

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

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY FOR)
APPROVAL TO MODIFY ITS STANDARD OFFER)
SERVICE SUPPLY RATE TO REFLECT A) PSC DOCKET NO. 07-364
REVISION TO THE REASONABLE ALLOWANCE)
FOR A RETAIL MARGIN ("RARM"),)
PURSUANT TO PSC DOCKET NO. 04-391)
(FILED DECEMBER 27, 2007))

ORDER NO. 7366

This 21st day of February, 2008, the Commission determines and Orders the following:

1. In PSC Order No. 6746 (Oct. 11, 2005), in PSC Docket No. 04-391, this Commission approved a settlement agreement that would allow Delmarva Power & Light Company ("Delmarva Power") to recover, in its Standard Offer Service ("SOS") supply rate, a "reasonable allowance for retail margin" ("RARM"), which includes recovery of the incremental expenses it incurs in providing SOS and \$2.75 million per year.¹ (Order No. 6746 at 10.) The approved settlement agreement calls for Delmarva Power to submit, "approximately four months after the start of Year 2" of the SOS procurement process, an application to revise its rates to reflect a true-up of actual RARM costs incurred up

¹When the Commission approved the settlement agreement in PSC Docket No. 04-391, the "Electric Utility Restructuring Act of 1999" directed Delmarva Power to include in its SOS rates a "reasonable allowance for retail margin to be determined by the Commission." See 26 Del. C. § 1006(a)(2)(c), *prior to 2006 amendments*. With the "Electric Utility Supply Act of 2006" (*i.e.*, House Bill No. 6), the General Assembly rewrote § 1006 and, among other things, deleted the reference to RARM. While there is no longer any specific statutory requirement for SOS to include a RARM, the new § 1007(c)(1)(a) from the Supply Act of 2006 cites the SOS "procurement process approved in PSC Docket No. 04-391" as comprising a portion of the SOS resource mix, which process includes collection of the RARM at this time.

to the end of Year 1. In addition, the application was to include a resetting of the millage rate charged to fixed price SOS customers to collect the \$2.75 million portion of the RARM, based on actual collections during Year 1.

2. On December 27, 2007, Delmarva Power filed an application seeking to increase the RARM established in PSC Docket No. 04-391 to reflect the actual SOS costs it incurred from May 1, 2006 to May 31, 2007. According to Delmarva Power, the proposed increase to RARM, if approved, would increase residential SOS customer supply rates by less than 1 percent.

3. Based on its initial review of the proposed changes, Staff recommends approval of Delmarva Power's application, on a temporary basis and with the new rates subject to refund, pending further investigation. Prior to approving final tariff changes and rates, the Commission will direct Delmarva Power to publish a general notice of the proposed rates and the Commission Secretary to provide direct notice to the parties from Docket No. 04-391. If comments or objections are forthcoming, or further information comes to light, the Commission can then determine what additional process might be appropriate before the Commission undertakes any final decision concerning the proposed changes and rates.

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

1. That, for the reasons set forth in the body of this Order, Delmarva Power & Light Company is hereby authorized to charge SOS rates based on the Reasonable Allowance for Retail Margin proposed in its December 27, 2007 application, on a temporary basis and subject to

refund, effective with bill cycles beginning on and after February 29, 2008.

2. That Delmarva Power & Light Company shall cause to be published in The News Journal and Delaware State News newspapers, in two-column format outlined in black, the form of Notice set forth in Exhibit "A" to this Order, on or before February 29, 2008, and shall file proof of the newspaper publication with the Commission as soon as practical.

3. That the Commission Secretary shall promptly serve a copy of this Order on the Division of the Public Advocate and all parties of record to the settlement agreement in PSC Docket No. 04-391.

4. That Delmarva Power & Light Company is hereby notified that it will, pursuant to 26 Del. C. § 114, be assessed the costs of this proceeding.

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/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

PSC Docket No. 07-364, Order No. 7366 Cont'd.

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

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

OF UPDATE TO RETAIL MARGIN COMPONENT
OF STANDARD OFFER SUPPLY RATES FOR
DELMARVA POWER & LIGHT COMPANY

**TO: ALL ELECTRIC STANDARD OFFER SERVICE ("SOS") CUSTOMERS OF
DELMARVA POWER & LIGHT COMPANY, AND OTHER INTERESTED
PERSONS**

In PSC Order No. 6746 (Oct. 11, 2005), in PSC Docket No. 04-391, the Public Service Commission approved a settlement agreement that would allow Delmarva Power & Light Company ("Delmarva Power") to recover, in its Standard Offer Service ("SOS") supply rate, a "reasonable allowance for retail margin" ("RARM"), which includes recovery of the incremental expenses it incurs in providing SOS and \$2.75 million per year.

On December 27, 2007, pursuant to the approved settlement agreement, Delmarva Power filed an application to revise its SOS rates to reflect a true-up of actual RARM costs incurred from May 1, 2006 to

May 31, 2007. In addition, the application includes a resetting of the millage rate charged to fixed price SOS customers to collect the \$2.75 million portion of the RARM. According to Delmarva Power, the proposed increase to RARM, if approved, would increase SOS supply rates to all residential SOS customers by less than 1 percent.

In PSC Order No. 7366 (Feb. 21, 2008), the PSC allowed the proposed new rates to go into effect on a temporary basis and subject to refund, effective with bill cycles beginning on and after February 29, 2008. The PSC now solicits from any interested person or entity comments or objections to Delmarva Power's proposed new rates. If you wish to file any such comments or objections, you must file such document (10 copies) with the PSC by March 28, 2008. Such comments or objections shall be filed with the PSC at the following address:

Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, Delaware 19904
Attn: PSC Dckt. No. 07-364W

Only persons or entities filing comments or objections will receive notice of further proceedings in this matter.

If you wish to participate in this matter, you should review PSC Order No. 7366. That Order is available at dep.sc.delaware.gov. You may review (and copy) the documents and supporting material submitted by Delmarva Power at the PSC's office at the above-listed address. If you want more information, you can contact the PSC at 1-800-282-8574 (Delaware only) or (302) 736-7500 (text telephone also). You can also send inquiries by Internet e-mail to david.bloom@state.de.us