STATE OF DELAWARE

THE PUBLIC SERVICE COMMISSION

861 SILVER LAKE BLVD

CANNON BUILDING. SUITE 100 TELEPHONE: (302) 736-7529

Dover, Delaware 19904 TELECOPIER: (302) 739-4849

August 9, 2016

TO: The Chair and Members of the Commission

FROM: John Farber, Public Utilities Analyst

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR A CHANGE TO ITS TRANSMISSION SERVICE CHARGE FOR ITS ELECTRIC SUPPLY AND TRANSMISSION CUSTOMERS
(FILED June 17, 2016) PSC DOCKET No. 16-726

Summary

On June 17, 2016 Delmarva Power & Light Company (DPL or Company) filed its application to decrease its Transmission Service Charge for both its Standard Offer Service (SOS) Fixed Price Service and SOS Hourly Priced Service from $2.973246 per kW-month to $2.832627 per kW-month (a decrease of $0.140619 per kW-month or approximately 4.7%) and to amend Tariff Leaf Nos. 111 and 114 to reflect the decrease (the Application). The Company requested that the revised Transmission Service Charge be effective with usage on and after August 16, 2016. The proposed Transmission Service Charge was based on the Company's 2016 Annual Update to the Network Integration Transmission Service Rate for the Delmarva Transmission Service Zone (Network Rate) in an informational filing with the Federal Energy Regulatory Commission (FERC). The informational filing reflected 2015 FERC Form 1 data.[1] The formula rate for the informational filing was the result of a settlement agreement approved by FERC in Docket No. ER05-515.[2] According to DPL, the Application implements the procedure for establishing retail transmission rates set forth in Section II F of the Settlement Agreement approved in Order No. 6746 (October. 11, 2005) in PSC Docket No. 04-391. The 04-391 settlement established a pass-through mechanism that permits DPL to establish transmission rates for retail customers that mirror the transmission rates that PJM Interconnection, L.L.C. (PJM) charges DPL under FERC requirements.[3]

Generally, a proposed change in a rate charged to ratepayers would result in a Staff recommendation to suspend the proposed rate or approve the proposed rate on a temporary

---

[1]FERC Docket No. ER09-1158, May 16, 2016. The FERC issued a Letter Order dated February 17, 2010, directing, among other things, the Company to file Annual Updates in the forthcoming years, for informational purposes only, in Docket No. ER09-1158.

[2] Order Approving Uncontested Settlement, issued April 19, 2006, FERC Docket No. ER05-515.

[3] Discussion with the Company confirms that customers (including residential and other non-demand rate classes) are billed for transmission service on the basis of kW demands determined from actual AMI meter readings.

basis subject to Staff's review of the filing. In this instance, however, the proposed Transmission Service Charge is based on the update to the Network Rate in compliance with Attachment H-3E, Formula Rate Implementation Protocols approved by FERC in Docket No. ER05-515 (Protocols), and as filed May 16, 2016, in FERC Docket No. ER09-1158. As discussed further below, any revisions that might be necessary to the Network rate are subject to the discovery and challenge procedures specified in the Protocols in FERC Docket No. ER09-1158 rather than the instant PSC Docket. Staff recommends, therefore, that the Commission approve as final the proposed tariff revisions pertaining to Transmission Service Charges for DPL's SOS Fixed Price and Hourly Priced Service offerings as filed by the Company in its Application.

Analysis

This Application is unique in reflecting a decrease (versus the usual increases) to the Transmission Service Charge. The decrease in this Application is the result of a settlement in a complaint docket filed at the FERC that achieved a reduction to the Base Return on Equity used to develop the underlying Network Rate, as well as refunds applicable to certain periods from 2013 through 2015.[4] While the EL13-48 Settlement provided for a refund of ($11,902,175) plus interest of ($217,730) for a total reduction to the transmission revenue requirement of ($12,119,905), these reductions were offset by other increases in transmission capital costs for a net reduction as a result of the EL13-48 Settlement of ($7,305,738). A preliminary review of the informational filing at the FERC indicates that some portion of the change in the transmission revenue requirement is due to increases to transmission plant in service and transmission operation and maintenance expenses. As Staff described in previous reviews of the annual update to the Network Rate, information requests (discovery) and any subsequent challenge regarding the review of the costs included in the FERC-approved formula rate in FERC Docket No. ER09-1158 is subject to the formula rate Protocols. Should any revision to the Network Rate be necessary as a result of the discovery and challenge procedures, they would occur in FERC Docket No. ER09-1158 rather than the instant PSC Docket.

