher cost of rebuilding the system in later years. The distribution rate impacts under the proposed Forward Looking Rate Plan (set forth in the table above), if adopted, would achieve all of the benefits discussed above, while resulting in a manageable rate impact on customers.

As the attached testimony provides in greater detail, the FLRP eases the rate impact for customers in the first two years as the Company earns lower than its currently authorized return, while providing more certainty around annual revenue that will enable the Company to continue its critical reliability investments into the system. By years three and four, the Company will have the opportunity to earn its authorized ROE of 9.75%. In addition, in the event the proposed FLRP is accepted, it would serve as a resolution of the currently pending base rate case (Docket No. 13-115) and avoid the filing of another electric base rate proceeding until at least 2017. The incremental cost of conducting an electric rate case proceeding is approximately \$650,000 – a cost that is included in customer rates. By avoiding, the cost of rate cases over the four year FLRP period, an additional savings of approximately \$2.6 million that would normally be included in rates is also avoided.

In addition to moderate rates, greater efficiencies and critical system infrastructure investments that would arise out of the FLRP, Delmarva proposes that the current Regulatory Docket 50 minimum reliability standard of SAIDI 295 be made more stringent as each year of the FLRP progresses. By the fourth year of the FLRP, the current Docket 50 minimum

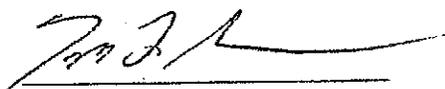
¹ For a typical residential customer of 1,000 Kwh per month.

² As the testimony reviews in detail, the FLRP applies only to Delmarva Power's distribution rates and, as such, does not affect rates during the four year period related to energy supply or legislatively-mandated programs, such as Renewable Portfolio Standards Compliance.

reliability standard would be SAIDI 179, which is more than 35% more stringent than it is today. In addition, Delmarva has proposed that refunds in the form of bill credits be paid to customers if Delmarva does not meet the stricter minimum reliability standards. Adoption of stricter minimum reliability performance standards backed by refunds to customers is a key element of the FLRP. This element serves to address a pivotal issue of both Staff and the Public Advocate: that customers be able to understand that they are receiving a reliability benefit out of the system infrastructure investments made by Delmarva. Delmarva agrees with Staff and the Public Advocate on the importance of that issue, and, therefore, has made it a central element of the proposed FLRP.

The attached testimonies of witnesses Glenn Moore, Gary Zibinski and Marlene Santacecilia contain the details of the Forward Looking Rate Plan. The FLRP is the result of months of hard work by Staff, the Public Advocate and Delmarva and is designed to provide significant benefits to all stakeholders. Delmarva acknowledges that this filing represents the first opportunity Staff and the Public Advocate will have to review the full details of the proposed FLRP and we look forward to working closely with all stakeholders to review and examine the plan.

Respectfully Submitted,



Todd L. Goodman
Associate General Counsel
Delmarva Power & Light Company



Gary R. Stockbridge
Regional President
Delmarva Power & Light Company

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DELMARVA POWER & LIGHT COMPANY

**BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF GLENN A. MOORE
DOCKET NO. 13-**

1 **Q1. Please state your name and position.**

2 A1. My name is Glenn A. Moore. I am Regional Vice President for Delmarva
3 Power's (Delmarva or the Company) New Castle Region.

4 **Q2. What are your responsibilities in your role as Regional Vice President for
5 Delmarva Power?**

6 A2. I am responsible for external relations in Delmarva's New Castle Delaware
7 Region and Delmarva's participation in the communities it serves. My
8 responsibilities also include establishing and maintaining strong ties with our state
9 and local communities, including corporate philanthropy and community
10 involvement. I am a liaison within the Company on behalf of the customers and
11 communities that Delmarva serves and am accountable to see that Delmarva meets its
12 obligations in the New Castle region.

