

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY FOR A) PSC DOCKET NO. 06-284
CHANGE IN NATURAL GAS BASE RATES)
(FILED AUGUST 31, 2006))

ORDER NO. 7041

AND NOW, this 3rd day of October, 2006;

WHEREAS, Delmarva Power & Light Company ("DP&L" or "the Company") has filed, on August 31, 2006, an application seeking approval to change its base rates related to the delivery component of its natural gas services; and

WHEREAS, by such application, DP&L seeks rate changes calculated to increase its annual revenue requirement by approximately \$14,967,000, constituting a 6.62% increase in such revenues; and

WHEREAS, by such application, DP&L seeks to increase its base rates across almost all of its service classifications; and

WHEREAS, by its application, DP&L also seeks permission to institute a "Bill Stabilization Adjustment" mechanism that would allow the Company to adjust its base (delivery) rates depending on whether its actual revenue per customer might exceed or fall short of a Commission-approved test year revenue per customer benchmark; and

WHEREAS, by its application, DP&L also seeks to increase its tariffed charges related to collection fees and reconnection fees; and

WHEREAS, the Commission having determined that the application, and its proposed tariff and rate changes, should be suspended, under

26 Del. C. § 306(a)(1), pending further review (including evidentiary hearings) and a final decision by the Commission;

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

1. That, pursuant to 26 Del. C. § 306(a)(1), the rate changes and tariff revisions proposed in the application related to base gas rates filed by Delmarva Power & Light Company on August 31, 2006, are hereby suspended pending further review and a final decision by the Commission. Such rates, or any portion of such rates, shall not be put into effect except by further Order of the Commission or pursuant to the process set forth in 26 Del. C. § 306(b) and (c).

2. That William F. O'Brien is designated as the Hearing Examiner for this docket pursuant to the terms and provisions of 26 Del. C. § 502 and 29 Del. C. ch. 101. Senior Hearing Examiner O'Brien shall schedule and conduct such public evidentiary hearings and other proceedings as may be necessary or appropriate to develop a full and complete record concerning this matter. Thereafter, Senior Hearing Examiner O'Brien shall submit a report to the Commission with his proposed findings and recommendations based on the evidence presented. Senior Hearing Examiner O'Brien is delegated the authority, under 26 Del. C. § 102A, to determine the content and manner of any required, or appropriate, further public notices. Senior Hearing Examiner O'Brien is also, under Rule 21 of the Commission's Rules of Practice and Procedure, delegated the authority to grant or deny petitions to intervene. James McC. Geddes, Esquire, is designated as Rate Counsel for this matter.

3. That, pursuant to 26 Del. C. § 304, Delmarva Power & Light Company shall provide public notice of the filing of its application and the proposed rate changes and tariff revisions by publishing notices in the form attached hereto As Exhibit "A" in two-column format, outlined in black, in the legal classified section of The News Journal newspaper on October 11 and 12, 2006. Delmarva Power & Light Company shall file proof of such publication as soon as possible thereafter, but no later than the commencement of the evidentiary hearings concerning this matter.

4. That Delmarva Power & Light Company is notified that it will be charged the costs of this proceeding under 26 Del. C. § 114(b).

5. 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

/s/ Joann T. Conaway
Commissioner

/s/ Dallas Winslow
Commissioner

PSC Docket No. 06-284, Order No. 7041 Cont'd.

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

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P U B L I C N O T I C E

**OF PROPOSED INCREASES IN BASE GAS RATES
AND OTHER TARIFF REVISIONS FOR
DELMARVA POWER & LIGHT COMPANY**

**TO: ALL GAS CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY
and OTHER INTERESTED PERSONS**

On August 31, 2006, Delmarva Power & Light Company ("DP&L or "the Company") filed with the Public Service Commission ("the Commission") an application to adjust its base rate (delivery) rates for its gas service customers. According to DP&L, the proposed base gas rate changes would increase the Company's revenues by \$14,967,000 or 6.62% with such increase distributed across Service Classifications as follows:

SERVICE CLASSIFICATION	PROPOSED INCREASE	
	AMOUNT (\$000)	PERCENT (%)
RG	9,507	7.21%
GG+GVFT	3,501	5.37%
MVG+MVFT	1,110	6.81%
LVG+LVFT	836	6.56%
GL	(.1)	(2.13%)
Misc Fees	13	
TOTAL	\$14,967	6.62%

The specific proposed base rates, as compared to the Company's present base rates, are set forth in the application. A summary comparing the proposed base rates with the present rates can also be obtained from the Commission and can also be viewed at the Commission's Internet website at www.state.de.us/delpsc.

DP&L represents that if its proposed base rate increase is approved, the total bill for a typical space-heating customer using 120 Ccf of gas per month would increase by \$10.49 or 5.5%, which would result in an increase in the total natural gas bill from \$189.62 to \$200.11. However, DP&L also represents that, in light of proposed concurrent decreases in the Gas Cost Rates and a proposed increase in the Environmental Rider surcharge components of its gas bills, this typical residential customer will see a decrease in their overall total natural gas bill charges during the heating season, and that the annual total gas billings for the typical residential customer will remain roughly equivalent to current annual bill levels.

In its application, DP&L also seeks approval to implement a "Bill Stabilization Adjustment" mechanism ("BSA") that would allow the Company to adjust its gas delivery rates in the future based on whether its actual revenues from base rates exceeded or fell short of a test year revenue benchmark approved by the Commission. In addition, in its application, DP&L also seeks to change and increase the collection fees and reconnection charges.

At its meeting on October 3, 2006, the Commission suspended the proposed rates, the implementation of the BSA, and the other proposed fee charges. However, DP&L is expected to exercise its statutory

right to place a portion of the base rate increase in effect pending further Commission review. Those "interim" rates would become effective November 1, 2006. These interim rates are set forth in the application. A summary of these interim rates is also available from the Commission and can also be reviewed on the Commission's Internet website at www.state.de.us/delpsc.

Any person, group, or entity that wishes to participate formally as a party in this docket (PSC Docket No. 06-284), with the right to submit evidence and to be represented by counsel must, in accordance with Rule 21 of the Commission's Rules of Practice and Procedure, petition the Commission for leave to intervene in the proceedings. To be timely, all such petitions must be filed with the Delaware Public Service Commission at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 on or before November 6, 2006. Petitions received thereafter will not be considered except for good cause. The Commission will conduct hearings on the application, or any settlement that might be proposed by the parties, at later dates after providing further public notice.

Copies of DP&L's application, and supporting testimony and exhibits, are available for public inspection at the Commission's Dover office at the above address during normal business hours. Such materials can also be reviewed, by appointment, at the offices of the Division of the Public Advocate, Fourth Floor, Carvel State Office Building, 820 North French Street, Wilmington, Delaware. Please call (302) 577-5077 to arrange for an appointment time.

Any individual with a disability who wishes to participate in these proceedings or to review the filings should contact the Commission to discuss any needed auxiliary aids or services. The Commission Staff is also available to provide more information. The Commission's toll-free telephone number within Delaware is 1-800-282-8574. The Commission can also be reached at (302) 739-4333 (including text telephone communications). Inquiries can also be sent to the Commission by Internet e-mail to "susan.neidig@state.de.us."