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## For Immediate Release

### Maryland PSC Approves Partial Delmarva Power Rate Request

(BALTIMORE, MD-February 15, 2017) – The Maryland Public Service Commission has denied a substantial portion of Delmarva Power & Light Company's request to increase its electric distribution rates by \$66 million, granting instead a revenue increase of \$38.3 million—modifying the Chief Public Utility Law Judge's proposed order in the case, issued on January 4, 2017. The Chief Judge's proposed order granting the company a \$38.2 million increase was appealed by the company and the Maryland Office of People's Counsel (OPC), and was subsequently affirmed in part and reversed in part by the Commission.<sup>1</sup>

Delmarva's proposal would have resulted in increases to the average residential monthly bill of \$21.42. Instead, the average residential monthly bill is expected to increase \$10.84 (or 7.36%) as a result of the Commission's decision. The company had also requested to increase the fixed residential customer charge to \$12 per month (from the current \$7.94). The Commission's order, however, reversed the decision of the Chief Judge (which would have authorized an increase to \$9.43 per month) and instead authorizes Delmarva to increase its residential customer charge to \$8.17 (or just under 3%).

The Commission notes that 65% of Delmarva's request included recovery of costs related to reliability expenditures and capital investments in Advanced Metering Infrastructure (AMI or 'smart meters'). The Commission affirmed the Chief Judge's finding that Delmarva's AMI system is cost-beneficial, although, the Commission's order directs the company to continue to develop ways to increase the types and amounts of such benefits that customers can receive in the future.

In addition to AMI recovery, Delmarva also sought approval through this proceeding to extend and expand its Grid Resiliency Program (GRP) by more than \$9 million over two years. The previous iteration of the GRP was implemented in 2014 as a temporary measure to recover costs related to urgently needed system reliability and safety improvements identified after the 2012 "Derecho" storm. During 2015, Delmarva

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<sup>1</sup> The Chief Judge's proposed order erroneously described the approved revenue requirement as approximately \$34.1 million; however, on appeal it was revealed that a typographical error caused certain underlying calculations to rely on outdated data. Using the corrected data causes an increase of \$4.1 million to the total revenue requirement authorized by the Chief Judge.

Power's customers experienced a 51% reduction in the frequency of outages, and a 69% reduction in the duration of outages when compared to the company's performance in 2011. Nevertheless, the Chief Judge denied Delmarva's request to extend and expand the GRP, which will cause the surcharge for this program to be removed from customers' bills. No party appealed the Chief Judge's finding that the company did not adequately demonstrate the need for the extension of the GRP.

Both the company and OPC, however, appealed the finding of the Chief Judge regarding the appropriate return on equity (ROE) in this matter. The Commission agreed with the Chief Judge's decision to deny the Company's request to increase its ROE from 9.81% to 10.60%, although, the Commission reversed the Chief Judge's ruling, which lowered the company's ROE to 9.48%. Instead, the Commission reduced the Company's ROE to 9.60%, finding that this level of return is both adequate and appropriate for Delmarva, considering the risks associated with its electric distribution operations in Maryland, the capital market conditions at the time of this proceeding, and the fact that Delmarva does not issue its own stock.

The Commission's order also addresses several other matters on appeal from the Chief Judge's proposed decision in this proceeding, such as the methodology used to calculate certain AMI benefits and whether to allow recovery for supplemental executive retirement plan (SERP) expenses. The Commission overturned the Chief Judge's proposed decision with respect to both of these issues, thereby resulting in a disallowance of 100% of SERP-related costs from Delmarva customers as a result of the Commission's order.

The new rates will go into effect February 15, 2017. The Commission acknowledges the burdens that increased rates place on ratepayers, particularly low-income customers and senior citizens. While striving to limit the rate impact in this case, the Commission also notes that in April 2017, residential customers will receive the second \$50 bill credit that Delmarva committed to as part of the merger of its parent company, Pepco Holdings, Inc., with Exelon Corporation. In addition, the Commission in October 2016 approved rates for Standard Offer Service – the electric supply portion of customers' bills – that will reduce rates for Delmarva's residential customers by an average of \$123 a year beginning in June 2017.

The complete details for Order No. [88033](#), in Case No. [9424](#), are available on the Commission's website, [www.psc.state.md.us](http://www.psc.state.md.us).

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