

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE PROVISION OF)
STANDARD OFFER SUPPLY TO RETAIL)
CONSUMERS IN THE SERVICE TERRITORY) PSC DOCKET NO. 14-144
OF DELMARVA POWER & LIGHT COMPANY)
(FILED APRIL 1, 2014))

ORDER NO. 8557

This 29th day of April, 2014, the Public Service Commission ("Commission") determines and orders the following:

WHEREAS, on April 1, 2014, Delmarva Power & Light Company ("Delmarva") filed revised electric tariffs and requested approval of 2014 Standard Offer Service Rates, Procurement Cost Adjustment, Reasonable Allowance for a Retail Margin, and Renewable Energy Portfolio Standard compliance (the "2014 SOS-PCA-RARM-RPS Filing"). The 2014 SOS-PCA-RARM-RPS Filing included revised tariff leafs 39 to 41; 43 to 47; 50; 112; and 114. Additionally, Delmarva filed workpapers supporting the proposed tariff changes as well as the monthly bill impact information that showed a proposed increase by approximately \$0.32 (or an increase of 0.20%) for a typical residential customer using 1,000 kWh on an annual average basis; and

WHEREAS, as discussed further below, Staff has begun its review of the 2014 SOS-PCA-RARM-RPS Filing. At this time, pending further review of the 2014 SOS-PCA-RARM-RPS Filing, Staff recommends that the Commission approve Delmarva's proposed rate changes on a temporary basis, and subject to refund with interest effective with usage on and after June 1, 2014, and with the appropriate public notice; and

WHEREAS, Staff notes that the 2014 SOS-PCA-RARM-RPS Filing includes recovery of certain franchise and State utility taxes that Delmarva is required to collect from customers and transfer to State and local taxing authorities. For a three-year period, beginning June 1, 2007, and ending May 31, 2010, Delmarva paid those taxes on behalf of its customers but, due to mistaken application of the PCA, failed to collect the amounts that it paid to taxing authorities in SOS rates (the "Uncollected Amounts"). According to the Settlement Agreement which the Commission approved as part of Order No. 8265 (December 18, 2012) in Docket No. 11-528, the total amount to be collected over a three-SOS year period, beginning June 1, 2012, is \$3,346,205 ("\$3.4 million"). Thus, each year there will be a true-up for the Uncollected Amounts. The total Uncollected Amount, however, will not exceed the \$3.4 million. The Uncollected Amounts claimed by Delmarva is still subject to Staff review; and

WHEREAS, Staff further notes that Delmarva's 2014 SOS-PCA-RARM-RPS filing includes implementation of the Renewable Energy Portfolio Standard Charge (the "RPS Charge"). This charge consists of (1) the cost to acquire renewable energy credits ("RECs"), solar renewable energy credits ("SRECs"), and their equivalents necessary to comply with the Delaware Renewable Energy Portfolio Standards Act ("RPS"); (2) the cost and/or benefit of the energy from contracts for renewable energy entered into by Delmarva with the approval of the Commission; and (3) the adjustment of the Qualified Fuel Cell Provider Project

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("Bloom") on the RPS obligations. The imputed RPS Charge is \$0.003448/kWh for all service classifications; and

WHEREAS, on December 22, 2009, via Order No. 7703, the Commission approved a Settlement Agreement in PSC Docket No. 09-9 ("RARM Settlement") which provides that where the change in the total RARM rate exceeds 5.25%, Delmarva is required to submit a formal filing for review. According to the 2014 SOS-PCA-RARM-RPS Filing, the RARM rate for fixed price customers decreased by 5.30% from the RARM rate currently in effect. Therefore, Delmarva considers the RARM component to be a formal filing, and the RARM factor will decrease. Delmarva included workpapers supporting the results of the RARM factor on an actual basis for the reporting year ending December 31, 2013, and on an estimated basis for the rate effective period. The RARM component will be subject to formal discovery; and

WHEREAS, on October 7, 2008, pursuant to 26 Del. C. §1007(c)(1) and the Commission's jurisdiction in this docket, the Commission issued Order No. 7461 which approved Delmarva's request to utilize in its annual Standard Offer Service ("SOS") procurement process a reverse auction process conducted by World Energy Solutions Inc.; and

WHEREAS, on December 2, 2013, and February 3, 2014, Delmarva conducted its ninth annual SOS procurement for supply contracts commencing on June 1, 2014. The procurement, which was conducted in two "tranches," secured three-year supply contracts for one-third of the residential SOS load and one-year contracts for 100% of the load

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for other "fixed price" types of service. Liberty Consulting Group, Inc. ("Liberty"), along with Staff, observed and evaluated the supply procurement in each tranche; and

WHEREAS, at the Commission's March 4, 2014 meeting, Liberty presented its Final Report dated March 4, 2014, which discussed the details of each procurement and the successful bids for the 2013-2014 SOS RFP. The 2014 SOS-PCA-RARM-RPS Filing reflects the results of the successful bids, as well as the PCA, RARM, and the RPS; and

WHEREAS, as discussed in its report, Liberty found that the auction resulted in bids that were consistent with expectations based on market conditions;

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

1. The "Technical Consultant's Final Report - To the Delaware Public Service Commission - Delmarva Power & Light [Company] 2013-14 Request for Proposals for Full Requirements Wholesale Electric Supply for Standard Offer Service" dated March 4, 2014, as prepared and given to the Commission by Liberty Consulting Group, Inc. is hereby accepted.

