

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY FOR) PSC DOCKET NO. 06-192
A DECREASE IN ELECTRIC TRANSMISSION)
SERVICE RATES (FILED JUNE 14, 2006))

ORDER NO. 7080

WHEREAS, on May 4, 2005, Delmarva Power & Light Company ("Delmarva" or the "Company") filed an application for an increase in its electric transmission service rates caused by increased costs charged to the Company by PJM Interconnection, LLC ("PJM"), which went into effect on June 3, 2005 with proration and subject to refund;

WHEREAS, on July 8, 2005, Staff Rate Counsel requested, on behalf of all parties, that PSC Docket No. 05-147 be suspended indefinitely pending the outcome of proceedings before FERC (See 115 FERC ¶61,066 (2006)), the results of which according to the parties, would heavily impact Delmarva's case before the Commission;

WHEREAS, as a result of the FERC settlement, it was asserted by Delmarva's former general counsel, Randall V. Griffin, Esquire, that the majority of issues raised in Docket No. 05-147 were being addressed at the federal level, which caused the Commission to subsequently close the docket;

WHEREAS, on June 14, 2006, Delmarva filed an application (the "Application") with the Commission seeking approval to modify its electric transmission service rates by approximately \$12 million or 2.076%, which is the subject of this docket;

WHEREAS, the Application proposed to decrease the wholesale transmission revenue requirements to reflect changes to: (1) the formula rate for Network Integration Transmission Service; (2) the "Seams Elimination Change Adjustment;" and (3) the "Reliability Must Run" initiative;

WHEREAS, on September 29, 2006 the Commission Staff forwarded a report which reviewed the three components of the rate change and concluded that after reviewing the Company's filing, the underlying service documents and workpapers, the FERC settlement in ER05-515 had been accurately reflected in Delmarva's filing in this matter;

WHEREAS, comments in response to Staff's report were filed by other parties on October 20, 2006, which included the Division of the Public Advocate and the Delaware Energy Users' Group;

WHEREAS, on October 31, 2006 the parties entered into a Settlement Agreement, a copy of which is attached hereto as Exhibit "A" in which the parties agreed that the FERC approved transmission rates were accurately reflected in Delmarva's June 14, 2006 filing and should be approved as final rates in this docket; and

WHEREAS, the parties have submitted testimony in support of the settlement at a duly noticed Commission hearing held on November 21, 2006.

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

1. That the Settlement Agreement proposed by the parties and attached to this Commission Order as Exhibit "A" is approved.

2. That the rates attached to the Settlement Agreement shall be considered the final rates in this proceeding.

3. 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/ Jeffrey J. Clark
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jaymes B. Lester
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

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DELMARVA POWER & LIGHT COMPANY FOR)
A DECREASE IN ELECTRIC TRANSMISSION) PSC Docket No. 06-192
SERVICE RATES (FILED JUNE 14, 2006))

PROPOSED SETTLEMENT

On this day, October 30, 2006, the Commission Staff (“Staff”), Delmarva Power & Light Company (“DP&L” or “the Company”), and Division of Public Advocate (“DPA”) all of whom together are the “Settling Parties” hereby propose a settlement of all issues in this proceeding. While the Delaware Energy Users Group (“DEUG”) is not a signatory to this settlement, DEUG has filed comments that DEUG does not oppose the settlement.

I. BACKGROUND

On May 4, 2005, Delmarva Power & Light Company (“Delmarva” or the “Company”) filed an Application with the Commission, denominated as PSC Docket No. 05-147, for an increase in its electric transmission service rates because of increased costs charged to the Company by PJM Interconnection, LLC (“PJM”). Delmarva’s Application sought an increase of \$6,176,575 in electric transmission service revenues, or about 1.1% of total Delaware revenues representing the Delaware-retail portion of the increase in the “Delmarva zonal” transmission rates on file with the Federal Energy Regulatory Commission (“FERC”) under PJM’s Open Access Transmission Tariff. Pursuant to PSC Order No. 6636 (May 24, 2005), the Commission made the rates effective as of June 3, 2005, with proration, and subject to refund and evidentiary hearings to be held at a later date. On July 8, 2005, Staff rate counsel requested, on behalf of all the parties, that PSC Docket No. 05-147 be suspended indefinitely pending the outcome of a

proceeding before FERC (see 115 FERC ¶ 61,066 (2006)), the results of which heavily impacted the Delmarva case before the Commission. As a result of the FERC settlement and other FERC Orders, on April 20, 2006, Delmarva notified the Commission that the parties in the FERC proceeding had reached a settlement of the issues and that the settlement had been approved by FERC. It was determined that most if not all the issues raised in PSC Docket No. 05-147 had been addressed at the federal level. Delmarva represented that in light of the FERC settlement, Delmarva was developing a proposal to make the appropriate modifications to the rates made effective on a temporary basis on May 24, 2005.

