

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT)
COMPANY FOR APPROVAL OF A) PSC DOCKET NO. 09-277T
MODIFIED FIXED VARIABLE)
RATE DESIGN FOR NATURAL GAS RATES)
(Filed June 25, 2009))

ORDER NO. 7619

AND NOW, this 4th day of August, 2009:

WHEREAS, the Delaware Public Service Commission (the "Commission") initiated Regulation Docket No. 59 to consider whether to implement revenue decoupling mechanisms for the electric and natural gas distribution utilities subject to its jurisdiction; and

WHEREAS, in Regulation Docket No, 59, the Commission Staff ("Staff") recommended implementation of a modified fixed/variable ("MFV") rate design, which collects fixed costs through a customer/demand charge that comports with cost causation principles underlying rate design; would stratify customer classes to mitigate the customer impact from this change in rate design; and would send the proper price signals to customers deciding whether to engage in energy efficiency measures; and

WHEREAS, in Order No. 7240 dated September 16, 2008 in Regulation Docket No. 59, the Commission approved the adoption of Staff's proposed modified fixed variable rate design for Delaware distribution utilities in the context of a rate case, but reserved the flexibility to address such rate design changes outside the context of a rate case should the situation warrant; and

WHEREAS, on June 25, 2009 Delmarva Power & Light Company ("Delmarva" or the "Company") filed an application for approval of an MFV rate design, which it claims is "intended to better levelize and stabilize recovery of delivery-related costs from all customer classes over the course of each year," to "eliminate the relationship between delivery revenue and the level of customer gas consumption," and to remove disincentives to promote conservation programs to as to better align the interests of customers, utilities, the environment and the State in the area of energy conservation (Application at 2); and

WHEREAS, the Company contends that consideration of the adoption of an MFV rate design for its natural gas distribution business is warranted outside the context of a rate case because: (1) the State of Delaware is embarking on several energy conservation initiatives such as the establishment of a statewide Sustainable Energy Utility and Energy Efficiency resource Standards; and (2) Delaware is applying for federal stimulus funds related to energy efficiency, renewable energy and other energy-based initiatives. Moving forward with establishment of a MFV rate design, which is a form of decoupling, for Delmarva's natural gas distribution business is consistent with the goals of energy-related federal stimulus funding and demonstrates that the State of Delaware, the Commission, and Delmarva Power remain dedicated to achieving energy conservation.

WHEREAS, the Commission believes that the Company has set forth sufficient justification for the Commission to examine the adoption of an MFV rate design for the Company's natural gas distribution business outside the context of a natural gas rate case.

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. That this docket is hereby opened to examine the adoption of a modified fixed/variable rate design for Delmarva Power & Light Company's natural gas distribution business, for implementation in Delmarva's next natural gas base rate case or outside the context of a rate case should the situation warrant;

2. That Ruth Ann Price is hereby designated as Hearing Examiner for this matter pursuant to the terms of 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101 to schedule and upon due notice, such public comment sessions and evidentiary hearings, as may be necessary, to have a full and complete record concerning the implementation of any dynamic pricing options by Delmarva.

Thereafter, the Hearing Examiner shall file with the Commission proposed findings and recommendations. 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 and, pursuant to Rule 21 of this Commission's Rules of Practice and Procedure, to grant or deny petitions for intervention.

Regina A. Iorii, Deputy Attorney General, is hereby designated as Rate Counsel for this docket.

3. That Delmarva shall give public notice of the filing of this application by publishing notice in a form to be approved by the Hearing Examiner in two-column format, outlined in black, in the legal classified section of The News Journal newspaper on such date(s) as the Hearing Examiner may determine. Delmarva shall submit proof of such publication as soon as possible after

the publication, but no later than the commencement of the evidentiary hearings concerning this matter.

4. Delmarva Power & Light Company is hereby placed on notice that the costs of the investigation will be charged to it under the provisions of 26 *Del. C.* § 114(b).