2. Pursuant to 26 Del. C. §306(a)(1), the revised tariff sheets, including revised rates, filed by Delmarva on April 1, 2014, pertaining to its Standard Offer Service Rates, Procurement Cost Adjustment, Reasonable Allowance for a Retail Margin, and Renewable Energy Portfolio Standard compliance are approved on a temporary

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basis, with usage on and after June 1, 2014. Such rates shall be subject to refund, with interest, if the Commission shall determine in a final order that such rates are, in whole or in part, unjust or unreasonable.

3. Delmarva shall publish the form of notice, attached as Exhibit "A," in the following newspapers, on the designated dates, in two-column format outlined in black:

May 22, 2014 - The News Journal; and

May 23, 2014 - Delaware State News

Delmarva shall cause the affidavits of publication of the above notices to be filed in this docket within two weeks of becoming available.

4. Interested persons may file written comments or objections to the proposed rates and tariff changes **on or before July 18, 2014.** If material written comments or objections are filed, or if Staff recommends changes to the proposed rates or tariff revisions temporarily approved by this Order, the Commission will determine, by further Order, the course of any further proceedings. If material written comments or objections are not filed and Staff recommends final approval of the rates and revised tariff leafs, then the Commission may enter a final order at a duly-noticed public hearing without further proceedings.

5. Delmarva is hereby notified that it will be charged the costs of this proceeding under 26 Del. C. §114(b)(1).

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6. 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

E X H I B I T "A"

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**PUBLIC NOTICE OF CHANGES TO
FIXED PRICE STANDARD OFFER SERVICE RATES
AND PROCUREMENT COST ADJUSTMENT RATE FACTORS**

**TO: ALL CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY TAKING
STANDARD OFFER SUPPLY**

On April 1, 2014, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Delaware Public Service Commission (the "PSC") an application to make changes to its Electric Tariff related to its Standard Offer Supply ("SOS") service offerings including:

(a) Changes in the rates for "fixed" price SOS to reflect the bid prices from the recent "fixed price" SOS wholesale procurement process;

(b) Revision of the "Procurement Cost Adjustment" factors applicable to both fixed price SOS and Hourly Prices (SOS and returning customer) services; and

(c) Revision of the Renewable Energy Portfolio Standard compliance costs to both fixed price SOS and Hourly Prices (SOS and returning customer) services.

(d) Revision of the Reasonable Allowance for Retail Margin applicable to both fixed price SOS and Hourly Prices (SOS and returning customer) services; and

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According to the Company's calculations, not including the Qualified Fuel Cell Provider Project ("Bloom") or RPS Charge, the monthly bill for a residential customer using 1,000 kWh on an annual average basis will be increased by approximately \$0.32 (or an increase of 0.20%).

On April 29, 2014, in PSC Order No. 8557, the PSC allowed the proposed rates and tariff changes to go into effect, with usage on or after June 1, 2014, on a temporary basis, but subject to refund with interest if the Commission later determines in a final order that such rates and charges are incorrect, unjust, or unreasonable.

If you wish to formally participate as a party in this matter, with the right to present evidence and be represented by counsel, you must file with the Commission a written petition asking for leave to intervene in accordance with the requirements of the Commission's Rules of Practice and Procedure (26 *Del. Admin. C.* §1001-2.9) **on or before July 18, 2014**. All such petitions should be sent to the Commission's address:

Public Service Commission
861 Silver Lake Blvd.
Cannon Bldg., Suite 100
Dover, DE 19904
Attn: PSC Dkt. No. 14-144

Petitions filed after the deadline of July 18, 2014, will not be considered except for good cause shown.

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You are invited to review Delmarva's filing and supporting documents to determine how your interests may be affected. You may review documents posted on the Commission's website at <http://dep.sc.delaware.gov/default.shtml>. If you would like to review documents at the Commission's offices, please contact Monica Hall at monica.hall@state.de.us to arrange a time for your review. You may also review copies of Delmarva's filing and supporting documents at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French Street, Wilmington, Delaware 19801. Please call (302) 577-5077 to arrange for a time to review the documents at that location.

If you wish to request copies of documents in this matter, please submit a Freedom of Information Act Request Form. This form may be found at <http://smu.portal.delaware.gov/cgi-bin/mail.php?foia-request&subj=DOS>. There is also a link to the Freedom of Information Act Request Form on the Commission's website at <http://dep.sc.delaware.gov/default.shtml>. The Commission will respond to your request in accordance with the Delaware Freedom of Information Act, 29 Del. C. ch. 100.

If you have a disability and wish to participate or to review the materials in this matter, please contact the Commission to discuss any auxiliary aids or services you might need to help you. You may contact the Commission in person, by

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writing, by telephone (including text telephone), by Internet e-mail, or other means.

If you have questions about this matter, you may call the Commission at 1-800-282-8574 (toll-free in Delaware) or (302) 736-7500 (voice and text telephone). You may also send questions regarding this matter by Internet e-mail addressed to pamela.knotts@state.de.us.