

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR AN ANNUAL UPDATE IN THE GAS) PSC Docket No. 18-1050
ENVIRONMENTAL SURCHARGE RIDER)
RATE (FILED AUGUST 24, 2018))

PROPOSED SETTLEMENT

On this _____ day of November 2018, Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (“Staff”), and the Division of the Public Advocate (“DPA”) (individually a “Party” and together, the “Parties” or “Settling Parties”) hereby enter into this Proposed Settlement Agreement to settle all issues raised in this proceeding as follows.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On August 24, 2018, Delmarva filed an application (the “Application”) with the Delaware Public Service Commission (the “Commission”) for the annual update in its Gas Environmental Surcharge Rider Rate (“ESR”), effective on and after November 1, 2018, with proration, and with such revised factors to continue in effect until June 30, 2019. In its Application, Delmarva proposed to decrease its current ESR rate as set forth in the calculations in Schedules LJB-3 to LJB-5.

2. The proposed decrease in the ESR rate reflects the proper amortizable portion of the remediation expense balance for the current period, the proper amortizable portion of the remediation expenses from prior periods, including those for 2019 and 2020 per Commission Order No. 9143 (page 4, part 3) to consolidate the small remaining balances in the 2019 recovery period (\$190.70 + \$481.43) and the 2020 recovery period (\$503.08), the prior year overcollection, and the Public Service Commission Assessment,

for a total of \$187,110.40. The table below sets forth the proposed rate decrease for each customer class.

Service Classification	Current 2017-18 ESR Rate	Proposed 2018-19 ESR Rate
Residential Gas Service General Gas Sales Service General Gas Firm Transportation Service	\$0.00160/ccf	\$0.00107/ccf
Medium Volume Gas Sales Service Large Volume Gas Sales Service Medium Volume Firm Transportation Service Large Volume Firm Transportation Service	\$0.01599/Mcf	\$0.01070/Mcf

3. In prior filings, the forecasted sales for a 12-month period were used to calculate the new ESR rate. Because this is the last annual surcharge filing for the properties covered under the three Wilmington Manufactured Coal Gas sites, which began in 2003, the Company requested that the recovery period be shortened in order to include any over (under) collection in the 2019-2020 GCR filing to be filed in August 2019. The forecast period used in this filing is 11/1/2018 – 6/30/2019, which will allow a reconciliation of fees collected to be made prior to the 2019-2020 GCR filing. The Company requested a waiver from the standard Recovery Year described on Tariff Leaf No. 80 to avoid preparing another annual ESR filing for the 2019-2020 period. The Company will provide Commission Staff and the DPA with a final report in August 2019 that reconciles the collections and over/under recovery through the end of June 2019, and will also provide this information as part of the August 2019 GCR filing.

4. The proposed decrease would result in a decrease of approximately \$0.04 per month on the winter gas bill of the typical residential space heating customer using 83 ccf of natural gas during a winter month.

5. On September 25, 2018, in Order No. 9274, the Commission opened this docket and allowed the proposed ESR rates, reconciliation and true-ups to become effective

on a temporary basis, with proration and subject to refund, effective with usage on and after November 1, 2018.

6. On October 23, 2018, in Order No. 9286, the Commission scheduled an evidentiary hearing on the Application and set deadlines for intervention and submission of written comments.

7. Pursuant to Order No. 9286, notice of the Application was published in *The News Journal* on October 26, 2018, advising that an evidentiary hearing and public comment session would be held on Thursday, November 29, 2018, at 1:00 p.m. at the Commission's office located at 861 Silver Lake Boulevard, First Floor Hearing Room, Cannon Building, Dover, Delaware 19904, and setting a deadline of November 9, 2018 for written comment. No written comments were received.

8. The DPA filed its statutory notice of intervention on August 28, 2018. There were no other intervenors.

9. There were no invoices and backup materials needed to be electronically submitted to Staff and DPA for review in the present ESR filing. On August 1, 2018, Staff and DPA were notified via e-mail that no costs were incurred.

10. Thus, the Parties agree that the Commission should approve Delmarva's Application as follows.

II. SETTLEMENT PROVISIONS

11. The Parties agree that the proposed ESR complies with Delmarva's natural gas tariff, results in just and reasonable rates and is in the public interest. Delmarva's revised tariff sheets, which set forth the proposed ESR rate for each customer class, are attached hereto and fully incorporated herein as "**Attachment 1.**"

12. The Parties agree to the Company's requested waiver and to the Company's request to shorten the recovery period to include any over (under) collection in the 2019-2020 GCR filing to be filed in August 2019. The Company will provide Commission Staff and the DPA with a final report in August 2019 that reconciles the collections and over/under recovery through the end of June 2019, and will also provide this information as part of the August 2019 GCR filing

13. This Proposed Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this Proposed Settlement other than as specified herein, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.

14. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

15. The Parties agree that this Proposed Settlement may be submitted to the Commission for a determination that it is in the public interest and that no Party will oppose such a determination. Except as expressly set forth herein, none of the Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or in previous cases.

16. This Proposed Settlement will become effective upon the Commission's issuance of a final order approving it and all of its terms and conditions without

modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a court having jurisdiction over the matter.

17. The Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. Any final Commission order related to the enforcement or interpretation of this Proposed Settlement shall be appealable to the Superior Court of the State of Delaware, in addition to any other available remedy at law or in equity.

18. If a court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order that prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal bar has the same effect, then this Proposed Settlement is voidable upon written notice by any Party to the other Parties.

