



A PHI Company

February 10, 2011

**VIA OVERNIGHT DELIVERY**

Ms. Alisa C. Bentley, Secretary  
Delaware Public Service Commission  
861 Silver Lake Boulevard  
Cannon Building, Suite 100  
Dover, DE 19904

**RE: In the Matter of the Application of Delmarva Power & Light Company for Approval  
of a Change in Gas Distribution Base Rates and Miscellaneous Tariff Changes  
PSC Docket No. 10-237**

**In the Matter of the Application of Delmarva Power & Light Company for Approval  
of a Modified Fixed Variable Rate Design for Gas Rates  
PSC Docket No. 09-277T**

Dear Ms. Bentley:

Enclosed for filing are the Original and 10 copies of Delmarva's Motion to Recommend Approval of the Proposed Settlement Agreement in the above referenced Dockets. Please contact me at (302) 429-3786 with any questions relating to the above referenced matter.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Todd L. Goodman", written over a horizontal line.

Todd L. Goodman

cc: Service List – Email

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION )  
OF DELMARVA POWER & LIGHT COMPANY )  
FOR A CHANGE IN NATURAL GAS BASE ) PSC DOCKET NO. 10-237  
RATES )  
(FILED 07-02-2010) )

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

MOTION TO RECOMMEND APPROVAL OF PROPOSED SETTLEMENT

Delmarva Power & Light Company (Delmarva) through its undersigned counsel, hereby respectfully moves the Hearing Examiner to consider and recommend approval of the attached proposed Settlement Agreement.

1. Delmarva is pleased to inform the Hearing Examiner that the Parties to this consolidated docket, with the exception of intervener John Kowalko, have reached a written proposed Settlement Agreement, a copy of which is attached as "Exhibit A" and is fully incorporated herein.

2. Mr. Kowalko has decided not be a signatory to the proposed Settlement Agreement and provided a letter to the Hearing Examiner on February 9, 2011. Mr. Kowalko has not informed the parties whether he will object to the Settlement Agreement at the February 15, 2011 hearing.

3. Although the proposed Settlement Agreement is attached hereto and contains the complete terms of the agreement, Delmarva believes that a summary of the principal terms will be helpful to both the Hearing Examiner and the public. The principal terms of the settlement are summarized in "Exhibit B" hereto.

4. For the reasons to be addressed in testimony at the hearing, the proposed Settlement Agreement is in the public interest and will result in rates that are reasonable and just.

WHEREFORE, Delmarva respectfully requests that, after receiving testimony on February 15, 2011 establishing that the settlement is reasonable and in the public interest, the Hearing Examiner recommend Commission approval of the proposed Settlement.

Delmarva Power & Light Company



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By: Todd L. Goodman  
800 King Street  
P.O. Box 231  
Wilmington, DE 19899

(302) 353-7979

[todd.goodman@pepcoholdings.com](mailto:todd.goodman@pepcoholdings.com)

Dated: February 10, 2011

# **Exhibit A**

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

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN CHANGE IN NATURAL GAS BASE RATES (FILED JULY 2, 2010)	) ) ) ) )	PSC DOCKET NO. 10-237
IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR APPROVAL OF A MODIFIED FIXED VARIABLE RATE DESIGN FOR NATURAL GAS RATES (FILED JUNE 25, 2009)	) ) ) ) )	PSC DOCKET NO. 09-277T

**PROPOSED SETTLEMENT**

On this day, February 9, 2011, Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (the “Staff”), and the Attorney General (together, the “Parties” or “Settling Parties”) hereby propose a complete settlement of all issues that were raised or could have been raised in this proceeding and to establish final rates as follows.

**I. INTRODUCTION AND PROCEDURAL BACKGROUND**

On July 2, 2010, Delmarva filed with the Delaware Public Service Commission (the “Commission”) an application (the “Rate Application”) seeking approval of: (a) an increase of \$11,915,381, or 6.3% over total revenues in its natural gas base rates; (b) a proposed revenue decoupling rate design; and (c) miscellaneous tariff changes. The application was accompanied by various schedules, tables, and data required by the Commission's minimum filing requirements and the pre-filed testimony of several witnesses.

