

## Distribution System Improvement Charge (DSIC) Questions and Answers

### What is a Distribution System Improvement Charge?

The DSIC is a more efficient and less costly mechanism to pay for the same infrastructure investments that are currently paid through traditional rate cases, which are expensive and usually result in large rate increases. The DSIC will result in small rate adjustments every six months to pay for important reliability projects that have been completed and placed into service for the benefit of our customers.

### What does this legislation do?

The legislation simply replicates the proven benefits of the DSIC program used by water companies and applies it to help efficiently and cost-effectively pay for reliability improvements on the power grid. Since 2001, regulated water companies in Delaware have successfully used a similar mechanism, saving customers millions of dollars from costs associated with traditional rate cases.

### How does DSIC benefit residential and commercial customers?

- Provides customers with smaller, more predictable rate adjustments versus larger rate increases under the current system;
- Reduces the frequency of traditional rate cases and ensures that future rate cases will be significantly smaller;
- Ensures that Delmarva Power's next electric and gas base rate cases will not be filed before January 2020 at the earliest;
- Sustains steady investment in the local power grid in a more efficient and less costly way than traditional rate cases, helping maintain safe, reliable service and reduce regulatory costs;
- Establishes strict caps that prevent large rate increases.

### How will the DSIC impact Public Service Commission oversight?

- The Public Service Commission will maintain full control to set rates and to deny cost recovery through an established review process;
- The new, transparent process will provide the Public Service Commission and the Public Advocate with oversight, including a mandatory annual audit of all DSIC investments.

### How will customers know the cost of the DSIC?

The DSIC charge would replace the Utility Facility Relocation Charge (UFRC) that is currently displayed as a separate line item on Delmarva Power's bills.

### What types of improvements would be included under the DSIC?

The DSIC will only pay for reliability-related capital improvements that have been placed into service and are needed to maintain safe, reliable service for customers. This would include things like poles, wires, underground cable, gas lines, substation equipment, transformers and switchgear.

### When will DSIC rates take effect?

If approved by the Delaware General Assembly, the DSIC would appear on customer bills beginning January 1, 2019, and delay the need for the next comprehensive rate case for Delmarva Power until January 2020, at the earliest.

## **Distribution System Improvement Charge (DSIC)**

### **Senate Amendment No. 1 to Senate Substitute No. 1 for Senate Bill No. 80**

#### **What does this Amendment do?**

The proposed amendment does the following:

- Clarifies the approval process for DSIC charges, making it clear that the charges are subject to the PSC oversight and audit process.
- Prohibits the filing of an electric distribution rate case until at least January 1, 2020 if the DSIC mechanism is utilized.
- Ensures that customers not principally represented by the Delaware Public Advocate (i.e. large industrial customers) receive notice of DSIC filings.
- Includes a sunset provision after seven years from the date of enactment which causes the legislation to expire unless further legislative action is taken by the General Assembly.

## **Distribution System Improvement Charge (DSIC)**

**Organizations supporting DSIC legislation for Delaware's electric and natural gas public utilities:**

### **Regulatory Agencies**

- The Acting Executive Director of the Delaware Public Service Commission
- The Chair of the Delaware Public Service Commission

### **Non-Profit Organizations**

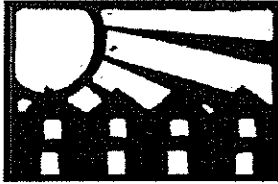
- Delaware Interfaith Power & Light
- First State Community Action Agency
- Habitat for Humanity of New Castle County
- Kingswood Community Center

### **Labor Groups**

- IBEW Local 1238

### **Business Groups**

- The Delaware State Chamber of Commerce
- The New Castle County Chamber of Commerce
- The Central Delaware Chamber of Commerce
- The Committee of 100
- The Delaware Business Roundtable



**FirstState**  
**COMMUNITY ACTION AGENCY**  
*People Helping People Build Community*

April 25, 2017


**Legislative Letter of Support**

I represent FIRST STATE COMMUNITY ACTION AGENCY, a statewide social service agency who provides assistance to individuals and families in Delaware, and I am writing to offer my support for DPL's proposed bill to establish a Distributions Systems Improvement Charge like the water companies.

I believe, the implementation of this bill will reduce rate spikes caused by natural gas and electric rate cases and will allow customers on fixed incomes, including our senior citizens, to budget for smaller and more predictable rate increases. These smaller increases would provide greater stability and enable customers to more effectively budget for their household expenses.

