

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. 7603

This 7th day of July, 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. See PSC Order No. 6746, at p. 10. The Settlement required 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 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, in PSC 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 approved the Year 2 increased RARM by 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, which increase would result, according to the Company's filing, in an increased RARM of \$.32, or .2%, per month, for an average residential customer using 1,000 kWh.

4. On February 5, 2009, the Commission entered PSC Order No. 7531, which approved the proposed increase on a temporary basis and subject to refund, with interest. The Order also required the publication of notice of the proposed increase, which notice provided for a deadline by which comments to the increase may be filed.

5. The notice required by Order No. 7531 was published, and no comments have been filed. However, Commission Staff continues to investigate the propriety of the requested increase and has not yet completed its investigation. Further, Staff attempted to resolve certain issues with the Company, but has been unable to do so. Therefore, it appears likely that an evidentiary hearing could be required.

**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, this matter is hereby assigned to Hearing Examiner Mark Lawrence pursuant to 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101 to schedule and conduct an evidentiary hearing, as necessary, to have a full and

complete record concerning the justness and reasonableness of the proposed increased rate. Thereafter, the Hearing Examiner shall file with the Commission his proposed findings and recommendations. Pursuant to Rule 21 of the Commission's Rules of Practice and Procedure, the Hearing Examiner is specifically delegated the authority to grant or deny petitions seeking leave to intervene. In addition, the Hearing Examiner is delegated the authority, under 26 Del. C. § 102(A), to determine the form and manner of any further public notice in this matter.

2. 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

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Katie Rochester

Acting Secretary