Pursuant to its authority under 26 *Del. C.* §306(a)(1), the Commission reviewed the Rate Application and determined in PSC Order No. 7808 (July 22, 2010) that the proposed rate and tariff changes should be suspended pending full and complete evidentiary hearings into their justness and reasonableness. The Commission also granted the Company's request made pursuant to 26 *Del. C.* §306(c) permitting interim rates intended to produce an annual increase in intrastate operating revenues of \$2.5 million to be placed into effect on August 31, 2010, with proration and subject to refund.

Pursuant to the procedural schedule established by the Hearing Examiner, the Parties engaged in discovery with respect to the application and accompanying testimony and other material filed with the Application. On October 25 and 28, 2010, Staff and DPA each submitted testimony. Delmarva filed rebuttal testimony on December 3, 2010. The Parties engaged in substantial discovery with respect to their respective testimony.

On June 25, 2009, Delmarva filed an application seeking approval of a modified fixed-variable ("MFV") revenue-decoupled rate design for its gas distribution business for implementation in its next gas distribution rate case, which application was docketed as Docket No. 09-277T. By Order No. 7882 dated December 21, 2010, the Commission consolidated Docket Nos. 10-237 and 09-277T.

On December 31, 2010, the Public Advocate retired. Because of the vacancy in that office, the Attorney General moved for leave to intervene out of time. Hearing Examiner Price granted the Attorney General's motion on January 26, 2011.

On January 19, 2011, Delmarva submitted an Application in these Dockets with proposed tariff sheets (the "Interim Application") seeking to implement, subject to refund, under bond, the remainder of the full amount of its proposed gas delivery rates

based upon its rebuttal position, as permitted by 26 *Del. C.* §306.<sup>1</sup> The Commission approved this request by Commission Order No. 7904 dated January 27, 2011. Rates went into effect on February 2, 2011.

On January 18, 2011, the Commission met in Docket Nos. 09-414/09-276T, the Company's electric distribution rate case proceeding, to deliberate and decide many of the same issues raised in this docket. A minute order, Order No. 7897, was approved on January 18, 2011 and amended on January 27, 2011 by Order No. 7903.

The Parties desire to avoid the substantial cost which would be incurred if the case were to proceed to evidentiary hearings; and the Parties have conferred in an effort to resolve the issues raised in this proceeding, specifically referring to the Commission's recent decision in Docket Nos. 09-414/09-276T.

As such, it is acknowledged that the Parties differ as to the proper resolution of many of the underlying issues in the rate proceeding and are preserving their rights to raise those issues in future proceedings; however, the Parties believe that settlement of the pending rate proceeding on the terms and conditions contained herein will serve the interest of the public as well as meet the statutory requirement that rates be both just and reasonable.

## II. SETTLEMENT PROVISIONS

IT IS HEREBY STIPULATED AND AGREED by Delmarva, Staff, and the Attorney General that the Parties will submit to the Commission for its approval the following terms and conditions for resolution of this rate proceeding, which are consistent with the Commission's decisions in Docket Nos. 09-414/09-276T:

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<sup>1</sup> On December 3, 2010, Delmarva filed rebuttal testimony in which it reduced the amount of its requested increase from \$11,915,381 to \$10,163,325. The Interim Application requested implementation of this

A. Rates and Charges.

1. The total gas base rate revenue increase should be \$5.8 million, or approximately 3.09% of total gas revenues.
2. The Parties have agreed to an across-the-board distribution of the base rate revenue changes among all classes of customers as shown in Exhibit 1.
3. The cost of equity for the gas business shall be 10.0%. This produces a return on rate base of 7.56 %.
4. The rates approved for service on and after April 1, 2011, shall be as set forth in the tariff leafs attached as Exhibit 2.
5. Since the rates agreed to in this settlement are lower than the existing gas distribution rates placed into effect on February 2, 2011, customers are entitled to a refund from the date Delmarva's full requested rate increase was placed in effect, with interest on the deferred amounts as calculated in accordance with Regulation Docket No. 11.

B. Modified Fixed Variable Rate Design

1. The Parties agree that Docket 09-277T should remain open solely for the purposes of conducting the modified fixed variable ("MFV") rate design workshops and future Commission determination on the implementation of the MFV rate design. Senior Hearing Examiner Price shall remain as Hearing Examiner to rule on petitions to intervene and for such other actions as may be necessary.
2. The parties agree that prior to implementation of an MFV rate design, an implementation plan will be developed, through workshops outlined below. The implementation plan shall articulate the consumer benefits from the proposed

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reduced amount.