Over the past several years, we have partnered with Delmarva Power on a variety of programs designed to assist customers on fixed incomes who may be struggling to pay their utility bills. Through this partnership, we have made steady progress and we believe that the benefits of the proposed bill as outlined above could be yet another tool to assist customers with their household budgeting.

Sincerely,

  
Bernice Edwards  
Executive Director

Stanford L. Bratton Building  
P. O. Box 877  
308 N. Railroad Avenue  
Georgetown, Delaware 19947  
Email: [firststatecan.org](mailto:firststatecan.org)

Phone: 302 - 856 - 7761  
800 - 372 - 2240  
Fax: 302 - 856 - 2599

Blue Hen Corporate Center  
655 S. Bay Road, Suite 4J  
Dover, Delaware 19901

Phone: 302 - 674 - 1355  
Fax: 302 - 674 - 5229

Rose Hill Community Center  
19 Lambson Lane, Suite 105 A  
New Castle, Delaware 19720

Phone: 302 - 498 - 0454  
Fax: 302 - 575 - 1409

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**Executive Director**  
Bernice Edwards



*Member of*  
**Community Action Partnership**



**Delaware Interfaith Power & Light, Inc.**  
A Religious Response to Climate Change  
[www.DelawareIPL.org](http://www.DelawareIPL.org)

May 9, 2017

**Letter of Support for Legislative Action to Implement Distribution System  
Improvement Charge ("DSIC") for Electric Utility**

I represent Delaware Interfaith Power & Light (DeIPL). We are one of 39 state affiliates of the Interfaith Power & Light organization, which represents over 20,000 congregations nationwide. Our collective mission is to serve as a religious response to climate change through promotion of energy conservation, energy efficiency, renewable energy and environmental justice strategies.

Much of our focus in Delaware is on partnering with other non-profits, state agencies, and utilities to promote energy education, energy efficiency tools and greater access to resources for low-income individuals and families throughout the state.

I am writing to offer our support for proposed legislation that will authorize Delmarva Power and Light to utilize the Distribution System Improvement Charge ("DSIC"), which has been successfully used by the water utilities.

After discussions with Delmarva leadership and researching other state usage of DSIC, we believe that this mechanism will enable our lower-income citizens to better budget for utility bills and allow for smaller overall rate increases. We also welcome ongoing opportunities to partner with Delmarva on their desire to work through rate-payer facing groups and through the newly implemented Community Energy Centers to expand access to a widening range of cost-saving energy efficiency resources.

Our experience with Delmarva spans several years on the state-run Energy Efficiency Advisory Council, on several neighborhood-based energy education and reduction projects and collaboration on strategies to empower citizens to better understand and manage their utility usage. We believe that DSIC could be a valuable tool to benefit both customers and the utilities.

Sincerely,

Lisa Locke  
Executive Director  
Delaware Interfaith Power & Light

179 Rehoboth Ave, Unit 1311, Rehoboth Beach, DE 19971  
616-914-1597 ▪ [info@delawareipl.org](mailto:info@delawareipl.org)



LOCAL 1238

# INTERNATIONAL BROTHERHOOD of ELECTRICAL WORKERS

POST OFFICE BOX 10166  
WILMINGTON, DELAWARE 19850-0166  
PHONE 302-683-0660 FAX 302-683-0661  
EMAIL: LU1238@AOL.COM

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**Stephen M. Newberry**, Business Manager  
**Robert C. Walker**, Assistant Business Manager  
**Carl P. Bickling**, President  
**Patti T. Newberry**, Recording Secretary



May 9, 2017

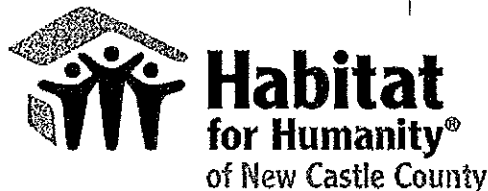
Members of the 149<sup>th</sup> General Assembly

On behalf of the International Brotherhood of Electrical Workers ("IBEW"), who work hard every day to make sure Delaware has a reliable and resilient electrical distribution system, we write this letter in support of Senate Bill SB80. Keeping the power on for Delmarva Power's 312,000 electric customers in Delaware is something we take great pride in and we believe this legislation will help us do just that.

