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April 23, 2014

TO: The Chair and Members of the Commission

FROM: Jason R. Smith, Public Utilities Analyst II
Lisa Driggins, Public Utilities Analyst I

SUBJECT: IN THE MATTER OF THE LEGISLATIVE PETITION FOR REVIEW AND RECOMMENDATIONS ON DELMARVA POWER & LIGHT COMPANY UTILITY BILL TRANSPARENCY (FILED JUNE 20, 2013) – PSC DOCKET NO. 13-250

Background

On June 20, 2013, Representative John Kowalko, State Senators Dave Lawson and Gary Simpson on behalf of nineteen other members of the Delaware Legislature filed a Petition (the "Petition") requesting the Delaware Public Service Commission (the "Commission") to open a docket to review the appropriate level of detail contained in monthly billing statements prepared by Delmarva Power & Light Company ("Delmarva" or the "Company") for its customers. The Petition alleged that customers of Delmarva do not know how much they are being charged each month for various legislative mandated initiatives such as the Renewable Energy Portfolio Standards, the Qualified Fuel Cell Provider project, Low Income Assistance and others.

The Commission considered the Petition at its regularly scheduled meeting of July 2, 2013 and found that the issues raised in the Petition concerning the level of detail was within the Commission's general authority under Title 26 of the Delaware Code, and was an important issue that deserved further review and analysis.

As a result, the Commission issued Order No. 8403 (the "Order") directing the Commission Staff ("Staff") to open a docket and conduct the review to determine the appropriate level of detail that customers should expect in their electric bills. Additionally, the Order appointed Jason Smith as Case Manager with the ability to act as a Presiding Officer for this docket, set a schedule, and perform other administrative duties. The Commission

specified, pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, that the Acting Presiding Officer was specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. Further, the Commission directed Staff to issue a public notice of the Petition in the legal classified section of The News Journal and The Delaware State News on July 9 and 10, 2013. As well as set a deadline of August 9, 2013 for interested parties to intervene. Lastly, the Order directed Staff to report back to the Commission on the parties recommendations regarding utility bill transparency related to Delmarva and its customer billing system.

Interveners

Four petitions to intervene were filed in this docket. The Division of the Public Advocate ("DPA") filed its statutory notice of intervention on July 2, 2013. The Caesar Rodney Institute ("CRI") filed its petition to intervene on July 11, 2013. Mr. John Nichols ("Mr. Nichols") filed his petition to intervene on July 17, 2013. The Department of Natural Resources and Environmental Control ("DNREC") filed its petition to intervene on July 30, 2013. These petitions to intervene were later granted by PSC Order Nos. 8423, 8428, and 8429 respectively.

The DPA filed an objection to Mr. Nichols petition to intervene which was subsequently considered by the Commission at its regularly scheduled meeting of September 10, 2013, the Commission upheld the decision of the Acting Presiding Officer to permit Mr. Nichol's intervention.

The Workshops

The Parties met on three separate occasions at the Commission's Dover office. The first of these transcribed workshops occurred on October 22, 2013, followed by a second workshop held on November 19, 2013, concluding with the most recent workshop held on April 10, 2014.

Major issues requiring discussion included determining what items could easily be quantifiable, accurately reflected, and relevant to the interests of the majority of Delmarva's ratepayers. Due to the nature of which previous rate cases were settled, after discussion it was determined that it would be too difficult to provide accurate calculations for some of the desired items and ultimately the working group decided that it would not be in the best interest of Delmarva's ratepayer to be provided with potentially inaccurate information.

At the initial workshops held in October and November 2013, the Parties also discussed the feasibility of whether the creation of a website would aid in the clarification of Delmarva's billing statements. This discussion seemed to center mostly around the Qualified Fuel Cell Provider charge and how this information might be better communicated. At the most recently held workshop on April 10, 2014, it was determined that PSC Staff currently posts on the

Commission website the monthly filing made by Delmarva and subsequent Staff Memorandum and Order regarding the Qualified Fuel Cell Provider and no further discussion took place.

Another major factor which needed to be considered by the Parties as the workshop process moved forward was the need to coordinate the outcome of this docket with the development and implementation of Delmarva's anticipated new billing system known as SolutionOne ("SolutionOne") which is currently scheduled to replace Delmarva's current customer information and billing system during the first quarter of 2015.

The Proposal

At the workshop of April 10, 2014, Delmarva presented among the parties its Proposal (the "Proposal") taking into consideration all of the requests at the previously held workshops while weighing its ability to deliver on such requests. Delmarva proposed implementing the requested changes in two phases.

Phase I would include reprogramming changes to Delmarva's electric bill effective July 1, 2014. The proposed changes would include identifying particular charges which are presently calculated separately and then added into the Distribution Charge of the bill. The additional line items added would include the addition of a Low Income Charge, Green Energy Fund, and Renewable Compliance Charges line items. Delmarva estimates this programming expense to be approximately $23,630. The Parties, with the exception of DNREC[1], believe that this expense is reasonable and provides a more immediate resolution to the effort to increase transparency in Delmarva's customers' bills. In order to be consistent with the Commission's treatment in the most recently litigated rate case[2] the Company also requests Commission approval of a regulatory asset to capture the costs arising out of this docket.