MFV rate design and describe the integrated programs that will be initiated to maximize energy conservation and reduce customer costs. Within 30 days of a final order in this consolidated docket, the Parties will schedule a date for the first of several workshops designed to develop a proposed comprehensive plan for the implementation of the MFV rate design. While these workshops will not be public comment sessions, the Parties agree that the workshops shall be open to the participation of persons and entities other than the Parties to this consolidated docket. At least 35 days prior to the date of the first workshop, Delmarva shall cause to be published for two consecutive days, in the *Delaware News Journal* and the *Delaware State News*, a notice to customers of Delmarva that customers may, within 15 calendar days of the second notice, file a petition for leave to intervene in the workshops pursuant to Rule 21 of the Commission's Rules of Practice and Procedure. Participation in such workshops shall be for the purpose of constructively participating in the development of the proposed implementation plan for the MFV rate design.

3. The Parties agree that the plan for implementation of the MFV rate design to be proposed will include, but will not be limited to:

a. a strategy for educating Delmarva's customers on issues concerning the MFV rate design, including, but not limited to:

- (1) The purposes of the MFV rate design,
- (2) How the MFV rate design will affect customer bills,
- (3) Explanation of impacts on existing low energy use customers and efforts to mitigate such impacts,

(4) Programs/mechanisms designed to save customers money through energy conservation, including explanations of how customers can use the programs/mechanisms to manage energy costs,

(5) How customers can learn more about the MFV rate design and both current and future money saving programs.

b. the programs and mechanisms that Delmarva will make available to help consumers save money under the MFV rate design, including timeframes for implementation.

c. any proposed modifications to the existing MFV rate design,

d. a proposed date for the implementation of MFV rates.

4. Once a proposed plan for the implementation of the MFV rate design has been completed, the Parties shall present the proposed plan to the Commission for its consideration.

5. The parties agree that the Company may defer costs associated with decoupling education and workshops, and the ratemaking treatment associated with those costs shall be addressed in the Company's next base rate case; provided, however, the Parties do not waive their right to challenge such costs.

6. The workshops and procedures set forth in this Part B with respect to development of a MFV implementation plan shall, whenever practicable, be conducted jointly (though separately docketed) with the electric MFV implementation workshops agreed to in the Settlement Agreement dated January 18, 2011 in Docket No. 09-276T.

C. Miscellaneous Issues.

1. The Settling Parties agree to an amortization period of 15 years with the unamortized balance included as a rate base item for the Advanced Metering Infrastructure costs of \$1,057,530 accumulated through August 2010. Additional costs associated with Advanced Metering Infrastructure accumulated after August 2010 will be reviewed in the context of future proceedings.

2. No portion of the gas distribution revenue increase proposed herein shall be used to reimburse Delmarva for the 2008 pension losses for which it requested creation of a regulatory asset.

D. Additional Provisions

1. The provisions of this settlement are not severable.

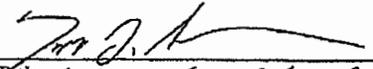
2. This Settlement is the product of extensive negotiations and reflects a mutual balancing of various issues and positions. This Settlement represents a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this settlement other than as specified herein, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates and that the non-rate tariff changes are reasonable and in the public interest.

3. This Settlement pertains only to Dockets 10-237 and 09-277T and to none others. To the extent opinions or views were expressed or issues were raised in the pre-

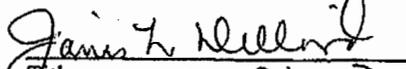
filed testimony that are not specifically addressed in the Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred. This Settlement shall not set any precedents, shall not have issue or claim preclusion effect in any pending or future proceeding, and no party shall be prohibited from arguing a different policy or position before the Commission or the courts in any pending or future proceeding. The purpose of this Settlement is to provide just and reasonable rates for the customers of Delmarva.

IN WITNESS WHEREOF, intending to bind themselves and their successors and assigns, the undersigned Parties have caused this Proposed Settlement to be signed by their duly-authorized representatives.

