

**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 RATES (FILED DECEMBER 7, 2013)))))))	PSC DOCKET NO. 12-546
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PROPOSED SETTLEMENT AGREEMENT

This proposed Settlement Agreement (the "Settlement") is entered into by and among Delmarva Power & Light Company ("Delmarva" or the "Company"), the Delaware Public Service Commission Staff ("Staff"), and the Division of the Public Advocate ("DPA") (together, the "Settling Parties") (each individually a "Party" and collectively the "Settling Parties"),

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On December 7, 2012, Delmarva filed with the Delaware Public Service Commission (the "Commission") an application (the "Application") seeking approval of: (a) an increase of \$12,174,435 in its natural gas distribution base rates; (b) a revision to the Gas Tariff to add a new Rider UFRC to provide a mechanism to implement the recovery costs related to relocation of the Company's delivery facilities as required to accommodate projects proposed by the Delaware Department of Transportation or other state agencies; (c) a proposed modification to the Gas Tariff language in Section XVII – Extension to make it easier and more affordable for residential and small business owners to consider natural gas for their energy needs; and (d) several minor editorial changes to its natural gas tariff for clarification purposes. 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.

2. Pursuant to its authority under 26 *Del. C.* §306(a)(1), the Commission reviewed the Application and determined in PSC Order No. 8271 (January 8, 2013) that the proposed rate and tariff changes should be suspended pending full and complete evidentiary hearings into their justness and reasonableness. The Commission also approved the Company's request, pursuant to 26 *Del. C.* §306(c), to implement interim rates intended to produce an annual increase in intrastate operating revenues of \$2.5 million, effective with service on and after February 5, 2013, with proration and subject to refund.

3. On March 11, 2013, Delmarva filed supplemental testimony and work papers in this Docket updating the information contained in its original Application to provide actual results as of December 31, 2012. These updates increased Delmarva's suggested revenue requirement to \$13,005,000.

4. Pursuant to the procedural schedule established by the Hearing Examiner, the Settling Parties engaged in discovery with respect to the Application and accompanying testimony and other material filed with the Application. On June 3, 2013, Staff submitted prefiled testimony supporting a \$3,584,000 revenue requirement increase, and the DPA submitted prefiled testimony supporting a \$706,000 revenue requirement increase. Staff, the DPA and CRI also submitted testimony addressing Delmarva's proposed revisions to its main extension tariff provisions.

5. Delmarva filed rebuttal testimony on July 15, 2013 that reflected a revenue requirement of \$12,067,000, an amount less than what the Company requested when it filed its case in December 2012.

6. On June 7, 2013, Delmarva submitted an application in this Docket with proposed tariff sheets seeking to implement, subject to refund, under bond, an interim rate increase of \$10,498,971, as permitted by 26 *Del. C.* §306. The Commission approved this request by Commission Order No. 8406 dated July 2, 2013. Rates went into effect on July 7, 2013.

7. The Settling Parties have engaged in substantial written discovery and desire to avoid the additional cost that would be incurred if the case were to proceed to evidentiary hearings, briefing and argument before the Commission. The Settling Parties acknowledge that they differ as to the proper resolution of many of the underlying issues in this rate proceeding and that, although they have resolved this docket through this proposed Settlement, they preserve their rights to raise those issues in future proceedings. For purposes of this proceeding, the Settling Parties believe that settlement on the terms and conditions contained herein will serve the interests of the public and the Company, and will meet the statutory requirement that the resulting rates be both just and reasonable.

II. SETTLEMENT PROVISIONS

IT IS HEREBY STIPULATED AND AGREED by Delmarva, Staff, and the DPA that the Settling Parties will submit to the Commission for its approval the following terms and conditions for resolution of this rate proceeding:

A. Rates and Charges.

1. Beginning with service provided on and after November 1, 2013, the total gas base rate revenue increase shall be \$6.8 million. The rates approved for service on and after November 1, 2013 shall be as set forth in the tariff leafs attached as Exhibit 1, which is incorporated herein. The Settling Parties have reached no understanding on the appropriate return on common equity for the Company at this time or in this Settlement; however, the Settling Parties have agreed that, for reporting purposes and for calculating the costs of the Allowance for Funds Used During Construction, Construction Work in Progress, regulatory asset carrying costs and other accounting metrics, the rate that should be used is 9.75%.

