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16 April 2013

The Honorable Robert J. Howatt
Executive Director
Delaware Public Service Commission
861 Silver Lake Blvd., Ste. 100
Dover, DE 19904

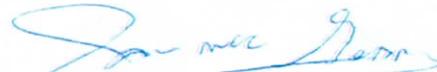
Re: *PSC Docket 13-152*

Dear Mr. Howatt:

Attached please find Staff's Motion requesting a docket be opened for the purpose of investigating Delmarva Power & Light's investment levels in its electric distribution infrastructure. The reasons for Staff's request are set forth in the attached Motion. I would request that it be placed on the Commission's agenda at its next scheduled meeting.

If you have any questions or request further information on this request, please contact me.

Respectfully submitted,



James McC. Geddes

JMcCG:dlb

RECEIVED
BEFORE THE PUBLIC SERVICE COMMISSION
2013 APR 16 PM 4 17
OF THE STATE OF DELAWARE
DELAWARE P.S.C.

IN THE MATTER OF THE INVESTIGATION)
INTO DELMARVA POWER & LIGHT)
COMPANY'S RATE REQUEST FOR) PSC DOCKET NO. 13-152
DISTRIBUTION INFRASTRUCTURE)
INVESTMENT (OPENED APRIL 16, 2013))

**MOTION OF COMMISSION STAFF SEEKING RELIEF ON BEHALF OF
DELMARVA POWER & LIGHT CUSTOMERS REGARDING
EXCESSIVE INVESTMENT IN DISTRIBUTION RELIABILITY INFRASTRUCTURE**

COMES NOW, the Staff of the Delaware Public Service Commission by and through its counsel, Ashby & Geddes, to request this honorable Commission to open a Docket to investigate on behalf of the customers of Delmarva Power & Light Company ("Delmarva" or the "Company") the appropriate level of investment in reliability infrastructure that is necessary to sustain adequate and reliable service, meet the performance target for reliability set in Regulation Docket 50, and the details of any cost containment programs in which the utility is currently engaged. In support of its Motion, the Commission Staff respectfully represents as follows:

A. Preliminary Statement

1. On March 22, 2013, the Company filed a new electric base rate case seeking \$42.044 million in additional revenues. This filing comes just three months after the Commission approved a \$22 million increase in the Company's electric rates resulting from a settlement in Docket No. 11-528. In its current filing Delmarva suggests that it will continue to make significant investments in its electric system over the next five years that will approximate \$397 million. According to the Company's filing, this level of investment is required to address

infrastructure replacement and “to enhance and maintain the reliability of the Company’s system.” The capital budget in the Company’s application is set forth below. (See Witness Maxwell’s Pre-Filed Testimony, page 5)

**Delmarva Delaware
2012 Expenditure
And
Five Year Plan 2013-2017
Dollars in Millions**

Table 1

Distribution	2012	2013	2014	2015	2016	2017	Total 2013 Through 2017
Customer Driven	\$12.6	\$12.1	\$11.9	\$12.1	\$12.6	\$13.0	\$61.7
Reliability	\$64.1	\$71.4	\$58.9	\$59.2	\$60.3	\$59.2	\$309.1
Load	\$2.8	\$4.3	\$6.1	\$4.2	\$4.5	\$7.4	\$26.6
Total	\$79.5	\$87.8	\$76.9	\$75.7	\$77.4	\$79.6	\$397.4

2. At the present time Delmarva is operating its electric distribution system at a level far in excess of the reliability standards specifically set for it by this Commission in Regulatory Docket No. 50 (“Delaware PSC Electric Service Reliability and Quality Standards”). In 2012 the Company exceeded its SAIDI (System Average Interruption Duration Index) requirement by 51%. This is part of a continuing trend where the Company routinely exceeds the reliability standards set for it by a wide margin. The Company suggests in its filing that customers should expect continuing improvements in the reliability of the service they receive, but proposes no metrics by which to evaluate any improvement in its service. Staff has serious concerns regarding the level of investment, and the resulting economic impacts on customers resulting from the Company continuing its program of maintaining reliability standards far in

excess of the standards set by the Commission. In addition, the Company has not satisfactorily implemented plans, or any plan, to address repeated requests by Staff to develop metrics by which customers can determine --individually --whether, as a result of increasing higher capital budgets, that their service is actually improving as their electric bills continue to escalate. At a minimum, Staff believes that the Company should be forced to justify these investment levels in excess of the standards set and provide metrics for customers so they can evaluate any improvement in service over existing levels and such other relief as is set forth below.

B. Background

3. On December 2, 2011 Delmarva filed its prior electric base rate case. It requested a \$31.760 million increase in its Delaware distribution rates (a 5% increase in a typical residential customer's total bill). The test period proposed in that case was the 12 months ending December 31, 2011. The matter was resolved through settlement in which the Company agreed to a \$22 million increase in its revenues. Unexpectedly, less than three month after the Commission approved the settlement in its prior case, Delmarva filed a second base rate case on March 22, 2013 now seeking a \$42 million dollar increase (a 7.53% increase in a typical residential customer's total bill) based on a test period only one year later -- the 12 months ending December 31, 2012.