On June 14, 2006, Delmarva Power & Light Company filed an application with the Delaware Public Service Commission (“Commission”) requesting a change in electric transmission rates that have the aggregate effect of decreasing annual revenues by approximately \$12 Million (\$12,000,000) or two percent (2%). Commission Order No. 6951 allowed the rates filed by the Company to go into effect on July 1, 2006 pending investigation by the Commission. That order also consolidated PSC Docket Nos. 05-147 and 06-192.

On July 11, 2006, the Commission issued Order No. 6979, which closed PSC Docket No. 05-147 and made any issues in that docket part of PSC Docket No. 06-192.

On September 29, 2006, per the procedural schedule set in the case, Commission Staff submitted a report entitled “Staff’s Report on Delmarva’s Transmission Rate Filing in Docket 06-192.” The Staff report reviewed the three components of the rate change. The first component is the formula rate for determining the Network Integration Transmission Service (“NITS”). The second component is the cost associated with the Reliability Must Run (“RMR”) units. The third component is the cost associated with PJM’s Seams Elimination Charge Adjustment (“SECA”). Staff’s report concluded that, after reviewing the Company’s filing, the

underlying source documents and workpapers, and the FERC Settlement in ER05-515, “the FERC-approved wholesale rates and SECA and RMR adjustments have been accurately reflected in Delmarva’s filing in Docket No. 06-192 of its retail transmission rates.”

Comments in response to Staff’s report were filed on October 20, 2006 by the DPA and the DEUG. The DPA filed comments that supported the conclusion in Staff’s report and stated that “at this time, the Division of the Public Advocate sees no issues that would require further investigation.” DEUG’s comments stated “DEUG has identified no issue to raise in this case with respect to either Delmarva’s transmission rate filing or the Staff’s report.” Discussions among the parties have led to the following settlement that is being submitted for approval.

II. PROPOSED SETTLEMENT PROVISIONS

1. The parties agree that the FERC-approved transmission rates have been accurately reflected in Delmarva’s transmission rates as filed in this docket and the transmission rates in effect for the rate period June 1, 2006, through May 31, 2007, are attached to this settlement as Attachment A. The parties further agree that the electric transmission rates being charged by Delmarva as proposed in this docket are appropriate as defined under the relevant statute, 26 *Del. C.* § 301 *et seq.*, as being just and reasonable and the parties believe that the rates in the Company’s application are in the public interest and that the Commission should approve the interim rates that were allowed to go into effect on July 1, 2006 pursuant to Order No. 6951 as final and close this docket.

2. In regard to Attachment 4 to Delmarva’s FERC Formula Rate for network transmission service, the parties agree that Attachment 4 was designed to demonstrate the effect of a potential Return on Equity (ROE) adder at any basis point level. Attachment 4 does not represent the actual FERC-approved Return on Equity (ROE) authorized for the Company, but

rather, the attachment illustrates the calculation of an incentive ROE at any basis point level. The Company will note this on Attachment 4 going forward.

III. STANDARD PROVISIONS AND RESERVATIONS

- A. The provisions of this Agreement are not severable.
- B. The Parties will make their best efforts to support this Agreement and to secure its approval by the Commission.
- C. This Agreement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions herein without modification. If the Commission should fail to grant its approval of this Agreement, or should modify any of the terms and conditions herein, this Agreement will terminate and be of no force and effect, unless the Parties agree to waive the application of this provision. In the event that this Agreement does not become final either because it or any part of it is not approved by the Commission, or because it or any part of it is the subject of a successful appeal and remand, each Party reserves its right to submit testimony in this Docket and each Party hereto reserves its rights to present whatever evidence it deems appropriate to advance its positions in litigation.
- D. This Agreement represents a compromise for the purposes of settlement. Except as provided herein, this Agreement resolves, with prejudice, all of the issues specifically addressed herein, and precludes the Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals in this proceeding unless Staff is instructed by the Commission to the contrary; provided, however, that this Agreement is made without admission against or prejudice to any factual or legal positions which

any of the Parties may assert (a) in the event that the Commission does not issue a final, non-appealable order approving this Agreement without modification; or (b) in other proceedings before the Commission or other governmental body so long as such positions do not attempt to abrogate this Agreement. Except as set forth in paragraph 15 herein, the Parties agree that this Agreement shall not constitute or be cited as controlling precedent in any other proceedings, including other proceedings before the Commission or before any other governmental body in the State of Delaware or elsewhere. Except as provided herein, this Agreement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Parties of all of the issues in this proceeding, except as otherwise provided herein.

VI. CONCLUSION

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement Agreement to be signed by their duly-authorized representatives.

/s/ J. Mack Wathen
Delmarva Power & Light Company

/s/ Connie S. McDowell
Delaware Public Service
Commission Staff

/s/ G. Arthur Padmore
Division of the Public Advocate