13 **Q3. Please state your educational background and professional experience.**

14 A3. I hold a Bachelor of Science (1983) and a Masters Degree (1992) in
15 Economics, both from the University of Delaware. I have worked for Delmarva for
16 over 28 years. I started my career at the Company in Corporate Planning, where I
17 was responsible for load and energy forecasting. Other positions include: Analyst in
18 Gas Business, Supervisor of Benefits, HR Strategic Partner in the former Conectiv
19 competitive businesses, Vice President of Operations in Conectiv Communications,

1 and Customer Advocate. I became Vice President of the Delmarva Power Region in
2 2006.

3 **Q4. What is the purpose of your Direct Testimony?**

4 A4. The purpose of my Direct Testimony is to: (1) explain why the Company has
5 made this filing, (2) explain the history of the Forward Looking Rate Plan (FLRP or
6 the Plan), (3) explain general principles included in the design of the FLRP based on
7 outreach to stakeholders, (4) explain at a high level the concept of the FLRP and its
8 components, (5) provide a comparison between the traditional ratemaking process
9 and the FLRP process, (6) provide a description of the benefits and customer impact
10 of the FLRP, (7) explain how the FLRP relates to the Delaware Public Service
11 Commission's (the Commission) investigation in PSC Docket No. 13-152 (the
12 Reliability Docket), (8) provide an overview of the development of the inputs to The
13 Regulatory Planning Model (the Model) at the foundation of the FLRP, (9) explain
14 what general rules would be needed to administer the FLRP, and (10) introduce the
15 other Company Witnesses.

16 **Q5. Why has the Company made this filing?**

17 A5. The FLRP presents a change from the traditional rate making process used for
18 many years. As explained below, this change would provide significant benefits to
19 customers. A number of events have led the Company to the conclusion that now is
20 the time to consider the benefits of a multi-year or "forward looking" rate plan,
21 including:

- 22 • As part of the Commission's approved settlement (the Settlement) in the
23 Company's last electric base rate case (PSC Docket No. 11-528), the Staff of

1 the Public Service Commission (Staff), the Division of the Public Advocate
2 (Public Advocate) and the Company agreed to “discuss alternative regulatory
3 methodologies, including a multi-year rate plan,” recognizing that times were
4 changing and other options should be considered;

- 5 • Customer research has established that the primary concern of Delmarva’s
6 customers, both business and residential, is the reliability of the electric
7 service grid;
- 8 • The increased frequency and severity of storms over the last decade, coupled
9 with damage to the regional grid and the economic impact caused by these
10 storms, has resulted in a national recognition of the critical need to make the
11 system less vulnerable to weather-related outages and to reduce the time it
12 takes to restore power after an outage occurs;
- 13 • The greater reliance of individuals, businesses, governments, healthcare and
14 emergency services on electricity has developed to the point where the level
15 of reliability required by customers is now greater;
- 16 • The slow economy’s impact on customer growth, combined with increased
17 capital investment in infrastructure driven by increased customer expectations
18 around reliability, have had the effect of increasing the frequency of
19 distribution rate increase requests by the Company;
- 20 • Numerous stakeholders have expressed concerns over the frequency and cost
21 of annual rate increase filings that ultimately get passed on to consumers, and
22 the ability of consumers to manage unpredictable rate increases in the current
23 economy;

- 1 • The Staff filed a petition which led to the opening of the Reliability Docket
2 regarding the Company's level of planned investments in reliability;
- 3 • In connection with the Settlement, Staff, Delmarva and the Public Advocate
4 agreed to discuss alternative regulatory methodologies that would include, but
5 not be limited to, multi-year rate plans; and
- 6 • Staff has consistently expressed its concern that Delmarva's customers be able
7 to understand the benefits they receive from increased investments in the
8 reliability of the electric system.

