



STATE OF DELAWARE  
**PUBLIC SERVICE COMMISSION**  
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MEMORANDUM

December 7, 2022

TO: The Chairman and Members of the Commission

FROM: Joshua Bowman, Regulatory Policy Administrator

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED AUGUST 17, 2017)  
PSC DOCKET NO. 17-0977

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On August 17, 2017, Delmarva Power and Light Company (Delmarva” or the “Company”) filed an application (“Docket 17-0977”) for an increase in electric distribution rates.

On August 21, 2018, the Delaware Public Service Commission (the “Commission”) adopted Order No. 9248 in Docket No. 17-0977 that approved a settlement agreement (the “Settlement Agreement”) entered into by all parties in Docket 17-0977. Section II. 1. (c) (i) through (vii) of this Settlement Agreement addresses the flow back of Excess Deferred Income Taxes (“EDIT”) as a result of the Tax Cuts and Jobs Act of 2017 (“TCJA”). Per the Settlement Agreement, \$44.3 million of non-protected property related EDIT was to be flowed back using a six-year amortization period, and \$20.8 million of non-protected non-property related EDIT was to be flowed back using a five-year amortization period<sup>1</sup>.

On September 16, 2022, Delmarva filed an application to modify its electric Rider “EDIT” Excess Deferred Income Tax Credit (“Rider EDIT”).

On October 31, 2022, Delmarva filed an amended application (the “Amended Application”) due to a reporting issue in the Company’s annual EDIT filing. The annual EDIT filings did not include

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<sup>1</sup> \$62.5 million and \$29.3 million respectively when grossed up by the revenue conversion factor of 1.40926

the EDIT flowed back to customers as part of the rate refund process for Docket 17-0977 which was separate from the Rider EDIT sur-credit process.

Delmarva intends to reset certain Rider EDIT service classifications to zero as those EDIT balances have been fully credited to the respective customer classes. Below is a table illustrating which EDIT credit for each service classification that will be set to zero, and the effective date of the change.

<b>Service Classification</b>	<b>Effective Date</b>
<b>Small General Service - Non-Demand (“SGS-ND”):</b> Five-Year EDIT Credit	January 1, 2023
<b>Small General Service - Non-Demand (“SGS-ND”):</b> Six-Year EDIT Credit	January 1, 2023
<b>General Service – Transmission (“GS-T”):</b> Five-Year EDIT Credit	January 1, 2023
<b>General Service – Transmission (“GS-T”):</b> Six-Year EDIT Credit	January 1, 2023
<b>Residential Service &amp; Plug-In Vehicle (“R” &amp; “PIV”):</b> Five-Year EDIT Credit	January 1, 2023
<b>Residential TOU - Non-Demand (“R-TOU-ND”):</b> Five-Year EDIT Credit	January 1, 2023
<b>Residential Heating (“RSH”):</b> Five-Year EDIT Credit	February 1, 2023

Per the Settlement Agreement, any amounts credited back to customers in excess of the total EDIT balance will be recorded as a regulatory asset with a return at the Company’s authorized rate of return to be recovered in the Company’s subsequent rate case.

Delmarva has proposed that, instead of carrying regulatory asset balances for the five-year EDIT credits, those regulatory asset balances be transferred to the six-year EDIT liability balance. If approved, this proposal will reduce the six-year EDIT liability balance.

For the R & PIV and R-TOU-ND classes, the Company projects that the five-year EDIT liability will be fully credited by the end of December 2022. Any amount credited to those two classes in excess of the original five-year EDIT liability balance will be transferred to the six-year EDIT liability. These two classes will continue to receive the six-year EDIT credit.

For the RSH class, Delmarva projects that the five-year EDIT liability will be fully credited by the end of January 2023. Any amount credited to this class in excess of the original five-year EDIT liability balance will be transferred to the 6-year EDIT liability. This class will continue to receive the six-year EDIT credit.

According to Schedule 1 provided with the Company's Amended Application, for the SGS-ND class, the five-year EDIT balance was fully credited and entered regulatory asset status in February 2022. The Company did not file an application within 60 days of the completion of the 5-year EDIT liability due to the reporting issue. While the six-year EDIT balance remained as a regulatory liability as of the end of September 2022, the combined five-year and six-year EDIT balance was in regulatory asset status as of August 2022.

Similarly, per Schedule 1, for the GS-T class, the five-year EDIT balance was fully credited and entered regulatory asset status in January 2022. The Company did not file an application within 60 days of the completion of the five-year EDIT liability due to the reporting issue. The six-year EDIT balance was also fully credited and entered regulatory asset status in September 2022. The combined five-year and six-year balance was in regulatory asset status as of June 2022.

Staff's recommendations are as follows:

Staff recommends that the Commission approve Delmarva's request to set the five-year EDIT credits for the R & PIV and R-TOU-ND classes to zero with an effective date of January 1, 2023, and to transfer any regulatory asset balances from these five-year EDIT balances to the six-year EDIT liabilities.

Staff recommends that the Commission approve Delmarva's request to set the five-year EDIT credit for the RSH class to zero with an effective date of February 1, 2023, and to transfer any regulatory asset balance from this five-year EDIT balance to the six-year EDIT liability.

Staff recommends that the Commission approve Delmarva's request to set both the five-year and six-year EDIT credits for the SGS-ND and GS-T classes to zero with an effective date of January 1, 2023.

Lastly, the previously mentioned reporting issue resulted in a larger regulatory asset balance. Staff would like to note that it plans on addressing the regulatory asset balances from the SGS-ND and GS-T five-year and six-year EDIT credits during the Company's next rate case.