2. The Settling Parties agree that the base rate revenue changes will be applied across-the-board to all classes of customers, except for LVG –QFCP as shown in Exhibit 2, which is incorporated herein. In addition, they agree that no structural changes shall be made to the Company's existing rate design, except as noted below.

3. Since the rates agreed to in this Proposed Settlement are lower than the existing gas distribution rates placed into effect on July 7, 2013, 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. Delmarva will submit to the Commission a rate refund plan consistent with plans submitted in previous dockets by December 1, 2013. Any credit or refund made to a gas customer shall be made to all customers whose rates were increased on

July 7, 2013 and thereafter on a proportional basis using the same billing determinants that were used to increase their rates.

B. Gas Service Extension – Tariff Changes.

1. The Settling Parties agree that this Docket shall remain open for the sole purpose of conducting working group meetings to consider changes to Delmarva's Natural Gas Tariff, specifically, Service Extensions for existing residential subdivisions and for non-residential customers for existing mains (Leaf Nos. 27 and 28) as proposed by Delmarva in the Application ("Service Extensions").

2. The Settling Parties agree that the working group meetings for Service Extensions will begin no later than September 15, 2013 for the purpose of soliciting comments from the parties and interveners in this Docket as to the specific language to be included in the Gas Tariff provisions for Service Extensions.

3. The Settling Parties further agree that the Service Extensions working group meetings will be completed on or before December 2, 2013, and that on or before December 16, 2013, the parties to this Docket will submit to the Commission for its consideration either: (1) mutually-acceptable Service Extension language for inclusion in the Gas Tariff; or (2) any objections or modifications to Delmarva's proposed Service Extensions Gas Tariff language .

4. The Settling Parties further agree that their positions relative to the Service Extension language will not include any recommendation that the Service Extension language change be reconsidered as part of a subsequent base rate proceeding, or that any extensions under the Service Extension Gas Tariff cannot be

placed into effect unless as part of a subsequent base rate proceeding. The Settling Parties agree that a final order on the Service Extension issue shall be issued in this Docket as part of this proceeding.

C. AMI IMU Regulatory Asset Recovery

1. Pursuant to Order No. 7420 (Docket No. 07-28), Delmarva established a regulatory asset for operating costs associated with the deployment of the interface management unit (IMU) portion of Delmarva's Advanced Metering Infrastructure (the "IMU Asset"). The IMU Asset has been accruing a return since its establishment. Unlike the installation of AMI meters for the electric metering portion of the Company's Advanced Metering Infrastructure, the completion of the IMU portion has experienced a delay of approximately 24 months, compared to the installation of electric meters.

2. The Settling Parties agree to a phase-in of the recovery of the IMU Asset into customer rates (the "Phase-In") as follows;

- a. 50% of the IMU Asset will be put into rates on May 1, 2014.
- b. The remainder of the IMU Asset will be put into in rates on March 1, 2015.

3. In order to establish that the IMUs are functioning as planned before any percentage of the IMU Asset may be included in rates on the dates referenced above, the Company must establish that for a period of at least 90 days prior to the applicable dates:

- a. with respect to the May 1, 2014 portion of the Phase-In, 95% of eligible meters have been equipped with an activated IMU device and those IMU devices are functioning as planned; and
- b. with respect to the March 1, 2015 portion of the Phase-In, 99% of eligible meters have been equipped with an activated IMU device and those IMU devices are functioning as planned.

Eligible meters consist of meters that are intended to be equipped with IMU devices.

4. The filings for each portion of the Phase-In must be made at least 105 days prior to each phase-in date set forth above. Notwithstanding any language to the contrary contained herein, the 90 day period described in Section C. 3. hereof must include at least one of the following months: November, December, January, February, March, or April.

5. The IMUs will be considered to be "functioning as planned" if 95% of the IMU devices have been sending remote readings that are being used for billing purposes and those readings are both 99.5% accurate and 99.5% timely. For purposes of this requirement, the accuracy rate of 99.5% will be considered achieved if no more than 0.5% of the bills require adjustment after the bill has been presented for payment to the customer. The timeliness rate of 99.5% will be considered achieved if no more than 0.5% of bills are sent later than three full business days after the final meter reading within each customer's monthly billing period. Any failure to achieve the 99.5% accuracy and timeliness requirements must be due to an error attributable to the IMUs. For purposes of calculating the percentage of meters functioning as planned, the IMU

accuracy rate and the timeliness rate, IMUs that are unable to function as planned due to external forces outside the reasonable control of the Company will not be included in the total number of the activated IMUs for the purpose of determining compliance with the 95% and 99.5% requirements contained in this Section.