9 This filing will demonstrate that the FLRP balances the needs and concerns of
10 customers, the Company, the Commission and the State while doing the following:

- 11 1. Providing Delmarva with the ability to develop a more reliable electric
12 distribution system that meets the needs and expectations of Delmarva's
13 customers and the State of Delaware.
- 14 2. Providing more stringent mandatory minimum reliability performance
15 standards that are backed by bill credits to customers if the reliability
16 standards are not met by Delmarva.
- 17 3. Providing known, reasonable and manageable distribution rates over a four
18 year period by reducing filing costs and developing rates projected to provide
19 Delmarva with a reduced earned return in the first two years of the four year
20 rate effective period, and then adjusting the rate of return for the next two
21 years to provide the Company with the opportunity to earn its currently
22 authorized return on equity (ROE) as established in PSC Docket No. 11-528.

1 4. Providing customers with rate predictability not available under the traditional
2 rate making process by establishing what rates will be each year for a future
3 four year rate effective period.

4 **Q6. What is the history of discussions to date on the FLRP Concept?**

5 A6. In the Settlement (PSC Docket No. 11-528), the parties agreed to meet and
6 discuss (1) "alternative regulatory methodologies, including a multi-year rate plan"
7 and (2) "the establishment of metrics related to reliability investments so that
8 customers are aware of how investment in Delmarva's plant in service benefits them
9 in a quantifiable manner." Therefore, the Company, Staff, and the Public Advocate
10 began meeting informally and discussing the general design concepts of a FLRP.
11 These discussions spanned several months and included a number of potential
12 components of the Plan, including but not limited to: customer and Company
13 impacts, potential terms and conditions, levels of spending for capital and Operation
14 and Maintenance (O&M) costs, and the concept of more stringent minimum
15 reliability performance standards.

16 In April 2013, at the request of Staff, the Commission opened the
17 Reliability Docket in order to look more specifically at (1) the future levels of
18 reliability capital investments, (2) minimum reliability service levels, and (3) the
19 impact of reliability investments on rates. Because these three issues are addressed in
20 the proposed FLRP, and given the procedural schedule of the current base rate case in
21 PSC Docket No. 13-115 (the 2013 Base Rate Case) and the Reliability Docket, the
22 Company believes that now is the optimal time to consider adopting the FLRP.

1 Q7. In seeking input from the Public Advocate, the Staff, and other stakeholders,
 2 what general principles were found to be important to include in the FLRP?

3 A7. I believe that all stakeholders agree that two general principles must be
 4 included in the design of a FLRP. First Principle: A plan with stable, reasonable rate
 5 impacts to customers that recognize the current economic conditions.

6 The focus of this principle is to determine a revenue increase that will allow
 7 the Company to continue making its planned capital investments, while at the same
 8 time: (1) lowering and stabilizing the annual cost increase to Delmarva's customers
 9 and (2) providing the Company with the opportunity to achieve its currently
 10 authorized ROE of 9.75% within three years. The FLRP consists of a proposed
 11 increase in electric delivery revenue in the amount of \$56.3 million over four years,
 12 which results in the following four year total bill impacts, primarily driven by the
 13 associated Company return each year:

	Year 2014	Year 2015	Year 2016	Year 2017
Monthly Total Bill \$ Impact ¹	\$3.00	\$3.85	\$1.97	\$0.69
Monthly Total Bill % Impact	2.23%	2.80%	1.39%	0.48%
Authorized ROE	9.75%	9.75%	9.75%	9.75%
Estimated FLRP Earned ROE	7.41%	8.80%	9.75%	9.75%

14 Table 1 – Typical Residential Customer Bill Impact and Company Return

15 Second Principle: Adopting more stringent reliability performance standards
 16 which incorporate consequences for not meeting those standards.

¹ For a typical residential customer using 1,000 kWh per month.

1 The second principle includes making the current Docket 50 minimum
2 reliability performance standards more stringent as the FLRP period progresses and
3 providing for bill credits to Delmarva's customers if those more stringent reliability
4 performance standards are not achieved. This principle assures that customers will
5 realize the benefits associated with the levels of reliability capital investments and
6 system maintenance embedded in the FLRP.

