

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER AND LIGHT COMPANY)
FOR APPROVAL OF ITS PROPOSAL) PSC DOCKET NO. 11-330
TO ESTABLISH A NEW RESIDENTIAL AIR)
CONDITIONING CYCLING PROGRAM)
(FILED JULY 29, 2011))

ORDER NO. 8253

AND NOW, this 18th day of December, 2012, the Public Service Commission ("Commission") determines and orders the following:

WHEREAS, on July 29, 2011, Delmarva Power & Light Company ("Delmarva") filed an application (the "Application"), pursuant to 26 Del. C. §§201, 1008, and 1500, for approval of a proposed Rider entitled the "Residential Direct Load Control Rider - Rider 'R-DLC'" (the "Rider-'R-DLC'") and for the authority to establish a residential air conditioning cycling program (the "Cycling Program") through the Rider "R-DLC"; and

WHEREAS, the new Cycling Program will be a voluntary program available to all residential customers and will replace Delmarva's existing Energy For Tomorrow Program ("EFT") (Application, ¶7); and

WHEREAS, Delmarva stated in its Application that the proposed Cycling Program, in conjunction with its proposed Advanced Meter Infrastructure ("AMI") enabled dynamic pricing program, "will help customers across the state take greater control of their electricity usage by providing a simple automated method by which customers can reduce consumption during certain peak periods." (Application, ¶4); and

WHEREAS, reducing customers' consumption during peak periods can beneficially affect the high energy prices that all Delaware customers face due to periodic capacity constraints,¹ regardless of whether they participate in Delmarva's Cycling Program. For customers who do participate, the proposed Cycling Program will serve as a mechanism for participating customers to automatically reduce energy use during critical periods. (Application, ¶4); and

WHEREAS, the Cycling Program will help both Delmarva and the State of Delaware to reach energy reduction goals set forth in 26 *Del. C. ch. 15*, the "Energy Efficiency Resource Standards Act of 2009;" and

WHEREAS, under 26 *Del. C. §1008(b)(1)*,² the Commission has the authority to require Delmarva to develop and implement demand-side management programs such as central air-conditioning cycling off and on programs, and once developed, Delmarva must file such program or programs with the Commission for the Commission's review and approval; and

WHEREAS, along with its Application and testimony, Delmarva filed a proposed tariff rider for the Rider "R-DLC." See Testimony of Stephen L. Sunderhauf before the Delaware Public Service Commission

¹ The proposed Cycling Program is designed to reduce residential air conditioner compressor and central electric heat pump compressor load during summer periods of high electricity demand when wholesale market energy prices are high and available electricity supply is constrained. Application, ¶7.

² 26 *Del. C. §1008(b)(1)* provides, in pertinent part, that the Commission is granted the authority to require Delmarva, subject to its jurisdiction, to develop and implement demand-side management programs designed to reduce overall electricity consumption by its customers and/or to reduce usage by customers during peak periods, such as central air-conditioning cycling off and on programs. Upon development of such demand-side management program or programs, Delmarva must file such program or programs with the Commission for the Commission's review and approval.

Concerning the Company's Proposal to Establish a New Residential Air Conditioning Cycling Program, Exhibit 1; and

WHEREAS, the Commission Staff filed a report (the "Report") with the Commission on October 17, 2012, and supported Delmarva's request to implement the Cycling Program so long as the following conditions were met:

(a) Delmarva should be required to provide quarterly and annual reports and status updates on program implementation, costs, revenues, targets and results;

(b) The proposed tariff for the Rider "R-DLC" should be modified to include the brand name of the program and instructions on where to find the program details;

(c) Delmarva should continue to remove the EFT switches at no cost to the customer and continue to handle any damage claims through their existing claims process;

(d) Delmarva should provide to Staff and the Division of Public Advocate ("DPA") copies of all advertising and mailings that will be sent to customers prior to customer distribution;

(e) Delmarva should be permitted to create a regulatory asset to recover the filed costs of the program (\$25,477,246) with the carrying cost set at the current weighted cost of capital; and

(f) At the end of the program cost recovery period, the parties shall discuss whether or not there are any excess

PJM revenues and, if so, how to refund such excess PJM revenues to customers; and