6. If the requirements for the portion of the Phase-In intended for May 1, 2014 are not met by the Company, then:

- a. The portion of the Phase-In originally scheduled to occur on that date will be postponed until such time as the Company meets the requirements (as set forth above) to phase in rates on that date, and
- b. The portion of the Phase-In originally scheduled to occur on March 1, 2015 will be postponed until 9 months from the date that the first portion of the Phase-In actually goes into effect.

If the requirements for the portion of the Phase-In originally scheduled to occur on March 1, 2015 are not met by the Company, then the Phase-In that would have occurred on that date will be postponed until the Company meets the requirements (as set forth above) to phase in rates on that date.

D. Miscellaneous Issues.

1. Section 3.1 of 26 *Del. Admin. Code* 1002 Part E provides: "Monthly financial reports shall be filed with the Commission no later than sixty (60) days following the end of the month." Delmarva has been filing financial reports (Financial Reports) with the Commission on a quarterly basis that contain information broken down on a monthly basis. Staff asserts that the Financial Reports must be filed on a

monthly basis and as such, asserts that Delmarva has not been meeting the time lines set forth in Section 3.1 of 26 *Del. Admin. Code* 1002 Part E. Going forward, the Company agrees to file on a timely basis, in accordance with the reporting provisions of Part E of 26 *Del. Admin. Code* Section 1002, Financial Reports on both a Monthly and Quarterly basis.

2. Delmarva agrees that its next gas base rate application will be filed with the Commission no earlier than January 1, 2015.

F. Additional Provisions

1. This Settlement is the product of extensive negotiation, and reflects a mutual balancing of various issues and positions. It is therefore a condition of the Settlement that the Commission approves it in its entirety without modification or condition. If this Settlement is not approved in its entirety, this Agreement shall become null and void.

2. This Settlement shall not set a precedent and no Settling Party shall be prohibited from arguing a different policy or position before the Commission in any future proceeding. The purpose of this Settlement is to provide just and reasonable rates for Delmarva's customers, and the Settling Parties believe that this Settlement accomplishes this goal. In addition, the Settling Parties believe that the Settlement is in the public interest because, among other things, it avoids additional litigation costs.

3. The terms of this Settlement will remain in effect until changed by an order of the Commission, and the Commission shall retain jurisdiction over this Settlement. All statutory procedures and remedies shall be available to the Parties to ensure that rates are just and reasonable, including without limitation 26 *Del. C.* §§304,

309-311.

4. This Settlement may be executed in counterparts by any of the signatories hereto and transmission of an original signature by facsimile or email shall constitute valid execution of this Settlement, provided that the original signature of each Settling Party is delivered to the Commission's offices before its consideration of this Agreement. Copies of this Settlement executed in counterpart shall constitute one agreement. Each signatory executing this Settlement warrants and represents that he or she has been duly authorized and empowered to execute this Settlement on behalf of the respective Settling Party.

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

DELAWARE PUBLIC SERVICE COMMISSION STAFF

By: Connie S. McDowell

Date: 8/27/13

DELMARVA POWER & LIGHT COMPANY

By: [Signature]

Date: 8/27/13

THE DIVISION OF THE PUBLIC ADVOCATE

By: David L. Bonar *DLB*

Date: 8/27/13

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CAESAR RODNEY INSTITUTE

By: David T. Stever

Date: 8/27/13

HILLSTREAM II PROPERTY OWNERS ASSOCIATION

By: [Signature]