7 In addition, the Plan establishes the future targeted level of capital and O&M
8 investments before the Company actually makes those investments. This is
9 significantly different than the current rate making process, whereby the Commission
10 primarily reviews Delmarva's expenditures only after they are incurred. Accordingly,
11 the proposed FLRP provides the Commission with the ability to review, regulate and
12 establish rates based upon Delmarva's current and future capital investment plans.

13 **Q8. Can you provide an overview of how the FLRP was developed?**

14 **A8.** The FLRP represents a balance between the needs of the customer and the
15 needs of the Company, while allowing customers to realize benefits over the
16 traditional rate case process. The two key components of the Plan, closely tied
17 together, are (1) the forward looking Model and (2) the overall balancing of needs
18 between the customer and the Company through the setting of the inputs to the
19 Model. These two components, combined with many comments received from
20 stakeholders, resulted in a plan designed to create a new way of setting rates for
21 Delmarva Delaware that is more reflective of today's needs.

22 The first component of the Plan is the Model which determines projected
23 customer financial impacts based on fundamental inputs around capital investments,

1 more favorable working environment for the Company. Delmarva conducts
2 extensive customer surveys to determine what its customers want and need. These
3 surveys have consistently shown that the three most important factors to our
4 customers are, in order of importance: (1) reliability, (2) customer service, and (3)
5 reasonable rates. The FLRP, with its improved minimum reliability performance
6 standards and rate predictability, was specifically developed to enable Delmarva to
7 provide customers what they have consistently told us they want.

8 The second benefit the Company will obtain is a more predictable revenue
9 stream. Even though the FLRP calculates rates to achieve an ROE in the first two
10 years that is below the currently authorized ROE of 9.75%, removing the
11 unpredictable nature of future filings over a span of four years is expected to be
12 viewed favorably by the investment community.

13 The final benefit is that Delmarva believes that the Plan creates a clear path
14 toward an opportunity for Delmarva to earn its authorized ROE and eliminate
15 regulatory lag in the process. Regulatory lag has been a challenging issue in the
16 utility industry and one that greatly concerns the credit analysts in the industry. I
17 described earlier in my testimony why the reduction of regulatory lag provides
18 significant benefits to both utilities and customers.

19 **Q27. Can you explain the customer benefits of this rate plan?**

20 A27. Customers would see three primary benefits under the FLRP. The first is
21 reasonable and known distribution rates for the next four years. A criticism of
22 traditional regulation from a customer perspective is that rates are not predictable for
23 any length of time, making budgeting difficult for both residential and commercial

1 customers. In contrast, the FLRP provides for known rates for a period of four years
2 into the future. While knowing what utility rates will be is beneficial to residential
3 customers, it is particularly advantageous to commercial customers, as it facilitates
4 better budgeting and planning.

5 The second benefit for customers is the improved minimum level of reliability
6 to which the Company has committed. The Company agrees to the establishment of
7 more stringent minimum reliability standards: a SAIDI that is 35% more stringent
8 than the current Docket 50 minimum performance standard in year one, and becomes
9 more stringent in each of the three subsequent years of the four year FLRP rate
10 effective period. The specific SAIDI targets were shown earlier in my testimony.
11 The Company also agrees to customer bill credits associated with performance that
12 falls outside of a range around a reliability performance target going forward, as
13 discussed below. The Staff has made it clear that Delmarva's customers need to see
14 quantifiable benefits from the investments Delmarva is making to maintain and
15 enhance the reliability of its system. Delmarva agrees with Staff and as such,
16 developed the FLRP with these more stringent minimum mandatory reliability
17 requirements, backed by bill credits to customers if Delmarva fails to meet the stricter
18 reliability standards.