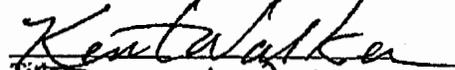
DELMARVA POWER & LIGHT COMPANY

By:   
Title Associate General Counsel

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By:   
Title DEPUTY DIRECTOR

ATTORNEY GENERAL OF THE STATE OF DELAWARE

By:   
Title Deputy Attorney General

**Settlement Exhibit 1**

TOTAL Delaware RETAIL	RESIDENTIAL + RESIDENTIAL SPACE HEATING	GENERAL SERVICE	MEDIUM VOLUME SERVICE	LARGE VOLUME SERVICE	LIGHTING SERVICE
\$ 65,983,141	\$ 43,001,115	\$ 17,192,321	\$ 2,915,550	\$ 2,873,444	\$ 710
\$ 5,800,000	\$ 3,779,851	\$ 1,511,226	\$ 256,280	\$ 252,579	\$ 62
8.79%					
\$ 71,783,141	\$ 46,780,967	\$ 18,703,547	\$ 3,171,831	\$ 3,126,023	\$ 773
8.79%	8.79%	8.79%	8.79%	8.79%	8.79%

Annualized Current Delivery Revenue (Note 1)  
 Interim Target Change (\$)

Proposed Revenue

Revenue Change based on Annualized Current Revenue (%)

**Delmarva Power & Light Company - Delaware**  
 Development of Full Interim Gas Delivery Rates  
 Residential Gas Service Rate Design

Total \$ 46,780,967  
 Customer \$ 14,107,577

Rate Element	Test Year		Test Year		Proposed Rate	Proposed Revenue
	Billing Determinants	Existing Rate	Billing Determinants	Existing Revenue		
Customer Charge (\$ per month)	1,356,454 \$	9.56 \$	1,356,454 \$	12,967,700	10.40 \$	14,107,577
First 50 CCF Commodity Rate	39,492,299 \$	0.42101 \$	39,492,299 \$	16,626,653	0.45802 \$	18,088,263
Winter Over 50 CCF Commodity Rate	39,683,762 \$	0.33784 \$	39,683,762 \$	13,406,762	0.36754 \$	14,585,370
<b>Total</b>			<b>\$ 43,001,115</b>			<b>\$ 46,781,210</b>

**Delmarva Power & Light Company - Delaware**  
Development of Full Interim Gas Delivery Rates  
General Gas (GG) Service Rate Design  
General Volume Firm Transportation (GVFT) Service

Total \$ 18,703,547  
Customer GG \$ 3,347,818  
Customer GVFT \$ 134,184

Rate Element	Test Year		Test Year		Test Year	
	Billing Determinants	Existing Rate	Existing Revenue	Billing Determinants	Proposed Rate	Proposed Revenue
Customer Charge (\$ per month)						
GG	112,681	\$ 27.31	\$ 3,077,318	112,681	\$ 29.71	\$ 3,347,818
GVFT	408	\$ 302.31	\$ 123,342	408	\$ 328.88	\$ 134,184
					\$	\$ 3,482,003
First 750 CCF Commodity Rate	20,819,001	\$ 0.34975	\$ 7,281,446	20,819,001	\$ 0.38049	\$ 7,921,484
Over 750 CCF Commodity Rate	25,685,033	\$ 0.26125	\$ 6,710,215	25,685,033	\$ 0.28421	\$ 7,300,046
Total			\$ 17,192,321			\$ 18,703,533

**Delmarva Power & Light Company - Delaware**  
Development of Full Interim Gas Delivery Rates  
Medium Volume Gas (MVG) Service Rate Design  
Medium Volume Firm Transportation (MVFT) Service