Date: 8/27/13

Exhibit 1

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**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	\$11.34	per month
Delivery Charge	\$0.49941	per CCF
Space Heating Delivery Charge 1/ Over 50 CCF	\$0.40075	per CCF
Environmental Surcharge Rider	\$0.00021	per CCF
Gas Cost Rate (GCR)	\$0.68967	per CCF
<u>General Gas Sales Service ("GG")</u>		
Customer Charge	\$34.17	per month
Delivery Charge		
First 750 CCF	\$0.41487	per CCF
Over 750 CCF	\$0.30989	per CCF
Environmental Surcharge Rider	\$0.00021	per CCF
Gas Cost Rate (GCR)	\$0.68967	per CCF
<u>Gas Lighting Sales Service ("GL")</u>		
(Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 7.02	per gas light
Gas Cost Rate (GCR)	\$10.35	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>		
Customer Charge	\$670.50	per month
Demand Charge	\$ 15.89	per MCF of Billing MDQ
Delivery Charge 2/	\$0.50982	per MCF
Environmental Surcharge Rider	\$0.00211	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.6589	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	\$5.1051	per MCF
<u>Large Volume Gas Sales Service ("LVG")</u>		
Customer Charge	\$1,004.80	per month
Demand Charge	\$ 9.78	per MCF of Billing MDQ
Delivery Charge 2/	\$0.12264	per MCF
Environmental Surcharge Rider	\$0.00211	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.6589	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	Varies	per MCF

Public Utilities Tax: 4.25% 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.

Utility Facility Relocation Charge

For applicability refer to Rider UFRC on Leaf No. 81

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating delivery 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 Nos.
Docket Nos.

Filed: August 29, 2013

Effective with Usage On and After November 1, 2013

Proposed

RATES AND CHARGES
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Large Volume Gas Sales Service-Qualified Fuel Cell Provider-Renewable Capable Power Production ("LVG-QFCP-RC")</u>		
Customer Charge	\$1,079.80	per month
Demand Charge	\$6.85817	per MCF of Billing MDQ
Capital Recovery Charge	Varies	per Customer's Executed Service Agreement
Environmental Surcharge Rider	\$0.00211	per MCF
Gas Cost Rate (GCR) Commodity Charge 1/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, 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.

Utility Facility Relocation Charge For applicability refer to Rider UFRC on Leaf No. 81

- 1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York price plus any premiums incurred by Delmarva to provide this service.

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	\$119.07	per month
Delivery Charge		
First 750 CCF	\$0.41487	per CCF Redelivered
Over 750 CCF	\$0.30989	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.03348	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00021	per CCF
<u>Medium Volume Firm Transportation Service ("MVFT")</u>		
Customer Charge	\$745.50	per month
Demand Charge	\$ 15.89	per MCF of Billing MDQ
Delivery Charge	\$ 0.50982	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3348	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00211	per MCF
<u>Large Volume Firm Transportation Service ("LVFT")</u>		
Customer Charge	\$1,079.80	per month
Demand Charge	\$ 9.78	per MCF of Billing MDQ
Delivery Charge	\$ 0.12264	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3348	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.00211	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$11.6589	per MCF of Standby MDQ
Commodity Charge		Monthly System WACCOG per MCF (adjusted for losses and unaccounted for)

Utility Facility Relocation Charge For applicability refer to Rider UFRC on Leaf No. 81

Public Utilities Tax: 4.25% 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 Nos.
Docket Nos.

Filed: August 29, 2013
Effective with Usage On and After November 1, 2013

Proposed

RATES AND CHARGES

NON-CORE RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>MIN RATE</u>	<u>MAX RATE</u>	<u>NON-BASE RATE</u>	<u>BASIS</u>
<u>Flexibly Priced Gas Service ("FPS")</u>					
Commodity Charge 1/ No Notice Swing Charge	\$ 0.15000	Varies	N/A		per MCF per MCF Redelivered
<u>Medium Volume Interruptible Transportation Service ("MVIT")</u>					
Customer Charge	\$745.50				per month
Delivery Charge (2)					
Option 1	\$ 1.30000				per MCF Redelivered
Option 2		\$0.01	\$3.27		per MCF Redelivered
Option 3	Negotiable				per MCF Redelivered
Balancing Fee				\$0.3348	per MCF of Imbalance Volumes
<u>Large Volume Interruptible Transportation Service ("LVIT")</u>					
Customer Charge	\$1,079.80				per month
Delivery Charge (2)					
Option 1					
First 5,000 MCF	\$ 1.30000				per MCF Redelivered
Over 5,000 MCF	\$ 0.36000				per MCF Redelivered
Option 2		\$0.01	\$1.00		per MCF Redelivered
Option 3	Negotiable				per MCF Redelivered
Balancing Fee				\$0.3348	per MCF of Imbalance Volumes
<u>Quasi-Firm Transportation Service ("QFT")</u>					
Customer Charge	Negotiable				per Month
Demand Charge	Negotiable				per MCF of MDQ
Delivery Charge (2)	Negotiable				per MCF Redelivered
Balancing Fee				\$0.3348	per MCF of Imbalance Volumes
<u>Public Utilities Tax</u>	4.25% 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.				
<u>City of Wilmington</u>					
<u>Local Franchise Tax</u>				2.00%	Charged on all non-exempt services, in the City of Wilmington, including the GCR

Utility Facility Relocation Charge

For applicability refer to Rider UFRC on Leaf No. 81

1/ Minimum Rate is the monthly system WACCOG plus losses and unaccounted-for, unless gas is acquired specifically for, plus \$0.01 per MCF.