19 A third benefit is that the overall cost of the regulatory process is reduced
20 under the FLRP. The incremental cost of conducting an electric rate case proceeding
21 is approximately \$650,000. Accordingly, a rate case conducted every year over a
22 four year period would total approximately \$2.6 million. That \$2.6 million is a cost
23 that is included in rates paid by customers. Because the FLRP would set rates for a

1 period of four years, the savings to customers in avoided regulatory costs alone would
2 be significant. That regulatory cost savings is one more factor that leads to lower
3 rates under the FLRP.

4 **Q28. Can you discuss other benefits besides those seen by the customer and the**
5 **Company?**

6 A28. Yes. The investment Delmarva is committing to make over the next four
7 years has the potential to create additional jobs in the State, directly and indirectly. In
8 capital alone, the Company will be spending \$356 million over the next four years.

9 In addition, the Company believes that the predictability of future rates is a
10 driver toward economic development. A new business looking to move to Delaware
11 has a clear idea of the costs of future delivery rates for the next four calendar years.

12 As I mentioned earlier in this testimony, adoption of the FLRP will enable
13 Delmarva to know what the acceptable level of system investment will be over the
14 next four years – providing the Company with the ability to develop a more reliable
15 electric distribution system that meets the needs and expectations of Delmarva's
16 customers, the State of Delaware and the nation. An increasingly reliable electric
17 grid is essential to meeting the rapidly-evolving needs of an increasingly digital
18 society. The increased reliance of individuals, businesses, governments, healthcare
19 and emergency services on electricity has developed to the point where the level of
20 reliability that may have been acceptable even a few years ago is no longer suitable.
21 It is reasonable to expect that our society will continue to become more reliant upon
22 the reliability of the electrical grid as an essential part of their daily lives. Outages
23 that may have been considered more of an inconvenience only a few years ago can

1 stifle commerce almost entirely. Today, when the power is out, computers do not
2 work, communications systems fail, orders do not get taken, stores close, wages are
3 lost, and production shuts down.

4 At the same time that outages in general have become more problematic to
5 customers, the region is facing storms of increasing strength and frequency. As the
6 U.S. Department of Energy has reported, eight of the largest ten hurricanes have
7 occurred over the past decade. In the last few years alone, Hurricanes Isabel, Sandy
8 and the 2012 Derecho have made clear that the region is facing more frequent and
9 violent storms that have destroyed essential components of the energy infrastructure
10 along the coastal states and have caused enormous economic losses. As storms
11 increase in frequency and intensity, the ability of the Company's electric
12 infrastructure to withstand storms and to restore electricity quickly when disruptions
13 occur will become even more important. Fortunately for Delawareans, the 2012
14 Derecho and Hurricane Sandy largely spared Delaware, at least compared to the
15 damage suffered by nearby states. For instance, Maryland and New Jersey were
16 battered by the Derecho and parts of New Jersey and New York were devastated by
17 Hurricane Sandy. Delmarva should not wait until Delaware gets impacted by storms
18 the way our neighboring states did before the Company acts to strengthen its system.

19 **Q29. Can you explain the relationship between the Reliability Docket and the FLRP**
20 **filing?**

21 A29. The Company sees a close relationship between the FLRP and the ongoing
22 Reliability Docket. The Reliability Docket is designed to examine (1) what the right
23 level of infrastructure investment going forward should be, and (2) what the rate

1 impact of the future capital budget described in the Company's 2013 Base Rate Case
2 will have on Delmarva's customers. The Company envisions the FLRP as a solution
3 to those two questions that lays out specific levels of investments, coupled with
4 minimum standards for improved reliability performance, and a specific rate impact
5 for not only infrastructure investments but all capital and O&M investments of the
6 Company over a four year period. There are, however, some specific differences
7 between the two discussed below.

