

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF )  
DELMARVA POWER & LIGHT COMPANY TO )  
REVISE UNDER 75 DEL. LAWS. CH. 142 )  
§ 5 (2005), ITS ELECTRIC DISTRIBUTION )  
RATES, ITS ELECTRIC STANDARD OFFER ) PSC DOCKET NO. 05-285  
SUPPLY PRICES, AND ITS REGULATED GAS )  
RATES TO REFLECT THE INCREASE IN THE )  
ASSESSMENT RATE IMPOSED BY 26 DEL. C. )  
§ 115 AND § 1012(c)(2) )  
(FILED AUGUST 4, 2005) )

**ORDER NO. 6700**

This 23<sup>rd</sup> day of August, 2005, the Commission determines and Orders the following:

1. Each year, public utilities and retail electric suppliers pay an annual assessment measured by their annual gross revenues in the preceding calendar year. See 26 Del. C. §§ 115, 1012(c)(2). In July 2005, the General Assembly and Governor increased the assessment factor to be applied to such revenues from 2 mills (.002) to 3 mills (.003). See 75 Del. Laws ch. 142 § 1 (July 12, 2005), amending 26 Del. C. § 115(d) to substitute the 3 mills figure ("Chapter 142").<sup>1</sup>

2. Chapter 142 explicitly allows an affected utility to fully recover the incremental costs it will incur due to the increase in the assessment factor and to do so through a rate change "made effective as soon as reasonably practicable after the effective date of the change in assessment." See 75 Del. Laws ch. 142 § 4 (2005). The

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<sup>1</sup>By March 31<sup>st</sup> of each year, each utility and electric supplier must submit to the Commission an annual gross revenue return reporting its gross revenues for the preceding calendar year and a statement of the amount of assessment due for that earlier calendar year.

Commission's review of such a rate change filing is to be expeditious - if the Commission does not act within 45 days of the filing, the rate changes are deemed approved. Id.

3. On August 4, 2005, Delmarva Power & Light Company ("DP&L") filed an application to revise both its electric and gas tariffs to recover the incremental costs related to the increase in the assessment factor. While Chapter 142 specifically allows a utility to recover its increased assessment costs via a separate charge on its subscribers' bills, DP&L has chosen to recover those costs by adjusting, on the electric side, its regulated electric distribution charges<sup>2</sup> and its regulated gas rates for its gas services. DP&L has submitted proposed revised tariff pages capturing these adjustments on both the electric and gas sides.

4. Chapter 142, including its increase in the assessment factor, became effective on enactment. As explained in 1 above, a utility's (or supplier's) annual assessment is calculated on its prior calendar year gross revenues. Consequently, when a utility files its annual return on (or before) March 31, 2006, it will calculate its annual assessment by applying the new 3 mill assessment factor to the utility's total 2005 annual gross revenues. Given that result, DP&L's current rate adjustments reflect not only recovery of the total incremental costs measured against DP&L's total 2005 gross revenues

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<sup>2</sup>The annual assessment applies to DP&L's annual gross revenues garnered in its status as a regulated electric distribution company. DP&L is also liable for an assessment based on its gross revenues from its role as the "standard offer service supplier." In its proposed tariff revisions, DP&L recovers all its incremental costs for the increased assessment factor via a change in its electric distribution rates.

(now part actual and part projected) but recovery of such total year amount over the remaining portion of 2005. DP&L commits to returning to the Commission prior to 2006 to reset its rates for 2006 and the ensuing years.<sup>3</sup>

5. The Staff recommends approval of the revised tariff pages with their adjusted rates designed to collect the incremental costs for the increased assessment factor applied to DP&L's 2005 gross operating revenues.

Now, therefore, **IT IS ORDERED:**

1. That, pursuant to 75 Del. Laws ch. 142 § 5 (2005), the application filed by Delmarva Power & Light Company on August 4, 2005 seeking to adjust certain regulated electric distribution rates in order to allow the utility to recover the incremental costs incurred for 2005 due to the increase in the assessment factor enacted by 75 Del. Laws ch. 142 (2005) is hereby approved. The tariff revisions to P.S.C. Del. No. 8 - Electric as proposed in the application of August 4, 2005 are hereby approved. Such rates shall go into effect on September 1, 2005, without pro rata application.

2. That, pursuant to 75 Del. Laws ch. 142 § 5 (2005), the application filed by Delmarva Power & Light Company on August 4, 2005

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<sup>3</sup>Given that once past 2005, DP&L will have a full year to recover its incremental costs, it is likely that these later rate adjustments will be less than the adjustments now proposed. Under Chapter 142, a utility or supplier (like DP&L) that previously paid a \$10,000 or more assessment must then make a 40 percent "estimated" payment toward its projected annual assessment by September 30<sup>th</sup>. DP&L intends to make its 40 percent estimated payment (calculated using the 3 mill factor) by September 2005. It will then make a final payment by March 31, 2006 when its actual 2005 gross revenues are known.

seeking to adjust certain of its regulated gas rates in order to allow the utility to recover the incremental costs incurred for 2005 due to the increase in the assessment factor enacted by 75 Del. Laws ch. 142 (2005) is hereby approved. The tariff revisions to P.S.C. Del. No. 5 - Gas as proposed in the application of August 4, 2005 are hereby approved. Such rates shall go into effect on September 1, 2005, without pro rata application.

3. That, prior to January 1, 2006, Delmarva Power & Light Company shall file an application to again revise its regulated gas rates and its electric distribution rates and its electric standard offer service price to reflect necessary adjustments to recover the incremental costs arising from the change in assessment factor enacted by 75 Del. Laws ch. 142 (2005) for years after 2005.

4. That 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:

/s/ Arnetta McRae  
Chair

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Vice Chair

/s/ Joann T. Conaway  
Commissioner

/s/ Jaymes B. Lester  
Commissioner

PSC Docket No. 05-285, Order No. 6700 Cont'd.

/s/ Dallas Winslow  
Commissioner

ATTEST:

/s/ Norma J. Sherwood  
Acting Secretary