2/ Minimum and maximum rates do not include the applicable \$0.00000/MCF charge on QFT, MVIT and LVIT.

Order No.
Docket No.

Filed: August 29, 2013
Effective with Usage On and After November 1, 2013

Proposed

RIDER "UFRC"
UTILITY FACILITY RELOCATION CHARGE RIDER

A. Purpose

The Utility Facility Relocation Charge (UFRC) is intended to allow Delmarva Power to recover the cost of relocation of existing facilities required or necessitated by Department of Transportation or other government agency projects.

B. Applicability

This Rider is applicable to any Customer served under Service Classifications "RG", "GG", "GL", "MVG", "LVG", "LVG-QFCP", "PM", "GVFT", "MVFT", "LVFT", "SBS", "QFT", "MVT", "LVIT", "FPS" and "NCR."

The rate is applicable to the portion of the Customer's charges related to the delivery or distribution of gas.

C. Definitions

1. "Eligible Utility Facility Relocations" mean new, used and useful plant or facilities of a gas utility that:

- i. Do not include that portion of any plant or facilities used to increase capacity of or connect to the system to serve new or additional load;
- ii. Are in service; and
- iii. Were not included in the utility's rate base in its most recent general rate case; and which
- iv. Relocate, as required or necessitated by Department of Transportation or other government agency projects without reimbursement, existing Company facilities, including but not limited to, mains, lines and services, whether underground or aerial. For purposes of this section, "existing facilities" and "relocate" include the physical relocation of existing facilities and also include removal, abandonment or retirement of existing facilities and the construction of new facilities in a relocated location.

2. "Pretax return" means the revenues necessary to:

- a. Produce net operating income equal to the Company's weighted cost of capital as established in the most recent general rate proceeding multiplied by the net original cost of eligible utility facility relocations. At any time the Commission by its own motion, or by motion of the Company, Commission staff or the Public Advocate, may determine to revisit and, after hearing without the necessity of a general rate filing reset the UFRC rate to reflect the Company's current cost of capital. The UFRC rate shall be adjusted back to the date of the motion to reflect any change in the cost of capital determined by the Commission through this process;
- b. Provide for the tax deductibility of the debt interest component of the cost of capital; and
- c. Pay state and federal income taxes applicable to such income.

RIDER "UFRC"

UTILITY FACILITY RELOCATION CHARGE RIDER - continued

C. Definitions (continued)

3. "UFRC costs" means depreciation expenses and pretax return associated with eligible utility facility relocations.
4. "UFRC rate" refers to utility facility relocation charge.
5. "UFRC revenues" means revenues produced through a UFRC exclusive of revenues from all other rates and charges.

D. Filing

1. The UFRC rate shall be adjusted semiannually for eligible relocation expenses placed in service during the 6-month period ending 2 months prior to the effective date of changes in the UFRC rate .
2. The effective date of changes in the UFRC rate shall be January 1 and July 1 every year.
3. The Company shall file any request for a change in the UFRC rate and supporting data with the Commission at least 30 days prior to its effective date.
4. The UFRC rate applied between base rate filings shall be capped at 7.5% of the portion of the Customer's charge related to the delivery or distribution of gas, but the UFRC rate increase applied shall not exceed 5% within any 12-month period.
5. The UFRC rate will be subject to annual reconciliation based on a period consisting of the 12 months ending December 31st of each year. The revenue received under the UFRC for the reconciliation period shall be compared to the Company's eligible costs for that period with the difference between revenue received and eligible costs for the period recouped or refunded, as appropriate, over a 1-year period commencing July 1 of each year. If the UFRC revenues exceeded the UFRC eligible costs, such over-collections shall be refunded with interest.
6. The UFRC rate shall be reset to zero as of the effective date of new base rates that provide for the prospective recovery of the annual costs theretofore recovered under the UFRC rate.