While most people only focus on the electrical distribution system when there is a significant storm or something goes wrong, the reality is consistent maintenance and upgrades are most critical in terms of ensuring reliability over the long-term. Delmarva Power's electric infrastructure dates back over 100 years, so we must continually repair and modernize the grid if we are to keep up with the demands of today's electricity dependent world. By providing incremental recovery for these critical investments, we can better ensure that necessary investments are made in a timely manner to replace and modernize aging infrastructure.

With that in mind, we were especially troubled to read the letter from the Delaware Public Advocate (DPA) which argued for spending less on reliability and suggested Delmarva Power need only meet the minimum standards set by the Public Service Commission. As the folks on the ground working on this grid every day, it is hard for us to understand why elected officials would want such low levels of performance and reliability. I am certain your constituents will not appreciate the resulting level of performance advocated by DPA.

While Delmarva Power is a large employer of our members, most of our members are also Delmarva Power customers. This legislation will not result in increased charges – it will actually save customers, like our members, money by reducing the number of rate cases. We monitor and sometimes intervene in rate cases and I can tell you they are very expensive and time-consuming. In fact, we understand from the Public Service Commission that similar legislation for water utilities saved over \$10 million for customers!



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May 11, 2017

RE: Exelon/Delmarva Power's Request for Distribution System Improvement Charge

George Beer

Weston Dinsel

Steve Gades

Ted Kelly III

Annabelle C. Kressman

Chip Rankin

Hal Schneikert

Pam Scott, Esq.

Rob Smith

Michael Tindall

Kim Walker

Carolann Wicks

Dear Members of the 149<sup>th</sup> General Assembly,

As you know, Habitat for Humanity of New Castle County's mission compels us to reach out to low-income individuals and families to help them create affordable housing for themselves. Our concern is not just to those whom we most directly serve, but also for all low-income individuals and families that struggle to make ends meet, stretch their dollars and pay their bills. Time and time again we see potential clients who are in arrearage regarding their utility bills.

**CHIEF EXECUTIVE**

**OFFICER**

Kevin L. Smith

It is for these reasons that I am reaching out to you to express our support of the proposed legislation allowing Exelon/Delmarva Power the ability to allow Delmarva Power to implement a Distribution Improvement Service Charge for gas and electric as the water utilities have been permitted to implement for water. The provisions within this legislation that specifically create smaller rate increases, and a cap on increases are all measures that should benefit low-income persons. That is good news! With the general lack of affordable rental and homeownership options available, these persons need as much help sustaining their financial situation as possible.

If you have any questions, you may reach me at (302) 652-0365 x101.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin L. Smith", with a long horizontal line extending to the right.

Kevin L. Smith

Chief Executive Officer

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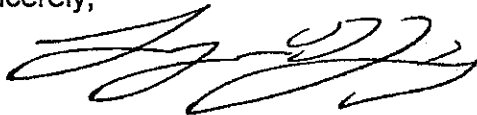
## **Legislative Letter of Support**

I represent Kingswood Community Center, a statewide social service agency who provides assistance to individuals and families in Delaware. I am writing to you today to offer my support for DPL's proposed bill to establish a Distributions Systems Improvement Charge similar to that of the water companies in Delaware.

I believe that the implementation of this bill will reduce the rate spikes caused by electric and natural gas rate cases. This would allow customers on fixed incomes, including our senior citizens, to budget for smaller and more predictable rate increases. These smaller increases would provide greater stability and enable customers to more effectively budget for their household expenses.

Over the past several years, we have partnered with Delmarva Power on a variety of programs designed to assist customers on fixed incomes who may be struggling to pay their utility bills. Through this partnership, we have made steady progress and we believe that the benefits of the proposed bill as outlined above could be yet another tool to assist customers with their household budgeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Logan Herring', written in a cursive style.

Logan Herring  
Executive Director  
Kingswood Community Center



16 Robin Drive  
Hockessin, DE 19707

March 20, 2018

VIA E-MAIL

The Honorable Senator Harris B. McDowell  
411 Legislative Ave.  
Dover, Delaware 19901  
Email Address: [Harris.McDowell@state.de.us](mailto:Harris.McDowell@state.de.us)

The Honorable Representative Trey Charles Paradee  
411 Legislative Ave.  
Dover, Delaware 19901  
Email Address: [Trey.Paradee@state.de.us](mailto:Trey.Paradee@state.de.us)

**Re: Senate Substitute No. 1 for Senate Bill 80**

Dear Senator McDowell and Representative Paradee:

The Delaware Energy Users Group ("DEUG") is an association of large electric customers of Delmarva Power located in Delaware. Last year, we sent you a letter dated May 16, 2017, opposing the above-referenced legislation and asking that it not be considered until our concerns were addressed. The legislation was not considered last year and we very much appreciate your consideration of our request.

