

**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. 09-484  
REVISION TO THE REASONABLE ALLOWANCE )  
FOR A RETAIL MARGIN ("RARM"), PURSUANT )  
TO PSC DOCKET NO. 04-391 )  
(FILED NOVEMBER 10, 2009) )

**ORDER NO. 7701**

This 8<sup>th</sup> day of December, 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") 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.<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

---

<sup>1</sup>When the Commission approved the Settlement, 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", 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 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 process includes collection of the RARM.

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 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) in Docket No. 07-364 and, subsequently, on a permanent basis in Order No. 7406 (June 17, 2008) in Docket No. 07-364.

3. On January 6, 2009 the Company filed an application in Docket No. 09-9 to increase the RARM charge pursuant to the Settlement. The Commission approved the proposed increase on a temporary basis and subject to refund, with interest, in Order No. 7531, dated February 5, 2009. After extensive discovery, workshops and negotiations with the Company, a settlement agreement was executed between the Company, Staff and the Division of Public Advocate on October 30, 2009 ("2009 Settlement Agreement"). The 2009 Settlement Agreement was the subject of a November 23, 2009 hearing and, pending a Hearing Examiner Report, will (hopefully) be ultimately approved by the Commission.

4. On November 10, 2009, the Company filed an application pursuant to PSC Order No. 6746 to increase the RARM charge which was in effect as a result of Order No. 7531. The Company has requested

that the increased RARM charge be implemented as "an increase with usage (with proration) effective on the electric Customer's usage on or after January 9, 2010." The Company states in their filing that the impact to an average residential customer using 1000 kWh is \$1.27 per month, or an increase of 0.9% of a total bill. Staff would note, however, that the increase as a percentage of the Supply Service portion of the customer's bill would be 1.08%.

5. Based on its initial review of the proposed changes, Staff would anticipate discovery to ensure compliance with the 2005 Settlement Agreement and the 2009 Settlement Agreement as well as ensure the appropriate calculation of costs to be recovered in the RARM charge. Staff is recommending that the Commission implement the proposed increase to the RARM on a temporary basis with usage on and after January 9, 2010, i.e., with proration, with appropriate public notice, and subject to refund with an interest rate that is consistent with 26 Del. Admin. C. § 1003 (Interest on Commission Ordered Rate Refunds).

6. Prior to approving final tariff changes and rates, the Commission 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, 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 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 November 10, 2009 application, on a temporary basis with usage on and after January 9, 2010, 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 December 13, 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, 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.

6. 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/ Alisa Carrow Bentley  
Secretary

E X H I B I T "A"

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. 09-484  
REVISION TO THE REASONABLE ALLOWANCE )  
FOR A RETAIL MARGIN ("RARM"), PURSUANT )  
TO PSC DOCKET NO. 04-391 )  
(FILED NOVEMBER 10, 2009) )

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 November 10, 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 approximately \$1.27 per month.

In PSC Order No. 7701 (December 8, 2009) the Commission allowed the proposed new rates to go into effect on a temporary basis, and subject to refund, effective with usage beginning on and after January 9, 2010. 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 January 29, 2010. 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. 09-484

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. 7701. That Order is available at [depssc.delaware.gov](http://depssc.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).