Total \$ 3,171,831

Rate Element	Test Year Billing Determinants	Test Year		Test Year Proposed Rate	Proposed Revenue
		Existing Rate	Existing Revenue		
MVG					
Customer Charge (\$ per month)	339 \$	419.27 \$	142,133 \$	456.12 \$	154,626
Demand MDQ MCF Rate	54,480 \$	13.39 \$	729,487 \$	14.57 \$	793,610
Commodity MCF Rate	383,496 \$	0.42979 \$	164,823 \$	0.46757 \$	179,311
			<u>\$ 1,036,442</u>		<u>\$ 1,127,547</u>
MVFT					
Customer Charge (\$ per month)	390 \$	694.27 \$	270,765 \$	755.30 \$	294,566
Demand MDQ MCF Rate	84,276 \$	13.39 \$	1,128,456 \$	14.57 \$	1,227,648
Commodity MCF Rate	1,116,561 \$	0.42979 \$	479,887 \$	0.46757 \$	522,069
			<u>\$ 1,879,108</u>		<u>\$ 2,044,284</u>
Total			<u>\$ 2,915,550</u>		<u>\$ 3,171,831</u>

**Delmarva Power & Light Company - Delaware**  
 Development of Full Interim Gas Delivery Rates  
 Large Volume Gas (LVG) Service Rate Design  
 Large Volume Firm Transportation (LVFT) Service

Total \$ 3,126,023

Rate Element	Test Year		Existing Revenue	Test Year		Proposed Revenue
	Billing Determinants	Existing Rate		Proposed Rate	Proposed Revenue	
<b>LVG</b>						
Customer Charge (\$ per month)	24	\$ 634.58	\$ 15,230	\$ 690.36	\$ 16,569	
Demand MDQ MCF Rate	6,972	\$ 8.24721	\$ 57,500	\$ 8.97	\$ 62,554	
Commodity MCF Rate	165,787	\$ 0.10339	\$ 17,141	\$ 0.11248	\$ 18,647	
			<u>\$ 89,870</u>		<u>\$ 97,770</u>	
<b>LVFT</b>						
Customer Charge (\$ per month)	144	\$ 909.58	\$ 130,980	\$ 989.53	\$ 142,493	
Demand MDQ MCF Rate	270,492	\$ 8.24721	\$ 2,230,804	\$ 8.97	\$ 2,426,895	
Commodity MCF Rate	4,079,601	\$ 0.10339	\$ 421,790	\$ 0.11248	\$ 458,866	
			<u>\$ 2,783,574</u>		<u>\$ 3,028,253</u>	
<b>Total</b>			<u>\$ 2,873,444</u>		<u>\$ 3,126,023</u>	

**Delmarva Power & Light Company - Delaware**  
 Development of Full Interim Gas Delivery Rates  
 Gas Lighting Sales Service (GL) Rate Design

**Settlement Exhibit 1**  
 Page 6 of 6

Rate Element	Test Year Billing Determinants	Existing Rate	Existing Revenue	Test Year Proposed Rate	Proposed Revenue
Total	\$	773			
Customer Charge (\$ per month)	120	\$ 5.92	\$ 710	\$ 6.44	\$ 773
Total			<u>\$ 710</u>		<u>\$ 773</u>

**Settlement Exhibit 2**

RATES AND CHARGES  
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Residential Gas Sales Service ("RG")</u>		
Customer Charge	\$10.40	per month
Commodity Charge	\$0.45802	per CCF
Space Heating Commodity Charge 1/ Over 50 CCF	\$0.36754	per CCF
Environmental Surcharge Rider	\$0.00100	per CCF
Gas Cost Rate (GCR)	\$0.94042	per CCF
<u>General Gas Sales Service ("GG")</u>		
Customer Charge	\$29.71	per month
Commodity Charge		
First 750 CCF	\$0.38049	per CCF
Over 750 CCF	\$0.28421	per CCF
Environmental Surcharge Rider	\$0.00100	per CCF
Gas Cost Rate (GCR)	\$0.94042	per CCF
<u>Gas Lighting Sales Service ("GL")</u>		
(Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 6.44	per gas light
Gas Cost Rate (GCR)	\$14.11	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>		
Customer Charge	\$456.12	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Commodity Charge 2/	\$0.46757	per MCF
Environmental Surcharge Rider	\$0.01001	per MCF
Gas Cost Rate (GCR) Demand Charge	\$12.0266	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	\$7.5811	per MCF
<u>Large Volume Gas Sales Service ("LVG")</u>		
Customer Charge	\$690.36	per month
Demand Charge	\$8.97	per MCF of Billing MDQ
Commodity Charge 2/	\$0.11248	per MCF
Environmental Surcharge Rider	\$0.01001	per MCF
Gas Cost Rate (GCR) Demand Charge	\$12.0266	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	Varies	per MCF

Public Utilities Tax: 5.00% Applies to all non-residential services, including the GCR, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% Charged on all non-exempt services, in the City of Wilmington, including the GCR.

