

**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 NATURAL GAS BASE)
RATES) PSC DOCKET NO. 17-0978
(FILED AUGUST 15, 2017))

ORDER NO. 10136

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

WHEREAS, on August 15, 2017, Delmarva Power and Light Company (Delmarva” or the “Company”) filed an application (“Docket 17-0978”) for an increase in natural gas base rates; and

WHEREAS, on November 8, 2018, the Delaware Public Service Commission (the “Commission”) adopted Order No. 9269 in Docket No. 17-0978 which approved of a settlement agreement (the “Settlement Agreement”) entered into by all parties in Docket 17-0978; 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, \$13.7 million of non-protected property related EDIT was to be flowed back using a six-year amortization period, and \$6.3 million of non-protected non-property related EDIT was to be flowed back using a five-year amortization period;¹ and

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

¹ \$19.4 million and \$8.9 million respectively when grossed up by the revenue conversion factor of 1.41465.

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 17-0978; 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. The Rider EDIT service classifications that will be reset to zero are listed below (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-regulatory liability balances to reduce the remaining liability if that balance still has a credit; and

WHEREAS, per Schedule 1b of the Amended Application, Residential Gas Sales (“R”) five-year EDIT balance was fully credited to the rate class and entered into regulatory asset status in March 2022; and

WHEREAS, Delmarva did not file updated tariff sheets within 60 days of the completion of the R 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 R 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, the Company requests authority to transfer any regulatory asset balance for R five-year EDIT credits to the respective six-year EDIT liability balances, thus reducing the respective six-year EDIT liability balances; and

WHEREAS, the Company projects that the six-year EDIT balance, after taking into account the five-year EDIT regulatory asset being transferred, will be fully credited by the end of December 2022; and

WHEREAS, Staff submitted a memorandum to the Commission recommending both the five-year and six-year EDIT credits for the R rate classes be reset to zero effective January 1, 2023; and

WHEREAS, Staff noted in its memorandum to the Commission, that it plans on addressing any regulatory asset balances for the R rate class 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 EDIT Credit for the R rate class be reset to zero (\$0.000000) effective January 1, 2023.
2. That any regulatory asset balance from the five-year EDIT credit for the R rate class be transferred to the respective six-year EDIT liability.
3. That the six-year EDIT credit for the R rate class be reset to zero (\$0.000000) effective January 1, 2023.
4. That the combined regulatory asset balance for the five-year and six-year EDIT credits for the R rate class will be addressed in the Company's next rate case
5. Delmarva is hereby notified that it will be assessed the costs of this proceeding pursuant to 26 *Del. C.* § 114(b).

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:

Dallas Winslow, Chairman

Joann Conaway, Commissioner

Harold Gray, Commissioner

Manubhai "Mike" Karia, Commissioner

Kim F. Drexler, Commissioner

ATTEST:

Donna Nickerson, Secretary

“Attachment A”

“Attachment A”

Service Classification

Residential Gas Sales Service (“RG”):

Five-Year EDIT Credit

Residential Gas Sales Service (“RG”):

Six-Year EDIT Credit

Effective Date

January 1, 2023

January 1, 2023