RIDER "UFRC"

UTILITY FACILITY RELOCATION CHARGE RIDER – continued

E. Filing (Continued)

7. The UFRC rate shall also be reset to zero if, in any quarter, data filed with the Commission by the Company show that the electric utility will earn a rate of return that exceeds the rate of return established in its last general rate filing or by Commission order as described in paragraph 2.a of this Rider, if such was determined subsequent to the final order in the company's last general rate filing. Further, the UFRC rate shall be reinstated when such data show that the established rate of return is not exceeded and will not be exceeded if the UFRC rate is reinstated and reset.

The UFRC is set forth as follows: 0.00%

Exhibit 2

Delmarva Power & Light Company - Delaware Gas
 Development of Gas Delivery Rates - Settlement
 Rate Class Allocation of Delivery Revenue Requirements
 Equal % Increase except LVG-QFCP at Cost Recovery

	TOTAL Delaware RETAIL	RESIDENTIAL + RESIDENTIAL SPACE HEATING	GENERAL SERVICE	MEDIUM VOLUME SERVICE	LARGE VOLUME SERVICE	LIGHTING SERVICE	LARGE VOLUME QFCP SERVICE
Annualized Current Delivery Revenue	\$ 70,926,742	\$ 46,209,729	\$ 18,142,050	\$ 3,380,079	\$ 3,118,073	\$ 811	\$ 76,000
Target Change (\$)	\$ 6,800,000 9.59%	\$ 4,175,929 9.04%	\$ 1,639,480 9.04%	\$ 305,454 9.04%	\$ 281,777 9.04%	\$ 73 9.04%	\$ 397,287 522.75%
Proposed Revenue	\$ 77,726,742	\$ 50,385,657	\$ 19,781,530	\$ 3,685,533	\$ 3,399,850	\$ 885	\$ 473,287
Rate Design Revenues	\$ 77,726,356 9.59%	\$ 50,385,684 9.04%	\$ 19,781,347 9.04%	\$ 3,685,302 9.04%	\$ 3,399,850 9.04%	\$ 885 9.04%	\$ 473,287 522.75%
Revenue Change based on Annualized Current Revenue (%)	\$ 6,799,614	\$ 4,175,955	\$ 1,639,297	\$ 305,224	\$ 281,777	\$ 73	\$ 397,287
Rate Design Revenue Change	Check \$ (386)	\$ 27	\$ (182)	\$ (231)	\$ -	\$ (0)	\$ 0

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

Total \$ 50,385,657

Rate Element	Test Year		Test Year		Proposed Rate	Proposed Revenue
	Billing Determinants	Existing Rate	Billing Determinants	Existing Rate		
Customer Charge (\$ per month)	1,372,176 \$	10.40 \$	1,372,176 \$	11.34 \$	15,560,476	9.04%
First 50 CCF Commodity Rate	38,738,328 \$	0.45802 \$	38,738,328 \$	0.49941 \$	19,346,308	9.04%
Winter Over 50 CCF Commodity Rate	38,624,828 \$	0.36754 \$	38,624,828 \$	0.40075 \$	15,478,900	9.04%
Total			\$ 46,209,729		\$ 50,385,684	

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

Total \$ 19,781,530

Rate Element	Test Year		Test Year		Proposed Rate	Proposed Revenue	
	Billing Determinants	Existing Rate	Billing Determinants	Proposed Rate			
Customer Charge (\$ per month)							
GG	112,082 \$	29.71 \$	112,082 \$	34.17 \$	3,829,450	15.00%	
GVFT	829 \$	328.88 \$	829 \$	119.07 \$	98,711	9.04%	
					3,928,161		
First 750 CCF Commodity Rate	20,520,138 \$	0.38049 \$	20,520,138 \$	0.41487 \$	8,513,190	9.04%	
Over 750 CCF Commodity Rate	23,685,814 \$	0.28421 \$	23,685,814 \$	0.30989 \$	7,339,997	9.04%	
					15,853,186		
Total			\$ 18,142,050		\$ 19,781,347		