WHEREAS, on November 2, 2012, the Division of the Public Advocate ("DPA") submitted "Comments of the Division of the Public Advocate on Staff's October 18, 2012 Report on Delmarva Power & Light's Proposal to Establish a New Residential Air Conditioning Cycling Program," in which the DPA requested the Commission to deny regulatory asset treatment for the estimated \$25 million of costs to implement and monitor the Cycling Program; and

WHEREAS, on November 2, 2012, the Secretary of the Delaware Department of Natural Resources and Environmental Control ("DNREC"), Collin P. O'Mara, filed the "Comments of Collin P. O'Mara, Secretary of the Delaware Department of Natural Resources and Environmental Control on Delmarva Power & Light's Proposal to Establish an Air Conditioning Cycling Program," in which Secretary O'Mara supported the approval of Delmarva's Cycling Program as recommended in the Report filed by Commission Staff; and

WHEREAS, on October 31, 2012 Delmarva filed a response to the Report; and

WHEREAS, the Commission has reviewed the filed Application, the proposed Rider "R-DCL", the Report, the DPA's comments, DNREC's comments, and Delmarva's comments on the Report; has heard oral argument from the participants at its regularly-scheduled meeting held on November 5, 2012; and has deliberated in public at that November 5, 2012 meeting;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NO FEWER THAN THREE COMMISSIONERS:

1. That, pursuant to 26 Del. C. §§201, 1008, and 1500, the Commission hereby grants Delmarva Power & Light Company ("Delmarva") the authority to establish a residential air conditioning cycling program (the "Cycling Program") as set forth in its application dated July 29, 2012 (the "Application").

2. That the Commission hereby approves Delmarva's proposed Rider entitled the "Residential Direct Load Control Rider - Rider 'R-DLC'" subject, however, to the exclusion of ¶C.4 of the proposed Rider.

3. That the Commission hereby orders Delmarva to file its revised Rider "R-DLC" within 30 days of the date of this executed Order.

4. That, beginning in 2013, Delmarva must file with the Commission, on a quarterly and annual basis, reports and status updates on the implementation, costs, revenues, targets, and results of the Cycling Program.

5. That the Commission confirms that the language of Order No. 7420, in which the Commission "permit[ted] Delmarva to establish a regulatory asset to cover recovery of and on the appropriate operating costs associated with the deployment of Advanced Metering Infrastructure and demand response equipment," authorized Delmarva to establish a regulatory asset for costs incurred in implementing and monitoring the Cycling Program.

6. That, as stated in Order No. 7420 in Docket No. 07-28, "the Commission, Staff, and other parties remain free to challenge the level or any other aspects of the asset's recovery in rates when

Delmarva seeks recovery of the regulatory asset in base rates." The burden of proof regarding any Cycling Program costs for which Delmarva may later seek recovery shall remain with Delmarva and shall not transfer to any other party as a result of our approval of the creation of the regulatory asset as set forth in Order No. 7420 (dated September 16, 2008).

7. That Delmarva is hereby ordered to continue to remove the Energy For Tomorrow switches at no cost to its customers and continue to handle any damage claims through its existing claims process as set forth in its filed Delaware Electric Tariff.

8. That Delmarva is hereby required to provide to the Commission Staff, the Division of the Public Advocate ("DPA"), and the Delaware Department of Natural Resources and Environmental Control ("DNREC") copies of all advertising materials and mailings prior to sending any such advertising materials or mailings to its customers.

9. That at the end of whatever period the Commission determines is appropriate for Delmarva to recover the Cycling Program costs,³ Delmarva, the Commission Staff, the DPA, and DNREC shall convene to discuss the best way for Delmarva to refund any excess PJM revenues to Delmarva's customers.⁴

³ This Order does not address what cost recovery period Delmarva should use for the Cycling Program.

⁴ For example, if the Commission approves recovery of the Cycling Program's costs over 15 years, at the end of those 15 years Delmarva will continue to collect revenues from PJM markets to offset the customer bill credits, even though it will no longer need to hold excess revenue to offset the Cycling Program's costs. Such excess revenue, if any, must be returned to Delmarva customers in the form of bill credits or whatever alternative refund procedure the Commission ultimately approves.

10. That 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:

/s/ Dallas Winslow
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary