

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR A CHANGE IN NATURAL GAS BASE) PSC DOCKET NO. 12-546
RATES AND MISCELLANEOUS TARIFF)
CHANGES)
(FILED DECEMBER 7, 2012))

ORDER NO. 8576

AND NOW, to-wit, this 26th day of June, A.D. 2014:

WHEREAS, on September 16, 2008, pursuant to Order No. 7420, the Delaware Public Service Commission (the "Commission") approved the establishment by Delmarva Power & Light Company ("Delmarva" or the "Company") of a regulatory asset for operating costs associated with the deployment of Interface Management Units ("IMUs") as part of Delmarva's Advanced Metering Infrastructure ("AMI"); and

WHEREAS, on June 21, 2011, the Commission reviewed, considered and approved the Findings and Conclusions issued by a Hearing Examiner that recommended approval of a settlement agreement that would allow Delmarva to recover in rates certain costs associated with its investments in AMI through August 2010. In addition, the Commission allowed AMI costs incurred after 2010 to be deferred for review in future proceedings. (See, Section C, paragraph 1 of the settlement agreement attached as Exhibit B to Order No 7990); and

WHEREAS, on October 22, 2013, the Commission again considered a request by Delmarva to increase its gas rates which

included a phase-in of certain costs associated with the IMUs (the "IMU Asset"). Under the terms of the settlement agreement the parties agreed that 50% of the IMU Asset would be put into rates beginning May 1, 2014, with the remainder being collected in rates beginning in March of 2015, subject to certain conditions. (See, Order No. 8465 approving the September 30, 2013 Findings and Recommendations of the Hearing Examiner recommending approval of the Proposed Settlement Agreement (the "Settlement Agreement") and the proposed rates therein); and

WHEREAS, the approved Settlement Agreement required that, at least 90 days prior to the applicable date for the proposed phase -in, 95% of eligible meters be equipped with an activated IMUs and those IMUs be "functioning as planned"; and

WHEREAS, Delmarva did not meet the requirements of the Settlement Agreement requiring 95% of the eligible devices to be "functioning as planned" 90 days prior to May 1, 2014; and

WHEREAS, on March 18, 2014, after meeting the conditions set forth in the Settlement Agreement regarding the recovery of the first phase of the deployment of the IMUs, the Company made a Compliance Filing seeking to recover 50% of the IMU Asset through rates, effective July 1, 2014; and

WHEREAS, Staff has reviewed and audited the Company's filing to ensure that it meets the conditions set forth in the

Commission's prior order approving a phased-in recovery of the IMU ASSET¹; and

¹ "AMI IMU Regulatory Asset Recovery

1. Pursuant to Order No. 7420 (Docket No. 07-28), Delmarva established a regulatory asset for operating costs associated with the deployment of the interface management unit (IMU) portion of Delmarva's Advanced Metering Infrastructure (the "IMU Asset"). The IMU Asset has been accruing a return since its establishment. Unlike the installation of AMI meters for the electric metering portion of the Company's Advanced Metering Infrastructure, the completion of the IMU portion has experienced a delay of approximately 24 months, compared to the installation of electric meters.
2. The Settling Parties agree to a phase-in of the recovery of the IMU Asset into customer rates (the "Phase-In") as follows:
 - a. 50% of the IMU Asset will be put into rates on May 1, 2014.
 - b. The remainder of the IMU Asset will be put into in rates on March 1, 2015.
3. In order to establish that the IMUs are functioning as planned before any percentage of the IMU Asset may be included in rates on the dates referenced above, the Company must establish that for a period of at least 90 days prior to the applicable dates:
 - a. with respect to the May 1, 2014 portion of the Phase-In, 95% of eligible meters have been equipped with an activated IMU device and those IMU devices are functioning as planned; and
 - b. with respect to the March 1, 2015 portion of the Phase-In, 99% of eligible meters have been equipped with an activated IMU device and those IMU devices are functioning as planned.

Eligible meters consist of meters that are intended to be equipped with IMU devices.

4. The filings for each portion of the Phase-In must be made at least 105 days prior to each phase-in date set forth above. Notwithstanding any language to the contrary contained herein, the 90 day period described in Section C. 3. hereof must include at least one of the following months: November, December, January, February, March, or April.
5. The IMUs will be considered to be "functioning as planned" if 95% of the IMU devices have been sending remote readings that are being used for billing purposes and those readings are both 99.5% accurate and 99.5% timely. For purposes of this requirement, the accuracy rate of 99.5% will be considered achieved if no more than 0.5% of the bills require adjustment after the bill has been presented for payment to the customer. The timeliness rate of 99.5% will be considered achieved if

WHEREAS, based on its review and audit, Staff finds that the Company has demonstrated that 95% of the eligible meters have been equipped with activated IMUs and that those IMUs have been sending remote readings used for billing purposes that are both 99.5% accurate and 99.5% timely, for a period of at least 90 days; and

WHEREAS, based on its review and audit Staff finds that the Company has met the requirements of the Settlement Agreement as of April 11, 2014;

NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE VOTE OF NOT

no more than 0.5% of bills are sent later than three full business days after the final meter reading within each customer's monthly billing period. Any failure to achieve the 99.5% accuracy and timeliness requirements must be due to an error attributable to the IMUs. For purposes of calculating the percentage of meters functioning as planned, the IMU accuracy rate and the timeliness rate, IMUs that are unable to function as planned due to external forces outside the reasonable control of the Company will not be included in the total number of the activated IMUs for the purpose of determining compliance with the 95% and 99.5% requirements contained in this Section. If the requirements for the portion of the Phase-In intended for May 1, 2014 are not met by the Company, then:

- a. The portion of the Phase-In originally scheduled to occur on that date will be postponed until such time as the Company meets the requirements (as set forth above) to phase in rates on that date, and
 - b. The portion of the Phase-In originally scheduled to occur on March 1, 2015 will be postponed until 9 months from the date that the first portion of the Phase-In actually goes into effect.
6. If the requirements for the portion of the Phase-In originally scheduled to occur on March 1, 2015 are not met by the Company, then the Phase-In that would have occurred on that date will be postponed until the Company meets the requirements (as set forth above) to phase in rates on that date." (See, Order No. 8465, Exh. B, paras. C. 1-6).

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

1. That the Commission approves the March 18, 2014 Compliance Filing made by Delmarva, reviewed and audited by Staff, and the proposed change in natural gas distribution rates of \$447,629, or \$0.37 a month for a residential customer using 120 ccf in a winter month.

2. That the rates will become effective with usage on and after July 11, 2014.

3. On or before July 1, 2014, the Company shall file revised tariff sheets with the Commission reflecting the July 11, 2014 effective date of the rates.

4. 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
Chairman

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary

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