Phase II would require the parties to reconvene at a later date to determine which, if any, additional changes can be further broken out and removed from the Distribution Charge in which they may be presently imbedded. Several parties also expressed the need to determine additional line items which could be further broken out of the newly created Renewable

[1] DNREC believes that it would be more appropriate to wait until the conclusion of its present rulemaking proceeding for the purpose of determining the cost of the Renewable Portfolio Standard compliance (pursuant to 26 *Del. C.* § 354 (i) & (j)) prior to making any changes in Delmarva's billing system since any change of rates based on their regulation changes would need to have approval by the Commission. While the Parties understood DNREC's position, at the risk of further delaying transparency on Delmarva's customers' bills, it was decided that this complex issue could be considered in Phase II of Delmarva's Proposal.

[2] PSC Docket No. 13-115 was filed on March 22, 2013 and deliberated before the Commission on April 1 and 2, 2014.

Compliance Charges line[3], such as Wind, Solar, Gas, Qualified Fuel Cell Provider[4], etc.[5] This process would begin after Delmarva's successful conversion to SolutionOne which as previously stated is estimated to begin during the first quarter of 2015.

Delmarva's Proposal is attached to this memorandum as Exhibit "A".

Recommendations

Many valid concerns were raised by all Parties throughout the workshop process and a variety of complex issues were discussed and debated. The discussions were informative and enlightening which I believed contributed towards the overall success of the workshop process which was made evident as the list of outstanding issues grew less over time.

I believe that the Proposal provided by Delmarva presents an optimal and well-balanced approach which addresses a great majority of the items discussed during the workshop phase of this docket. The phased approach provides Delmarva's ratepayers with increased transparency in a more timely fashion versus having to wait until the launch of SolutionOne. In addition, the phased approach will keep the door open for the parties to reconvene at a later date when appropriate.

Therefore, I recommend that the Commission adopt Order No. 8556 which will direct the Company to make the appropriate level of changes to Delmarva's electric bills as outlined in the Company's Proposal including the creation of a regulatory asset[6], subject to audit by Staff and/or the DPA, to capture the costs associated with the proposed changes in this docket. The regulatory asset should not contain any costs which have already been reflected in Delmarva's present rates.

If the costs of Phase I are expected to exceed the estimated $23,630, the Company should notify the parties before incurring the additional expense to determine whether the

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[3] This line item will be created during Phase I of the Company's Proposal.

[4] For clarification purposes the Qualified Fuel Cell Provider charge was referred to in the original petition filed by the Delaware Legislature as "Bloom Energy" or "Bloom Charge". This terminology was used interchangeably throughout the workshop process.

[5] Mr. Nichols has requested the term "alternative energy" be substituted in place of "renewable energy" when referring to wind, solar, or the Qualified Fuel Cell Provider line items. Delmarva believes this would lead to customer confusion as all payments for these sources are incurred for the purpose of the mandatory compliance with the Renewable Energy Portfolio Standards Act.

[6] The DPA has indicated that they do not support the creation of a regulatory asset and views it to be procedurally improper for the Commission to consider the creation of a regulatory asset unless there has been a filing made by the requesting party establishing the basis for the creation of a regulatory asset.

expense is justified. Any costs from Phase II of this docket should be discussed in detail among the working group prior the Company incurring additional expense.

Further, I also recommend that Delmarva submit a compliance filing to the Commission on or before July 8, 2014 with the revised tariff sheets reflecting the changes that become effective July 1, 2014.

Moreover, I recommend that Delmarva share the Phase II requirements that have already been suggested by many of the parties with the SolutionOne team so that they may be considered in a timely fashion and help minimize the program upgrade costs for later system changes.

Additionally, I also recommend, that Delmarva submit to the Commission on or before December 1, 2014, written notification advising the status of the implementation of SolutionOne. This notification should include whether or not the Company reasonably believes that SolutionOne will be ready to "go-live" during the first quarter of 2015. If there is reason to believe that SolutionOne will not launch during the first quarter of 2015, then the Company shall provide a brief explanation as well as an updated timeframe for when the implementation might be completed.

Lastly, it is my understanding that Delmarva is willing to work with any party to add further clarification on its website regarding its bills if necessary. Delmarva has made it clear that it plans to put additional billing information on its website to enable customers who want to learn more about the new charges to conveniently do so. However, this docket was opened with the intention of clarifying line items on Delmarva's billing statements, not updates to Delmarva's website. Much of the discussion that took place at the initial workshops centered around over who would manage and determine the content of such a website which in my opinion caused the working group to lose a little bit of its focus. I would recommend that if a Party has a specific request of something it would like to see on Delmarva's website, then perhaps that Party should reach out to Delmarva and have that discussion outside of this docket.