Since the General Assembly adjourned in July of 2017, we have had multiple meetings with Delmarva Power and have exchanged information concerning this issue. We have also been in close contact with our members regarding the information exchanged with Delmarva Power.

To that end, Delmarva Power has agreed to support an amendment to Senate Substitute No. 1 for Senate Bill 80 that addresses our original concerns and also provides some added protections for customers. It is our understanding that Delmarva Power is sharing the details of that amendment with you and your respective staffs but we have attached a draft of the agreed upon language to this letter for your convenience. To the extent the amendment is approved by the General Assembly, the DEUG withdraws its opposition to this legislation.

In closing, we want to express our sincere appreciation for your support in this process, as well as the good faith consideration Delmarva Power afforded us as we worked through these issues.

Sincerely,

Michael K. Messer  
President of the Delaware Energy Users Group

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The Delaware Energy Users Group is an unincorporated association including:

E.I. du Pont de Nemours & Co. Linde LLC Burris Logistics Christiana Care Health Services  
Kuehne Chemical Co. Delaware Park Racetrack & Slots Delaware City Refining Co., LLC



March 15, 2018

VIA E-MAIL

The Honorable Senator Harris B. McDowell  
411 Legislative Ave.  
Dover, Delaware 19901  
Email Address: [Harris.McDowell@state.de.us](mailto:Harris.McDowell@state.de.us)

The Honorable Representative Trey Charles Paradee  
411 Legislative Ave.  
Dover, Delaware 19901  
Email Address: [Trey.Paradee@state.de.us](mailto:Trey.Paradee@state.de.us)

**Re: Senate Substitute No. 1 for Senate Bill 80**

Dear Senator McDowell and Representative Paradee:

The Chemical Industry Council of Delaware ("CICD") is an association that represents companies that manufacture chemicals or petrochemicals in Delaware. Delmarva Power services most of our members and last year we sent you a letter dated May 16, 2017, opposing the above-referenced legislation. We asked that the legislation not be considered until we could conduct a more thorough review of its ramifications on our members. The bill was not acted upon and we very much appreciate your consideration of our request.

Since the General Assembly adjourned in July of 2017, we have had the opportunity to study the ramifications of this legislation, including multiple meetings with representatives of Delmarva Power. We have also exchanged information concerning this issue and have been in close contact with our members throughout the process.

In so doing, we discussed various issues with Delmarva Power and they have agreed to support an amendment to Senate Substitute No. 1 for Senate Bill 80 that addresses our concerns. It is our understanding that Delmarva Power is sharing the details of that amendment with you and your respective staffs but we have attached a draft of the agreed upon language to this letter for your convenience. To the extent the amendment is approved by the General Assembly, the CICD withdraws its opposition to this legislation.

In closing, we want to express our sincere appreciation for your support in this process, as well as the good faith consideration Delmarva Power afforded us as we worked through these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Rogers", is written over a horizontal line.

Alan Rogers  
President, Chemical Industry Council of Delaware  
Plant Manager, Kuehne Chemical Company



An Exelon Company

Delmarva Power  
PO Box 9063  
Newark, DE 19714-6066  
800.375.7117

delmarva.com

April 24, 2018

Matthew Hartigan  
Acting Executive Director  
Delaware Public Service Commission  
861 Silver Lake Boulevard  
Cannon Building, Suite 100  
Dover, DE 19904

Andrew C. Slater  
Public Advocate  
Division of the Public Advocate  
29 S. State Street  
Dover, DE 19901

Drew and Matt:

Delmarva Power, the Public Advocate and Commission Staff agree to work together to develop a proposal to submit to the Commission concerning enhanced distribution system planning. As part of the development of this proposal, the distribution planning processes in other Exelon Utility jurisdictions will be discussed. Delmarva, DPA and Staff will work in good faith to provide recommendations and to submit any proposals for review and approval to the Commission by September 1, 2019. The first meeting will take place by July 31, 2018. In addition, by no later than March 31, 2019, Delmarva, DPA and Staff will provide the Commission with an update on their progress.

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Delmarva Power &  
Light Company

A handwritten signature in black ink, appearing to read 'Andrew Slater', with a long horizontal line extending to the right.

Division of the Public  
Advocate

A handwritten signature in black ink, appearing to read 'Matthew Hartigan', with a long horizontal line extending to the right.

Commission Staff