4. Under the Commission's Minimum Filing Requirements, the Company may file a proposed rate increase based on 12 months of actual data or a test period that has some, but no more than 9 months of forecasted data. (See 26 *Del.C.* Section 1002 *et. seg.*) In Delmarva's prior electric case, Docket 11-528, 12 months of actual rate base data was provided for 2011 during the proceeding. A comparison of Delmarva's proposed 2011 rate base and the one used in the Company's current case, 12 months ending December 31, 2012, indicates that the Delmarva's

rate base, including the Company's proposed adjustments, has gone up by over 26% in one year or \$156. One of the large contributors to this rampant escalation in rate base appears to be associated with the construction budget that the Company is proposing for the years 2012-17. Michael W. Maxwell is the Delmarva witness sponsoring the Company's proposed construction program through 2017 of which reliability enhancements remain the overwhelming component of the budget, approximately 80% (See table above.). The justification for these expenditures, over 300 million over the next 5 years, is contained in Mr. Maxwell's testimony which consists of a mere 21 lines of explanation and support for a quarter of a trillion dollar increase in rate base to be collected from rate payers, even though the Application itself is in three volumes and contains hundreds of pages of testimony and schedules. Staff believes that much more is needed to justify and explain such a large increase in reliability related assets.¹

5. The issue of reliability and the question of adequate service for customers has been a topic that the Commission has considered in a variety of dockets dating back to when Delmarva owned its own generation and the Commission set power plant performance standards for generating units. Over the years, the Commission has investigated under its plenary power set forth in 26 *Del.C.* Section 208 numerous issues related to quality of service, adequacy of service, specific outages, and billing issues to mention a few.

6. In an effort to standardize and to create a template for reviewing adequacy of service issues, the Commission opened Docket Regulation No. 50 to create appropriate standards by which to review and evaluate both the quality and adequacy of service that Delmarva was providing to its customers. As a result of its thorough review of the appropriate metrics to judge the adequacy of Delmarva's level of electric service, it was determined to measure service on a

¹ This is in addition to the monies that Delmarva is recovering in its investment in AMI that is

single metric -- SAIDI. The performance target for reliability was set at 295 for the last 2 test periods for which Delmarva filed for rate increases. SAIDI measures, less than this, would be indicative of improved performance.

7. In his pre-filed testimony Witness Maxwell sets forth the historical information of the Company's performance in meeting the SAIDI performance target as well as its SAIFI (System Average Interruption Frequency Index) for the period 2010-2012. SAIDI measures the duration of service interruptions while SAIFI measures the frequency of service interruptions. In both indexes, lower numbers represent higher reliability. See below:

**Delmarva Delaware
System SAIFI and SAIDI (IEEE Exclusion Criteria)
2010-2012**

Table 2

Reliability Performance	2010	2011	2012	% Change 2010-2012
SAIFI	1.47	1.41	1.14	22%
SAIDI	199	192	146	27%
Docket No. 50 SAIDI Performance Target	295	295	295	n/a

8. Review of this historical information demonstrates that the Company is far exceeding the standard set by the Commission for its electric distribution customers. Its SAIDI performance for 2012, the test period being used by Delmarva in its current rate application, is 149 minutes or approximately 51% above the Commission Standard (Maxwell at 6). Yet, nowhere in its filing does the Company attempt to quantify the additional cost to its customers

being evaluated and collected separately as a regulatory asset.

associated with this level of performance that far exceeds the acceptable standard set by the Commission. Nor is there any testimony on what efforts, if any, the Company is taking to contain costs, rather than just allowing them to escalate out of control.

C. Need for Relief

9. Despite repeated requests by Staff, it has received no assurance from the Company that efforts are being made to provide customers with quantifiable methods by which to determine whether their electric service is improving on the margin, but the Company is investing, and plans to continue investing, in ways that will keep reliability metrics above what Staff believes is necessary to maintain the Company's distribution system and provide adequate service to its customers. Staff believes that the Company should be required to address these issues now, prior to the Commission approving additional reliability investments that will only further increase customers bills. Staff is not opposed to the Company's commitment to maintaining service at an acceptable level, but it is trying to get the Company to justify in a meaningful way reliability investments at levels far in excess of any appropriate or approved standard. Relatedly, and not surprisingly, there exists a dearth of testimony addressing any cost containment programs that the Company is currently engaged in an effort to minimize the shock of its increasingly large and repetitive revenue requests.

10. In addition, no public forum has been provided for public comment that specifically addresses the need for these large increases in reliability investments. Staff believes that the public deserves the right to discuss with Delmarva's senior management why these reliability enhancements need to be made at this time, why some of them can not be deferred, and what steps the Company is taking to examine alternative approaches to limit these increases and how those steps will impact, if at all, the level of its electric reliability service. Staff also

believes that there should be at least one public comment forum in each county in the State where representatives of senior management are present to discuss with members of the public why reliability investments need to be maintained at such high levels. The Company should be required to sufficiently advertise the public comment forums through numerous and conspicuous radio and newspapers ads.

D. Additional Relief

11. If and to the extent the Commission concludes it is necessary, Staff requests that the Commission treat this Motion as a request to commence a proceeding against Delmarva to investigate the appropriate level of investment practices in reliability related infrastructure over that which is necessary to maintain its system, met its SADI reliability standard and provide adequate service. Staff would request that the Commission authorize the retention of a consultant to look into these issues and assist Staff in identifying what corrective measures, if any, should be taken.

F. Conclusion

For the reasons set forth above, Staff requests that the Commission enter an order in the form attached hereto, and for such other relief as the Commission deems just and proper.

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Rate Counsel

Dated: April 16, 2013