CC: PSC Docket No. 13-250 Service List[7]

[7] It should be noted for clarification purposes that this Memorandum has been circulated among the Parties of this docket for input relating to the accuracy of the language drafted relating to the background, interveners, the workshops, and the proposal. However, the recommendations contained in this Memorandum are the recommendations of the Acting Presiding Officer and not those of the Parties of this docket.

Exhibit "A"

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE LEGISLATIVE PETITION FOR REVIEW AND RECOMMENDATIONS ON DELMARVA POWER & LIGHT COMPANY UTILITY BILL TRANSPARENCY (FILED JUNE 20, 2013)	)))))	PSC Docket No. 13-250

Proposal of Delmarva Power & Light Company

The parties to this docket have met several times, including workshops on October 22, 2013 and November 19, 2013. The parties are scheduled to meet again on April 10, 2014. Based upon the workshop discussions, it appears that all parties understand and agree as follows:

1. That it is important for customers to be able to better determine what portions of the charges they pay in their Delmarva bills go directly to providing utility services as opposed to the costs that Delmarva is required by law to collect from its customers and pass on to entities other than Delmarva.

2. That currently, there are certain charges that are calculated separately and then added to the Distribution Charge on the bill each month. These charges can be identified and separately listed on customer bills without a significant amount of programming and testing costs. Because these charges are not part of the current Commission-approved Distribution rate design, a Commission rate proceeding is not required to separate these charges from the Distribution Charge.

3. That other legally required charges are embedded in the current Distribution rate design approved by the Commission and as such, identifying the portion(s) of the Distribution Charge attributable to those embedded charges and separating them into individual rates/charges would require an official Commission proceeding, followed by lengthy and costly system programming, testing and other costs.

4. That presently, Delmarva is in the process of converting its current customer information and billing system to a new system known as "SolutionOne." The SolutionOne system is presently scheduled to replace the current system in approximately the First Quarter 2015. For reasons related to programming, testing, regulatory costs and timing, it would be costly and inefficient to incur all of the costs involved in obtaining regulatory approval necessary to identify costs described in Paragraph 3 above, and then programming the current customer information system, when the new SolutionOne system is presently being programmed and is scheduled to go live in 2015.

5. That it would be of benefit to customers to take action now to, as soon as reasonably practicable, to seek Commission approval to make changes to the current customer information and billing system that would enable Delmarva to efficiently identify on its bills the charges described generally in Paragraph 2, above. Once the new SolutionOne system is fully operational, further work necessary to determine other charges that should be separately identified on customer bills will be undertaken by the parties.

Accordingly, based upon the facts developed at the workshops as set forth above, Delmarva proposes that the parties agree to the following, as broken out into two phases:

PHASE - I
Changes to the Delmarva Power Electric Bill Effective July 1, 2014

Delmarva will identify and separately designate on its bills the charges contained in the category of charges described generally in Paragraph 2, above. The changes between current and proposed bills would be as follows:

Current Charges as shown on the bill:

Customer Charge	$ 9.59
Distribution Charge: First 500 kWh X $0.036454 Each kWh	$18.24
Last 812 kWh X $0.036454 Each kWh	$29.60
Total Electric Delivery Charges	$57.43

Proposed Charges to be shown on the bill:
(changes from current billing format are identified in highlighted text)

Customer Charge	$ 9.59
Distribution Charge: First 500 kWh X $0.029975 Each kWh	$14.99
Last 812 kWh X $0.029975 Each kWh	$24.35
Low Income Charge: All kWh X $0.000095 Each kWh	$ 0.12
Green Energy Fund: All kWh X $0.000356 Each kWh	$ 0.47
Renewable Compliance Charges: All kWh X $0.006028	$ 7.91
Total Electric Delivery Charges	$57.43

Delmarva estimates that the cost of programing, testing and other expenses necessary to achieve Phase I is approximately 220 hours of programming at $23,630. The date of July 1, 2014 implementation is dependent upon: (1) achieving consensus of the parties and (2) Commission approval by April 29, 2014. "Consensus" must include DNREC, due to the currently ongoing DNREC rulemaking proceeding for the purpose of determining the cost of the Renewable Portfolio Standard compliance (pursuant to 26 *Del.C.* § 354 (i) & (j)). Commission authority must include the approval of a regulatory asset to capture the costs of and on the programming, customer education and other costs arising out of this docket.

PHASE - II
Changes to the Delmarva Power Electric Bill Under SolutionOne

Coincident with a base rate case, or other appropriate Commission proceeding, the parties shall reconvene to determine which, if any, additional charges currently imbedded within the "Distribution Charge" as listed on the current bill will be removed from the Distribution Charge and separately listed on customer bills. The implementation of the proposed Phase II changes will occur after the conversion to the Company's SolutionOne billing system has been successfully completed.