

**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. 09-9  
REVISION TO THE REASONABLE ALLOWANCE )  
FOR A RETAIL MARGIN ("RARM"), PURSUANT )  
TO PSC DOCKET NO. 04-391 )  
(FILED JANUARY 6, 2009) )

**ORDER NO. 7531**

This 5<sup>th</sup> day of February, 2009, 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 ("Settlement") allowing Delmarva Power & Light Company ("DPL" or the "Company") 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.<sup>1</sup> (Order No. 6746, at 10.) The Settlement requires that DPL 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 to the

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<sup>1</sup>When the Commission approved the Settlement, the "Electric Utility Restructuring Act of 1999" directed DPL 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," the General Assembly amended § 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, new § 1007(c)(1)(a) of the Electric Utility 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 includes collection of the RARM.

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, DPL filed a Year 2 application (Docket No. 07-364) 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. The Commission initially approved the Year 2 increased RARM on a temporary basis and subject to refund in Order No. 7366 (Feb. 21, 2008) and, subsequently, on a permanent basis in Order No. 7406 (June 17, 2008).

3. On January 6, 2009 the Company filed an application in the instant docket to increase the RARM charge pursuant to the Settlement. According to the Company's filing, the increased RARM would result in an increase of \$.32, or .2%, per month, for an average residential customer using 1,000 kWh. Staff has noted, however, that the proposed RARM charge results in an increase of approximately 13.60% over the Year 2 RARM charge approved in Docket No. 07-364.

4. The Company has also requested that the increased RARM charge be implemented as "an increase with usage (without proration) effective on the electric Customer's first bill cycle in March 2009." As a result of the Company's implementation, customers would not receive much (if any) notice of the change in their supply rates as prior usage from February included in the first bill cycle in March 2009 would be billed at the increased RARM charge.

5. In this case, however, the proposed increase is comparatively minor (\$0.32 for the average 1000 kWh residential customer). In this case, Staff does not oppose implementation of the proposed RARM charge as filed by the Company without proration effective with the first bill cycle in March 2009. Staff has also noted that the increased RARM charge will be implemented subject to refund, with interest, which will mitigate the proration issue to some degree in this case. The Company is hereby put on notice that the implementation of the increased RARM without proration shall not be precedential, and proration of future rate changes will be evaluated on a case-by-case basis.

6. On January 29, 2009 the Company filed a revised Delaware Electric Tariff Leaf No. 50 to correct the calculation of the outdoor area lighting "OL" tariff. Staff agrees that the correction will take effect along with the originally-filed January 6, 2009 tariff leafs.

7. Based on its initial review of the proposed changes, Staff does not oppose implementation of the proposed increase in the RARM charge, with appropriate public notice, on a temporary basis without proration effective with billings on and after March 2, 2009, and subject to refund with an interest rate that is consistent with 26 Del. Admin. C. § 1003 (Interest on Commission Ordered Rate Refunds).

8. We will direct the Company 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, we

can then determine what additional process might be appropriate before reaching a final decision concerning the proposed changes and rates.

Now, therefore, **IT IS ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

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 January 6, 2009 application on a temporary basis effective with billings on and after March 2, 2009, without proration and subject to refund with an interest rate that is consistent with 26 Del. Admin. C. § 1003 (Interest on Commission Ordered Rate Refunds).

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 15, 2009, 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 be assessed the costs of this proceeding pursuant to 26 Del. C. § 114.

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:

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Chair

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/s/ Joann T. Conaway  
Commissioner

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/s/ Jaymes B. Lester  
Commissioner

\_\_\_\_\_  
/s/ Jeffrey J. Clark  
Commissioner

\_\_\_\_\_  
/s/ Dallas Winslow  
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 Delaware Public Service Commission ("Commission" or "PSC") approved a settlement agreement that would allow Delmarva Power & Light Company ("DPL" or the "Company") 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 January 6, 2009 pursuant to the approved settlement agreement, DPL filed an application to revise its SOS rates to reflect an

increased RARM charge. According to the Company, the proposed increase to the RARM, if approved, would increase SOS supply rates to an average residential SOS customer using 1,000 kWh a month by less than 1 percent.

In PSC Order No. 7531 (Feb. 5, 2009) the Commission allowed the proposed new rates to go into effect on a temporary basis, and subject to refund, effective with billings beginning on and after March 2, 2009. The PSC now solicits from any interested person or entity comments or objections to the Company'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 30, 2009. 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. 09-9

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. 7531. That Order is available at [dep.sc.delaware.gov](http://dep.sc.delaware.gov). You may review the documents and supporting material submitted by the Company at the PSC's office at the above-listed address. If you want more information, you can contact the Commission at 1-800-282-8574 (Delaware only) or (302) 736-7500 (text telephone also). You can also send inquiries by Internet e-mail to [pamela.knotts@state.de.us](mailto:pamela.knotts@state.de.us) or [john.farber@state.de.us](mailto:john.farber@state.de.us).