

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED SEPTEMBER 18, 2009)	) ) ) ) )	PSC DOCKET NO. 09-414
IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR APPROVAL OF A MODIFIED FIXED VARIABLE RATE DESIGN FOR ELECTRIC RATES (FILED JUNE 25, 2009)	) ) ) ) )	PSC DOCKET NO. 09-276T

**ORDER NO. 7903**

**AND NOW**, this 27th day of January 2011:

**WHEREAS**, on September 18, 2009, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application (the "Application") to increase electric distribution base rates, which Application was docketed as Docket No. 09-414; and

**WHEREAS**, by Order No. 7671 dated October 6, 2009, the Commission opened this docket to consider Delmarva's Application; and

**WHEREAS**, in Order No. 7671 the Commission designated Senior Hearing Examiner Price to conduct any necessary evidentiary hearings and to submit her proposed findings and recommendations to the Commission; and

**WHEREAS**, the Commission Staff, the Division of the Public Advocate ("DPA"), the Delaware Department of Natural Resources and Environmental Control ("DNREC"), Wal-Mart Stores East, L.P. and Sam's East, Inc. (together "Wal-mart"), the Delaware Energy Users Group

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("DEUG") and the Attorney General's Office (collectively, the "Parties") intervened or otherwise participated in the proceedings; and

**WHEREAS**, on June 25, 2009, Delmarva filed an application seeking approval of a modified fixed-variable ("MFV") revenue-decoupled rate design for its electric distribution business for implementation in its next electric distribution rate case, which application was docketed as Docket No. 09-276T; and

**WHEREAS**, by Order No. 7641 dated September 9, 2009, the Commission opened this docket to consider Delmarva's Application; and

**WHEREAS**, by Order No. 7681 dated November 3, 2009, the Commission consolidated Docket Nos. 09-414 and 09-276T; and

**WHEREAS**, on or about April 16, 2010, the Parties submitted to the Hearing Examiner a proposed settlement of the revenue-decoupled rate design and cost of service issues raised in the consolidated docket (the "Revenue Decoupling Settlement"); and

**WHEREAS**, on April 19, 2010, Delmarva placed its full requested rate increase based on its rebuttal position into effect pursuant to 26 *Del. C.* §306(a); and

**WHEREAS**, evidentiary hearings were held before Senior Hearing Examiner Price on April 15 and 16 and May 26, 2010; and

**WHEREAS**, on or about August 27, 2010, Delmarva, the DPA, Staff, DEUG and Wal-Mart jointly submitted a proposed amended settlement of the revenue-decoupled rate design and cost of service issues raised in

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the consolidated docket (the "Amended Revenue Decoupling Settlement Agreement"); and

**WHEREAS**, Senior Hearing Examiner Price issued proposed Findings and Recommendations (the "Hearing Examiner's Report") regarding the Application and the Amended Revenue Decoupling Settlement Agreement on October 1, 2010; and

**WHEREAS**, Delmarva, the DPA and DNREC filed exceptions to certain matters addressed in the Hearing Examiner's Report; and

**WHEREAS**, the Commission met in public session on November 10, 2010 to hear oral argument and conduct deliberations on the issues addressed in the Hearing Examiner's Report and consider the exceptions taken to the Hearing Examiner's Report; and

**WHEREAS**, after the oral argument, the Commission unanimously determined to table its deliberations to participate in a workshop to receive further education on how the proposed revenue-decoupled rate design will work in practice and how it would affect Delmarva ratepayers, which workshop was held on December 2, 2010; and

**WHEREAS**, the Commission met on January 18, 2011 to conduct deliberations on the issues addressed in the Hearing Examiner's Report and consider the exceptions taken to the Hearing Examiner's Report; and

**WHEREAS**, on January 18, 2011, Delmarva, Staff, DNREC, DEUG and Wal-Mart submitted to the Commission a proposed settlement outlining the parties' plans for education and workshops with respect to the

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proposed revenue decoupling proposal, as well as agreements of those parties with respect to certain cost of service issues (the "Revenue Decoupling and Cost of Service Settlement"); and

**WHEREAS**, the Commission deliberated at its meeting on January 18, 2011 and resolved the issues in this matter; and

**WHEREAS**, the Commission entered a minute Order No. 7897 that included amounts for Delmarva's rate base, return requirement, *pro forma* operating income, and income deficiency as calculated by Delmarva, but which the Commission specifically made subject to review and revision; and

**WHEREAS**, as a result of that review it was determined that the amounts for Delmarva's rate base, return requirement, *pro forma* operating income, and income deficiency included in minute Order No. 7897 are incorrect, and must be corrected;

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE UNANIMOUS VOTE OF ALL COMMISSIONERS:**

1. That as a result of the Commission's deliberations referenced above, and a more detailed review of the calculations, the Commission hereby approves an overall increase in Delmarva Power & Light Company's electric distribution rates of \$16,371,203, the components of which are set forth below:

<u>Description</u>	<u>Amount</u>
Rate Base	\$443,263,642
Overall Rate of Return	7.61%

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Return on Equity	10.0%
Cost of Long-Term Debt	5.45%
Required Operating Income (Present Rates)	\$33,732,363
Operating Income Deficiency	\$9,673,002
Gross Revenue Conversion Factor	1.69246
Total Revenue Requirement Increase	\$16,371,203

A full Findings, Opinion and Order setting forth the Commission's reasons for its decisions on the various contested issues will follow at a later date. (Unanimous)

2. That the remaining Ordering paragraph of Order No. 7897 are unchanged and remain in full force and effect. (Unanimous)

3. That the Commission reserves the jurisdiction and authority to issue such further Orders as it deems 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

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

ATTEST:

/s/ Alisa Carrow Bentley \_\_\_\_\_  
Secretary