

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE INVESTIGATION)
OF THE PUBLIC SERVICE COMMISSION)
INTO REVENUE DECOUPLING MECHANISMS)
FOR POTENTIAL ADOPTION AND IMPLEMEN-) PSC REGULATION DOCKET NO. 59
ATION BY ELECTRIC AND NATURAL GAS)
UTILITIES SUBJECT TO THE JURISDICTION)
OF THE PUBLIC SERVICE COMMISSION)
(OPENED MARCH 20, 2007))

ORDER NO. 7153

This 20th day of March, 2007, the Commission determines and orders the following:

1. The Commission opens this proceeding to consider whether to implement a revenue decoupling mechanism for the electric and natural gas utilities subject to its jurisdiction, consistent with the provisions of the settlement of Delmarva Power & Light Company's ("Delmarva") gas base rate case approved by this Commission in Order No. 7152 (Mar. 20, 2007).¹ In this proceeding, the Commission seeks to develop policy recommendations and concepts regarding the potential approval of revenue decoupling mechanisms for the utilities subject to the Commission's jurisdiction.

2. Within 45 days from the date of this Order, the Hearing Examiner appointed herein shall convene a working group, or solicit comments on, potential revenue decoupling mechanisms, the identification of associated issues including but not limited to

¹The Settlement Agreement in Docket No. 06-284 calls for the parties to participate in any generic statewide proceeding initiated by the Commission for purposes of investigating a revenue decoupling mechanism for electric and gas distribution utilities.

whether it is appropriate to make the implementation of a revenue decoupling mechanism contingent on the implementation of energy efficiency and conservation programs, potential benefits to customers, and the effects of revenue decoupling on the utilities' risk profiles.

3. The Commission will not dictate a specific process for the Hearing Examiner to follow; rather, the Hearing Examiner is free to develop a process that is efficient and fair. However, the Commission anticipates that the Hearing Examiner will convene one or more workshops or other similar meetings in which the Commission Staff, Delmarva Power & Light Company, Chesapeake Utilities Corporation, and all other participants will work to identify possible recommendations, develop a list of "consensus" proposals, and narrow the issues related to any "contested" proposals.

4. The Hearing Examiner shall be available to decide any material procedural difficulties that might arise during this process. If disputes remain after such collaborative attempts and are ones that should or must be resolved by adversarial presentations, the Hearing Examiner shall then conduct the necessary or appropriate proceedings and hearings on such disputed matters. Upon conclusion of all necessary and appropriate hearings, the Hearing Examiner shall provide to the Commission a Report with proposed findings and recommendations for the Commission's consideration.

NOW, THEREFORE, IT IS ORDERED:

1. That this docket is now opened to investigate and consider whether to implement a revenue decoupling mechanism and, if so, the design of such revenue decoupling mechanism.

2. That the Commission Staff shall publish the form of notice attached hereto as "Exhibit A" in the following newspapers, in two-column format, outlined in black, on the designated dates:

The News Journal (March 29, 2007)

Delaware State News (March 29, 2007)

Staff shall file proof of such publication on or before April 15, 2007. The Secretary shall promptly also post (for thirty days) the attached form of notice on the Commission's Internet website under an appropriate heading.

3. On or before April 25, 2007, the Hearing Examiner will convene a working group, open to the public, to discuss the procedural schedule as well as the parameters of this regulation docket.

4. That interested persons or entities may file and serve comments regarding any issue involving revenue decoupling mechanisms on or before May 25, 2007. Delmarva Power & Light Company and Chesapeake Utilities Corporation may file responding comments on or before June 15, 2007. Such comments may be served and filed in writing (10 copies) or electronically by Internet e-mail, with a single written copy to be filed and served thereafter.

5. That persons or entities may also file petitions to intervene under Rule 21 of the Commission's Rules of Practice and Procedure on or before April 19, 2007. The Hearing Examiner shall have sole authority to review such petitions and determine whether intervention should be permitted.