As a result of a previous Staff request, the Company's Application included customer bill impacts of the proposed Transmission Service Charge in Attachment E. The average annual decrease due to the proposed Transmission Service Charge reported by the Company ranged from -.27% to -1.08% for the Residential customers and -1.0% to -1.18% for the Residential Heating customers.[5] The increase for the "typical" (1000 kWh) residential customer was approximately -1.06%. For the non-residential customers, the average annual decreases ranged from -0.6% and -1.13% for the small and medium commercial service (respectively) to decreases of -.70% for the larger general service customers. Although Staff is reporting these bill impacts as provided by the Company, as a result of discovery it appears to Staff that these bill impacts do not reflect the manner in which customers are billed for transmission costs and are, therefore, erroneous. As discussed further below, the discovery provided (and not provided) by the Company result in a Staff conclusion that the estimated customer bill impacts of the proposed Transmission Service Charge have not been determined.

---

[4] Offer of Settlement of Pepco Holdings, Inc. on behalf of the Settling Parties under EL13-48, et. al., filed November 6, 2015 (EL13-48 Settlement) http://elibrary.ferc.gov/idmws/file_list.asp?accession_num=20151106-5181

[5] Staff would note that the proposed Transmission Service Charge is approximately 7% of the "typical" residential customer's total bill.

As identified above, customers are billed on the basis of their actual AMI data for transmission peak load contribution (PLC) demands kW, and the credits for each PLC demand kW is -$0.140619. As a result of discovery provided by the Company, the bill impacts provided appear to reflect a volumetric basis, i.e., kWh energy, rather than the PLC demand kW basis paid by customers.[6] The volumetric basis used by the Company for estimating bill impacts imputes a level of PLC kW that does not appear reasonable to Staff. For example, as shown in Attachment No. 2, the imputed PLC kW for a "typical" 1000 kWh customer (based on the -$0.140619 credit per PLC kW) is 9.67 kW which greatly exceeds Staff's expectations for such a level of consumption.

In order to address Staff's concerns, Discovery Request No. 1 was sent to the Company requesting transmission PLC kW data by consumption level based on AMI meter intervals.[7] As shown in Attachment No. 3, the Company's response was "[t]he requested analysis has not been performed".

In PSC Docket No. 07-28, the Company filed its "Blueprint for the Future Plan" (Blueprint) which, among other things, identified the benefits from the deployment of AMI meters.[8] Beginning on page 46 of the Blueprint, the Company "identified the . . . major benefits that could be derived from the universal deployment of an AMI System in Delaware" that included the following:

- <u>Provides additional customer specific load research data</u>: AMI systems are designed to support customer specific load research by compiling interval data for all customers. The data can be used by Delmarva's distribution and transmission system planners to optimize the design of the electric system. Competitive electricity and gas suppliers can use the data to refine their price offers to customers. Wholesale electricity suppliers participating in the SOS bid process can improve their price bids based on the data. Additionally, the interval data supports the evaluation of the impact of both energy efficiency and demand response programs.

It is exactly this "load research" capability upon which Staff relied in requesting PLC load data by consumption level. The capability to support specific load research with AMI interval data is also the basis for the Company's development of demand-related allocation of costs in the cost of service study filed in PSC Docket No. 16-649 as described by Witness Tanos. In his testimony, Witness Tanos identifies AMI-metered data to develop the maximum diversified demand (Class MDD) and undiversified demand (Customer NCP) to allocate primary system assets and secondary plant cost (respectively) to rate classes.[9]

---

6 See Attachment No. 1.

7 See Attachment No. 3.

8 Filed February 6, 2007.

[9] See PSC Docket No. 16-649, Testimony Witness Tanos, page 3, lines 20-21, and page 10, lines 18-22.

Staff proposes that the parties meet to further discuss this issue to determine whether there is a way for Staff to obtain the information they are looking for to complete their analysis.

Staff Recommendation

Given the challenge procedures provided in the formula rate Protocols in FERC Docket No. ER-09-1158, as discussed above, Staff respectfully recommends that the Commission approve as final the proposed Transmission Service Charge and the proposed Tariff Leaf Nos. 111 and 114 pertaining to Transmission Service Charges for its SOS Fixed Price and Hourly Priced Service offerings as filed by the Company on June 17, 2016. The effective date for the revised tariff leafs should be for usage on and after August 16, 2016, as requested by the Company.[10]

[10]Staff will be keeping this docket open to allow Staff to account for the time devoted to the appropriate rate charge for transmission service while pursuing potential issues pursuant to the Protocols.