

**Delmarva Power & Light Company, Delaware**

**SUMMARY OF**

**Proposal to Energy Efficiency Advisory Council for  
Energy Efficiency Rate Calculation and Recovery Procedure for Regulated Utilities**

**A. INTRODUCTION**

Pursuant to the 2014 amendments to the Delaware Energy Act (the “EE Amendments”), Energy Efficiency Working Group (EEAC) members have been involved in the EEAC process. The statutory responsibilities of the EEAC include developing energy efficiency (EE) program portfolios for all utilities in Delaware. With respect to regulated utilities, the EEAC’s additional statutory responsibilities include development of recommended rate recovery mechanisms. The EEAC must then recommend adoption of the programs and recovery mechanisms to the Commission for its review and approval. Delmarva Power’s proposal includes the same rate recovery mechanism the EEAC approved for Delmarva Power’s first EE program, including:

1. The recovery mechanism the EEAC should recommend to the Commission;
2. The procedure the EEAC should recommend to the Commission for the Commission’s review and approval of:
  - a. EEAC recommendations concerning EE programs and a recovery mechanism, and
  - b. Annual EE Rate adjustments.
3. The manner in which the EE Rate should appear on Delmarva Power’s bills.

This document is designed to provide a summary of the proposals listed above.

**B. EE AMENDMENT STATUTORY PROVISIONS RELATED TO RECOVERY**

The following are the primary statutory provisions that the EEAC must keep in mind when considering the proposal summarized in this document:

1. The Recovery Process Must be Efficient and Timely
2. Costs May not be Placed in Rate Base
3. Rates Must be Annually Adjusted

4. The Rate Must Include Both Recovery of Costs and a Rate of Return
5. Commission Approval of Both EE Programs and Recovery Mechanism is Required

C. RATE COMPUTATION FOR DELMARVA POWER EE PROGRAMS

The rate computation mechanism proposed and summarized below for adoption in Delaware is the same mechanism the EEAC previously recommend and which the Commission approved.

1. EE Rate Based upon Program Budget for Year-Ahead: The recommended first year of the EE Rate for regulated utilities will be established based upon the budget established by the regulated utility and the EEAC for the first year of the program.
2. Amortization Period of One Year: Delmarva Power recommends a general amortization period of one year for EE programs.
3. EE Rate and Annual Amount Recovered – Year 1: The EE Rate is determined by calculating the annual amount to be recovered and dividing that amount by the forecasted KWh load. The annual amount to be recovered would consist of:
  - a. Forecasted program costs;
  - b. Forecasted amortization of program costs; and
  - c. Forecasted rate of return on the unamortized balance.
  - d. Adjust for true-ups from first EE program.
4. Annual EE Rate Adjustments - Subsequent to Year 1: Subsequent to Year 1, the EE Rate will include the components outlined in Section C.3. above, to be annually adjusted as follows:
  - a. Add forecasted amortized costs related to any additional EE programs recommended by the EEAC and approved by the Commission; and
  - b. Adjust for prior period true-ups.

D. PROCEDURE FOR COMMISSION APPROVAL OF EEAC RECOMMENDED PROGRAMS AND RATE RECOVERY MECHANISM

Once the EEAC recommends both EE programs and rate recovery mechanisms for regulated utilities, those recommendations must be reviewed and approved by the Commission before implementation. Two types of Commission proceedings will be needed.

1. Recommended Commission Procedure for Approving  
EEAC-Recommended EE Programs and Recovery Mechanism

Delmarva will file an Application for Approval of the EEAC recommendations. Delmarva anticipates that the Application will be supported by pre-filed testimony of two witnesses. It is anticipated that a rather traditional schedule for an evidentiary hearing will be established and followed.

2. Recommended Commission Procedure for Annual EE Rate Adjustments

Because the EE Amendments provide that the Commission must utilize a recovery process that provides for annual adjustments to the EE Rate of the same type used for “other supply resources,” Delmarva Power recommends the following annual process, which is similar to that used for annually adjusting Delmarva’s Standard Offer Service (“SOS”) rate:

- a. Delmarva will file an annual application for approval of an adjusted EE Rate for the upcoming 12 month period.
- b. At a regularly scheduled Commission meeting within a few weeks after the application is filed, the Commission will issue an order that: (1) opens a docket, and (2) permits EE Rates, as filed, to go into effect subject to refund within 60 days.
- c. Staff and DPA will conduct an audit of the annual EE Rate filing. In the event that Staff or DPA discover any errors during the audit process, EE Rates will be adjusted for the remainder of the annual period to account for the error.
- d. At the conclusion of the audit, Staff will provide a report to the Commission and at a regularly scheduled Commission meeting, the Commission will hear testimony and issue its final ruling on Delmarva’s annual EE Rate adjustment.

The EE Rate and total monthly EE charge will be identified as a separate line item on bills of regulated utilities, rather than being bundled as part of other rates.