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating commodity rate for all gas used in excess of 50 ccf for the billing months of October through May, inclusive.

2/ All LVG and "Electing" MVG Customers pay a monthly Commodity Charge GCR based upon the system Weighted Average Commodity Cost of Gas ("System WACCOG"). "Non-Electing" MVG Customers pay the annual GCR Commodity Charge listed here.

Order No.  
Docket Nos.

Filed: February 4, 2011  
Effective with Usage On and After April 1, 2011

Proposed

RATES AND CHARGES  
CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation Service ("GVFT")</u>		
Customer Charge	\$328.88	per month
Delivery Charge		
First 750 CCF	\$0.38049	per CCF Redelivered
Over 750 CCF	\$0.28421	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.03737	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00100	per CCF
<u>Medium Volume Firm Transportation Service ("MVFT")</u>		
Customer Charge	\$755.30	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Delivery Charge	\$ 0.46757	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3737	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$ 0.01001	per MCF
<u>Large Volume Firm Transportation Service ("LVFT")</u>		
Customer Charge	\$989.53	per month
Demand Charge	\$ 8.97	per MCF of Billing MDQ
Delivery Charge	\$ 0.11248	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3737	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$ 0.01001	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$12.0266	per MCF of Standby MDQ
Commodity Charge		Monthly System WACCOG per MCF (adjusted for losses and unaccounted for)

Public Utilities Tax: 5.00% Applies to all non-residential services, including the GCR, unless pursuant to Title30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2.00% Charged on all non-exempt Services, in the City of Wilmington, including the GC.

Order No.  
Docket Nos.

Filed: February 4, 2011  
Effective with Usage On and After April 1, 2011

Proposed

# **Exhibit B**

## **SUMMARY OF PROPOSED SETTLEMENT**

### **Proposed Rates**

a. Beginning with usage on and after April 1, 2011 (with proration), rates will be modified to reflect: (1) a \$5.8 million increase in total natural gas distribution base rate revenue and (2) a return on equity of 10.0 percent.

- This proposed increase represents an increase in total revenues of approximately 3.09 percent.
- The new rates shall be developed using the existing rate design service classifications. These will not be decoupled MFV rates.

b. Because the provisional rates placed in effect on February 2, 2011 are higher than the rates sought through the proposed Settlement Agreement, all Residential Delmarva customers will see a reduction in their total current bill of approximately 2.2% if the proposed Settlement Agreement is approved.<sup>1</sup>

### **Rate Refund to Customers**

a. All Delmarva natural gas customers will receive an additional refund in the form of bill credits for amounts charged to customers for usage between the period that the February 2, Provisional Rate Increase became effective and the new lower rates requested in this Settlement become effective (April 1, 2011).

b. Delmarva will provide the Commission with a report that describes the refunds, including the amount of such refunds, the manner in which the refunds were calculated, the proposed manner in which the refunds will be credited to customer bills, and a proposed implementation schedule. After Comments, if any, by the Parties, the Parties will ask the Commission to rule on the proposed refunds.

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<sup>1</sup> Provisional Rates were authorized by 26 *Del. C.* §306 and Commission Order No. 7904. \$10.1 million was put into effect, subject to refund, pending the completion of this docket.

**Modified Fixed Variable (MFV) Rate Design**

a. The MFV rate design will not be placed into effect with the new rates proposed in the proposed Settlement Agreement.

b. Prior to any request to implement the MFV rate design, an implementation plan will be developed, through workshops to be conducted, where practicable, in conjunction with the electric MFV implementation workshops agreed to in the Settlement Agreement dated January 18, 2011 in Docket No. 09-276T.

c. When completed, the implementation plan will be presented to the Commission for approval.

**Certificate of Service**

I hereby certify that t copy of the foregoing was served via electronic mail to all members of the Service List in this docket.

A handwritten signature in black ink, appearing to read "Tom J. H.", is written over a horizontal line. The signature is cursive and stylized.

Dated: February 10, 2011