8 The Reliability Docket is focused on very specific components of the
9 Company's overall capital expenditures (infrastructure investments) over the five
10 year period from January 1, 2012 to December 31, 2017. The Reliability Docket does
11 not include general capital expenditures such as information technology investments
12 (other components), nor were O&M expenditures included. The FLRP includes all
13 capital and O&M expenditures by the Company over a four year period between
14 October 1, 2013 and September 30, 2017.

15 The general concerns around appropriate levels of infrastructure spending,
16 customer feedback, the impacts on the bill of various levels of investments, and the
17 implications of over or under investing in the infrastructure are themes that are
18 consistent between the FLRP and the Reliability Docket. The Company sees the
19 FLRP as directly responsive to many, if not all, of the issues raised in the Reliability
20 Docket to date.

21 The Company made several key points in the first of three public meeting
22 presentations in the Reliability Docket that point to the FLRP as a sound path
23 forward. These include:

- 1 • Customer needs, changing weather patterns, aging infrastructure, and technology
2 advances are driving higher levels of infrastructure investment than in the past;
- 3 • The Company has begun to act on these needs by stepping up investments and
4 proposes to continue with these investments over the next several years;
- 5 • Other reports referenced in the presentation indicate there is a significant potential
6 cost to the community for inaction on reliability infrastructure investments;
- 7 • Although the Company has made significant advances on its key reliability
8 measure (SAIDI), Delmarva still ranks in the third quartile as compared to other
9 utilities in industry benchmarks, signifying the continued need to improve its
10 infrastructure; and
- 11 • The impact for all capital and O&M requirements over the next four years (when
12 looking at the FLRP filing) maintain a total overall bill impact of less than 2% per
13 year for the typical residential customer. Although any impact is important to the
14 Company's customers, this is a reasonable impact compared to the potential cost
15 to the community of not investing in infrastructure.

16 In summary, the FLRP provides a sound path forward regarding the issues raised in
17 the Reliability Docket proceedings.

18 **Q30. Can you introduce each of the Company witnesses and briefly explain the**
19 **purpose of their testimony?**

20 A30. Company Witness Gary M. Zibinski describes the Model and explains how it
21 was used to develop the FLRP.

22 Company Witness Marlene C. Santacecilia provides the rate design supporting
23 the Company's proposed increase in electric delivery revenue in the amount of \$56.3

1 million over four years. The proposed rate design incorporates the results from the

2 FLRP.

3 **Q31. Does this conclude your Direct Testimony?**

4 **A31.** Yes, it does.

DELMARVA POWER & LIGHT COMPANY
BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY OF GARY M. ZIBINSKI
DOCKET NO. 13-

1 **Q1. Please state your name and position.**

2 **A1.** My name is Gary M. Zibinski. I am a Manager of Regulatory Planning in the
3 Regulatory Affairs Department of Pepco Holdings Inc. (PHI). I am testifying on
4 behalf of Delmarva Power & Light Company (Delmarva or the Company).

5 **Q2. What is your educational background?**

6 **A2.** I hold Bachelor of Science degrees in Finance and in Accounting from Drexel
7 University. I also hold a Master of Science degree in Finance from Drexel
8 University.

9 **Q3. Please describe and summarize your employment experience in the utility**
10 **industry.**

11 **A3.** I began my career with Associated Utility Services, Inc. as a Financial Analyst
12 in 1978. I joined Delmarva in 1988. Since then, I have held numerous positions
13 including Manager- Financial Analysis and Budgets and Manager-Strategic Planning.
14 In 2005, I joined the Regulatory Affairs department as a Manager-Regulatory
15 Planning and Finance. In this position, I am responsible for supporting regulatory
16 planning activities and projects and supporting the calculations of utility cost of
17 capital and capital structure.

18 **Q4. Have you filed testimony in any other proceedings?**

19 **A4.** Yes. I have previously presented and/or filed testimony as a witness before
20 the Delaware Public Service Commission, the New Jersey Board of Public Utilities,