

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. 09-276T  
MODIFIED FIXED VARIABLE )  
RATE DESIGN FOR ELECTRIC RATES )  
(FILED JUNE 25, 2009) )

ORDER NO. 7641

AND NOW, this 9<sup>th</sup> day of September, 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 electricity consumption," and to remove disincentives to promote conservation programs so as to better align the interests of customers, utilities, the environment and the State in the area of energy conservation, demand side management and demand response (Application at 2); and

**WHEREAS**, the Company contends that consideration of the adoption of an MFV rate design for its electric 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; and

**WHEREAS**, the Company has notified the Commission that it intends to file a base rate case requesting an increase in electric distribution base rates in September 2009; and

**WHEREAS,** the Commission believes it would be appropriate to examine the issue of the adoption of a modified fixed variable rate design in that base rate case when the case is filed;

**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 electric business, for implementation in Delmarva's next electric base rate case.

2. That, upon the filing by Delmarva of an electric distribution rate case, which filing is expected to occur in September 2009, this docket may (but need not) be combined with and folded into that rate case docket. If this docket is not so combined, it shall be scheduled so as to run concurrently with the electric base rate case.

3. 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)*.

4. 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

PSC Order No. 7641 (Con't)

\_/s/ Jaymes B. Lester\_\_\_\_\_  
Commissioner

\_/s/ Dallas Winslow\_\_\_\_\_  
Commissioner

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

ATTEST:

\_/s/ Katie Rochester\_\_\_\_\_  
Acting Secretary