19. This Proposed Settlement resolves all of the issues specifically addressed herein and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Parties may assert (a) if the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or another governmental body so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative

and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding.

20. The provisions of this Proposed Settlement are not severable. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Parties agree in writing to waive the application of this provision. The Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

21. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues in this proceeding.

22. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the Party executing it (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By: _____ Date: _____

DELMARVA POWER & LIGHT COMPANY

By: _____ Date: _____

**DELAWARE DIVISION OF THE
PUBLIC ADVOCATE**

By: _____ Date: _____

ATTACHMENT 1
REVISED TARIFF SHEETS

RATES AND CHARGES

CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Residential Gas Sales Service (“RG”)</u>		
Customer Charge	\$13.18	per month
Delivery Charge	\$0.54930	per CCF
Space Heating Delivery Charge 1/ Over 50 CCF	\$0.44078	per CCF
Environmental Surcharge Rider	\$0.00107	per CCF
Gas Cost Rate (GCR)	\$0.50304	per CCF
<u>General Gas Sales Service (“GG”)</u>		
Customer Charge	\$54.26	per month
Delivery Charge		
First 750 CCF	\$0.36283	per CCF
Over 750 CCF	\$0.36283	per CCF
Environmental Surcharge Rider	\$0.00107	per CCF
Gas Cost Rate (GCR)	\$0.50304	per CCF
<u>Gas Lighting Sales Service (“GL”)</u>		
(Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 7.79	per gas light
Gas Cost Rate (GCR)	\$ 7.55	per gas light
<u>Medium Volume Gas Sales Service (“MVG”)</u>		
Customer Charge	\$818.63	per month
Demand Charge	\$ 17.775	per MCF of Billing MDQ
Delivery Charge 2/	\$0.55297	per MCF
Environmental Surcharge Rider	\$0.01070	per MCF
Gas Cost Rate (GCR)	\$5.0304	per MCF
<u>Large Volume Gas Sales Service (“LVG”)</u>		
Customer Charge	\$1,194.66	per month
Demand Charge	\$10.899	per MCF of Billing MDQ
Delivery Charge 2/	\$0.14106	per MCF
Environmental Surcharge Rider	\$0.01070	per MCF
Gas Demand Cost Rate(DCR)	\$1.9200	per MCF
Gas Commodity Cost Rate (CCR) 2/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, including the GCR, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% Charged on all non-exempt services, in the City of Wilmington, including the GCR.

Utility Facility Relocation Charge

For applicability refer to Rider UFRC on Leaf No. 81

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating delivery rate for all gas used in excess of 50 CCF for the billing months of October through May, inclusive.

2/ All LVG and “Electing” MVG Customers pay a monthly Gas Demand Cost Rate and a Commodity Cost Rate based upon the system Weighted Average Commodity Cost of Gas (“System WACCOG”). “Non-Electing” MVG Customers pay the annual GCR listed here.

Order No.
Docket No.

Filed: August 24, 2018
Effective with Usage On and After November 1, 2018

Proposed

RATES AND CHARGES
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Large Volume Gas Sales Service-Qualified Fuel Cell Provider-Renewable Capable Power Production (“LVG-QFCP-RC”)</u>		
Customer Charge	\$1,272.81	per month
Demand Charge	\$7.596	per MCF of Billing MDQ
Capital Recovery Charge	Varies	per Customer’s Executed Service Agreement
Pressure Support Fee	\$0.4095	per MCF Redelivered
Balancing Fee	\$0.6779	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.01070	per MCF
Gas Cost Rate (GCR) Commodity Charge 1/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% charged on all non-exempt services, in the City of Wilmington.

Utility Facility Relocation Charge For applicability refer to Rider UFRC on Leaf No. 81

- 1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York North price plus any premiums incurred by the Company to provide this service.

RATES AND CHARGES

CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation Service ("GVFT")</u>		
Customer Charge	\$189.07	per month
Delivery Charge		
First 750 CCF	\$0.36283	per CCF Redelivered
Over 750 CCF	\$0.36283	per CCF Redelivered
Pressure Support Fee	\$0.04095	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.06779	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00107	per CCF
<u>Medium Volume Firm Transportation Service ("MVFT")</u>		
Customer Charge	\$896.77	per month
Demand Charge	\$17.775	per MCF of Billing MDQ
Delivery Charge	\$0.55297	per MCF Redelivered
Pressure Support Fee	\$0.4095	per MCF Redelivered
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Balancing Fee Non-Base Rate	\$0.6779	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.01070	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$1.9200	per MCF
Commodity Charge		Monthly System WACCOG per MCF (adjusted for Lost and Unaccounted for Gas)

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Order No. ~~9214~~

Filed: ~~May 23~~^{August 24}, 2018

Docket No. ~~17-1013~~—

Effective with Usage On and After ~~March 17~~^{November 1}, 2018

~~Filed in Compliance with Order No. 9214 in Docket No. 17-1013~~

~~To reflect Gas Cost Rate Approved as Final (Originally Effective November 1, 2017/2018)~~

Proposed

RATES AND CHARGES
CORE SALES RATE LEAF

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Utility Facility Relocation Charge For applicability refer to Rider UFRC on Leaf No. 81

- 1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York North price plus any premiums incurred by the Company to provide this service.

Order No. ~~9214~~
Docket No. ~~17-1013~~

Filed: ~~May 23~~August 24, 2018
Effective with Usage On and After ~~March 17~~November 1, 2018

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RATES AND CHARGES

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