6. That, pursuant to 26 Del. C. § 502 and 29 Del. C. ch. 101, Hearing Examiner Ruth Ann Price is designated as the Hearing Examiner

for this matter. The Hearing Examiner shall supervise and/or conduct such proceedings in this matter as she deems necessary or appropriate to create an adequate record. The Hearing Examiner is also delegated the authority to determine the manner and content of any public notice she deems necessary or appropriate. At the conclusion of the proceedings, the Hearing Examiner shall submit a Report with her proposed findings and, if necessary, recommendations concerning what actions the Commission should take, if any, with respect to the adoption and implementation of revenue decoupling mechanisms for the utilities subject to the Commission's jurisdiction.

7. That James McC. Geddes, Esquire, is appointed Rate Counsel in this matter.

8. That Delmarva Power & Light Company and Chesapeake Utilities Corporation are notified that they will be assessed the costs of this proceeding under 26 Del. C. § 114(b).

9. 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/ Jaymes B. Lester
Commissioner

PSC Regulation Docket No. 59, Order No. 7153 Cont'd.

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

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OF THE PUBLIC SERVICE COMMISSION)
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NOTICE OF AND REQUEST FOR COMMENTS ON THE
PUBLIC SERVICE COMMISSION'S INVESTIGATION INTO AND
CONSIDERATION OF THE POTENTIAL ADOPTION AND IMPLEMENTATION
OF REVENUE DECOUPLING MECHANISMS FOR THE ELECTRIC AND NATURAL
GAS UTILITIES SUBJECT TO THE JURISDICTION OF THE
PUBLIC SERVICE COMMISSION

On March 20, 2007, the Commission initiated this Regulation Docket to investigate and consider the adoption and implementation of revenue decoupling mechanisms for the electric and natural gas utilities subject to its jurisdiction. The Commission now solicits written comments on potential revenue decoupling mechanisms, the identification of associated issues including but not limited to whether it is appropriate to make the implementation of a revenue decoupling mechanism contingent on the implementation of energy efficiency and conservation programs, potential benefits to customers, and the effects of revenue decoupling on the utilities' risk profiles.

If you wish to submit comments, you should review PSC Order No. 7153 (Mar. 20, 2007). That Order is available on the Commission's

Internet website at www.state.de.us/delpsc. Comments must be filed, and served, on or before May 25, 2007 as follows:

Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904
Attn: PSC Reg. Dkt. 59

Delmarva Power & Light Company
800 King Street
Post Office Box 231
Wilmington, DE 19899-0231
Attn: PSC Reg. Dkt. 59
Mail Stop 89KS42

karen.nickerson@state.de.us

acwilson@pepcoholdings.com
gary.cohen@pepcoholdings.com

Chesapeake Utilities Corporation
350 South Queen Street
Post Office Box 1769
Dover, DE 19904
Attn: Jennifer A. Clausius
Manager of Pricing and Regulation
jclausius@chpk.com

You must file 10 copies of written comments with the Commission and serve another copy by mail on Delmarva Power & Light Company ("Delmarva") and Chesapeake Utilities Corporation "Chesapeake". Alternatively, you may file and serve your comments electronically as an attachment to an Internet e-mail, followed by the filing and service of a single paper copy with the Commission, Delmarva and Chesapeake.

You may also ask to be allowed to intervene in the matter. To do so, you must file a petition to intervene under Rule 21 of the Commission's "Rules of Practice and Procedure." That petition must be filed with the Commission on or before April 19, 2007.

If you are disabled and need assistance to participate in this matter, contact the Commission to discuss arrangements for such assistance. You can contact the Commission directly or by telephone at (302) 739-4247 (including text telephone) or toll-free at 1-800-

282-8574 (Delaware only). Questions or inquiries can also be made by Internet e-mail addressed to www.janis.dillard@state.de.us.