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/ Jeffrey J. Clark
Commissioner

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

ATTEST:

/s/ Katie Rochester
Acting Secretary

EXHIBIT A

**BEFORE THE PUBLIC SERVICE COMMISSION
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PUBLIC NOTICE

**OF THE FILING OF AN APPLICATION BY DELMARVA POWER & LIGHT
COMPANY FOR APPROVAL OF A MODIFIED FIXED VARIABLE
RATE DESIGN FOR NATURAL GAS RATES**

**TO: ALL NATURAL GAS CUSTOMERS OF DELMARVA POWER & LIGHT
COMPANY AND OTHER INTERESTED PERSONS**

On June 25, 2009, Delmarva Power & Light Company (“Delmarva” or the “Company”) filed an application with the Delaware Public Service Commission (“the Commission”) seeking approval to implement a modified fixed variable (“MFV”) rate design for its natural gas distribution customers. If such rate design is approved, Delmarva stated that it would not implement such rate design except in the context of a natural gas base rate case.

On August 4, 2009, the Commission opened this docket to consider Delmarva’s application. The Commission appointed a Hearing Examiner and set forth a proposed schedule for the docket. The proposed schedule is available on the Commission’s website: <http://depsec.delaware.gov/>. It should be noted that this schedule is subject to change and that interested persons should consult the Commission’s website for the most current schedule.

Any person, group, or entity that wishes to participate in these workshops must, in accordance with Rule 21 of the Commission's Rules of Practice and Procedure, petition the Commission for leave to intervene in the proceedings. To be timely, all such petitions must be filed with the Delaware Public Service Commission at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 on or before **September 7, 2009**. Petitions received thereafter will not be considered except for good cause.

The Commission will conduct hearings in this proceeding, or any settlement that might be proposed by the parties, at later dates after providing further public notice.

Individuals with disabilities who wish to participate in these proceedings or to review filings should contact the Commission to discuss any needed auxiliary aids or services. The Commission Staff is also available to provide more information. The Commission's toll-free telephone number within Delaware is 1-800-282-8574. The Commission can also be reached at (302) 739-4333 (including text telephone communications). Inquiries can also be sent to the Commission by Internet e-mail to "susan.neidig@state.de.us."

EXHIBIT B

**BEFORE THE PUBLIC SERVICE COMMISSION
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PROPOSED PROCEDURAL SCHEDULE

<u>DATE</u>	<u>ACTIVITY</u>
Monday, September 7, 2009	Deadline for Intervention Petitions
Tuesday, September 15, 2009	Staff/Public Advocate/Intervenors File Initial Data Requests to Company
Tuesday, September 29, 2009	Company responds to Initial Data Requests
Thursday, October 15, 2009	Staff/Public Advocate/Intervenors File Follow-Up Data Requests to Company
Thursday, October 29, 2009	Company responds to Follow-Up Data Requests
Thursday, November 19, 2009	Staff/Public Advocate/Intervenors File Direct Testimony
Thursday, December 3, 2009	Company Files Initial Data Requests to Staff/Public Advocate/Intervenors
Thursday, December 17, 2009	Staff/Public Advocate/Intervenors Respond to Company's Initial Data Requests
Thursday, January 7, 2010	Company Files Rebuttal Testimony
Thursday, January 21, 2010	Staff/Public Advocate/Intervenors File Data Requests on Company Rebuttal Testimony
Thursday, February 4, 2010	Company Responds to Rebuttal Data Requests

Wednesday and Thursday, February 24-25, 2010	Evidentiary Hearings (Time and location TBA)
Thursday, March 18, 2010	Simultaneous Opening Briefs Due to Hearing Examiner
Thursday, April 1, 2010	Simultaneous Reply Briefs Due to Hearing Examiner
Thursday, April 22, 2010	Hearing Examiner Submits Findings and Recommendations
Tuesday, May 4, 2010	Briefs on Exceptions Due to Commission
Tuesday, May 11, 2010	Commission Deliberations