

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

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

ORDER NO. 10135

AND NOW, this 14th day of December 2022, the Delaware Public Service Commission (“Commission”) determines and orders the following:

WHEREAS, 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; and

WHEREAS, on August 21, 2018, the Delaware Public Service Commission (the “Commission”) adopted Order No. 9248 in Docket No. 17-0977, which approved a settlement agreement (the “Settlement Agreement”) entered into by all parties in Docket 17-0977; and

WHEREAS, Section II.1.(c) of the Settlement Agreement addressed the impact of the Tax Cuts and Jobs Act of 2017 (TCJA”) and the process for how the Company’s Excess Deferred Income Taxes (“EDIT”) would be flowed back to customers; specifically, \$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;¹ and

¹ \$62.5 million and \$29.3 million respectively when grossed up by the revenue conversion factor of 1.40926.

WHEREAS, on September 16, 2022, Delmarva filed an application to modify its electric Rider “EDIT” Excess Deferred Income Tax Credit (“Rider EDIT”); and

WHEREAS, on October 31, 2022, Delmarva filed an amended application (the “Amended Application”) due to a reporting issue (the “Reporting Issue”) discovered in the Company’s annual EDIT filing. According to the Amended Application and supporting schedules, the annual EDIT filing did not include the portion of the EDIT that was flowed back to customers as part of the rate refund process for Docket 17-0977; and

WHEREAS, through the Amended Application, Delmarva intends to reset to zero (\$0.000000) certain Rider EDIT service classifications whose EDIT liability balances have been fully credited to the respective customers. (See Attachment A to this order); and

WHEREAS, pursuant to Section II.1.(c)(vii) of the Settlement Agreement, any amounts paid to customers in excess of the total EDIT balance will be recorded as a regulatory asset with a return at the Company’s Commission authorized rate of return to be recovered in the Company’s subsequent rate case; and

WHEREAS, Delmarva has proposed that instead of carrying regulatory asset balances for the five-year EDIT credits, those regulatory asset balances be transferred to the respective six-year regulatory liability balances to reduce the remaining liability if that balance still has a credit; and

WHEREAS, per Schedule 1b of the Amended Application, the General Service – Transmission (GS-T”) five-year EDIT balance was fully credited to the rate class and entered into regulatory asset status in February 2022. The Small General Service – Non-Demand (“SGS-ND”) five-year EDIT balance was fully credited to the rate class and entered into regulatory asset status in January 2022. The SGS-ND six-year EDIT balance was fully credited to the rate class and entered into regulatory asset status in September 2022; and

WHEREAS, Delmarva did not file updated tariff sheets within 60 days of the completion of the GS-T five-year credit to eliminate the effect of said credit, nor did it file updated tariff sheets within 60 days of the completion of the SGS-ND five-year credit to eliminate the effect of said credit as required by Section II. 1. (c)(iv) of the Settlement Agreement due to the Reporting Issue; and

WHEREAS, because the SGS-ND and GS-T five-year EDIT credits have continued to accrue as a regulatory asset since January 2022 and February 2022 respectively, the cumulative effect of the SGS-ND five-year and six-year EDIT credits entered regulatory asset status in June 2022. Similarly, the cumulative effect of the GS-T five-year and six-year EDIT credits entered regulatory asset status in August 2022; and

WHEREAS, the Company intends to reset both the five-year and six-year EDIT credits for both the SGS-ND and GS-T rate classes to zero; and

WHEREAS, the Company projects that the five-year EDIT balances for the Residential Service & Plug-In Vehicle (“R & PIV”) and the Residential TOU – Non-Demand (“R-TOU-ND”) rate classes will be fully credited by the end of December 2022. The Company intends to reset the five-year EDIT credit for these two rate classes to zero effective January 1, 2023; and

WHEREAS, the Company projects that the five-year EDIT balance for the Residential Heating (“RSH”) rate class will be fully credited by the end of January 2023. The Company intends to reset the EDIT credit for this rate class to zero effective February 1, 2023; and

WHEREAS, the Company requests authority to transfer any regulatory asset balance for the R & PIV, R-TOU-ND, and RSH five-year EDIT credits to the respective six-year EDIT liability balances, thus reducing the respective six-year EDIT liability balances; and

WHEREAS, Staff submitted a memorandum to the Commission recommending that: 1) the five-year and six-year EDIT credits for the SGS-ND and GS-T rate classes be reset to zero effective January 1, 2023; 2) the five-year EDIT credit for the R & PIV and R-TOU-ND rate classes be reset to zero effective January 1, 2023, and any regulatory asset balance be transferred to the six-year EDIT liability; and 3) the five-year EDIT credit for the RSH rate class be reset to zero effective February 1, 2023, and any regulatory asset balance be transferred to the six-year EDIT liability; and

WHEREAS, Staff noted in its memorandum to the Commission that it plans on addressing these two regulatory asset balances for the SGS-ND and GS-T rate classes during the Company's next rate case;

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

1. That the five-year and six-year EDIT credits for the SGS-ND and GS-T rate classes be reset to zero (\$0.000000) effective January 1, 2023.
2. That the combined regulatory asset balances for the five-year and six-year EDIT credits for the SGS-ND and GS-T rate classes will be address in the Company's next rate case.
3. That the five-year EDIT Credit for the R & PIV and R-TOU-ND rate classes be reset to zero (\$0.000000) effective January 1, 2023.
4. That any regulatory asset balance from the five-year EDIT credit for the R & PIV and R-TOU-ND rate classes be transferred to the respective six-year EDIT liability.
5. That the five-year EDIT credit for the RSH rate class be reset to zero (\$0.000000) effective February 1, 2023.

6. That any regulatory asset balance from the five-year EDIT credit for the RSH rate class be transferred to the six-year EDIT liability.

7. Delmarva is hereby notified that it will be assessed the costs of this proceeding pursuant to 26 *Del. C.* § 114(b).

8. 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:

Dallas Winslow, Chairman

Joann Conaway, Commissioner

Harold Gray, Commissioner

Manubhai "Mike" Karia, Commissioner

Kim Drexler, Commissioner

ATTEST:

Donna Nickerson, Secretary

“Attachment A”

“Attachment A”

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