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

Total \$ 3,685,533

Rate Element	Test Year		Existing Rate	Existing Revenue	Test Year		Proposed Revenue
	Billing Determinants	Existing Rate			Proposed Rate	Proposed Revenue	
MVG							
Customer Charge (\$ per month)	209 \$	456.12 \$	\$ 95,329	\$ 670.50	\$ 140,134	47.00%	
Demand MDQ MCF Rate	51,024 \$	14.570 \$	\$ 743,420	\$ 15.890	\$ 810,771	9.06%	
Commodity MCF Rate	237,387 \$	0.46757 \$	\$ 110,995	\$ 0.50982	\$ 121,025	9.04%	
			\$ 949,744		\$ 1,071,930		
MVFT							
Customer Charge (\$ per month)	473 \$	755.30 \$	\$ 357,257	\$ 745.50	\$ 352,620	-1.30%	
Demand MDQ MCF Rate	101,640 \$	14.570 \$	\$ 1,480,895	\$ 15.890	\$ 1,615,060	9.06%	
Commodity MCF Rate	1,266,512 \$	0.46757 \$	\$ 592,183	\$ 0.50982	\$ 645,693	9.04%	
			\$ 2,430,335		\$ 2,613,373		
Total			\$ 3,380,079		\$ 3,685,302	9.03%	

Customer Charge Differential \$ 75.00

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

Total \$ 3,399,850

Rate Element	Test Year Billing Determinants		Existing		Test Year Proposed	
			Rate	Revenue	Rate	Revenue
LVG						
Customer Charge (\$ per month)	- \$	690.36 \$	-	-	1,004.80 \$	-
Demand MDQ MCF Rate	- \$	8.970 \$	-	-	9.780 \$	-
Commodity MCF Rate	- \$	0.11248 \$	-	-	0.12264 \$	-
LVFT						
Customer Charge (\$ per month)	218 \$	989.53 \$	215,718	215,718	1,079.80 \$	235,397
Demand MDQ MCF Rate	271,624 \$	8.97000 \$	2,436,467	2,436,467	9.780 \$	2,656,483
Commodity MCF Rate	4,141,961 \$	0.11248 \$	465,888	465,888	0.12264 \$	507,970
Total			\$ 3,118,073	\$ 3,118,073	\$ 3,399,850	\$ 3,399,850
						9.04%

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

Exhibit 2
 Page 6 of 8

Rate Element	Test Year		Test Year Proposed Rate	Proposed Revenue
	Billing Determinants	Existing Rate		
Total	\$ 885			
Customer Charge (\$ per month)	126 \$	6.44 \$	7.02 \$	885
				9.01%
Total		\$ 811	\$ 885	

Delmarva Power - Delaware Gas
 Development of Gas Delivery Rates - Settlement
 Large Volume Gas - Qualified Fuel Call Provider (LVG - QFCP) Service Rate Design

Total \$ 473,287

Rate Element	Test Year		Existing Rate	Existing Revenue	Test Year Proposed Rate	Proposed Revenue
	Billing Determinants	Existing Rate				
LVG-QFCP						
Customer Charge (\$ per month)	24	\$ 3,166.67	\$ 76,000	\$ 1,079.80	\$ 25,915	
Demand MDQ MCF Rate	65,232		\$ -	\$ 6.85817	\$ 447,372	
Commodity MCF Rate			market-based rate			
Total			<u>\$ 76,000</u>		<u>\$ 473,287</u>	

Development of Gas Delivery Rates - November Filing
Medium Volume Interruptible Transportation (MVIT) Service
Large Volume Interruptible Transportation (LVIT) Service

Total Proposed	\$ 792,427
Total Collected	\$ 727,919
	-8.14%

Rate Element	Test Year Billing Determinants		Test Year Existing		Test Year Proposed	
	Billing Determinants	Existing Rate	Existing Revenue	Existing Rate	Proposed Rate	Proposed Revenue
MVIT						
Customer Charge (\$ per month)	60	\$ 590.00	\$ 35,400	\$ 745.50	\$ 44,730	26.36%
Commodity (ccf Rate - Option 1)	1,995,360	\$ 0.13000	\$ 259,397	\$ 0.13000	\$ 259,397	0.00%
Commodity (ccf Rate - Option 2)	252,910	\$ 0.32700	\$ 82,702	\$ 0.32700	\$ 82,702	0.00%
			<u>\$ 377,498</u>		<u>\$ 386,828</u>	
LVIT						
Customer Charge (\$ per month)	48	\$ 775.00	\$ 37,200	\$ 1,079.80	\$ 51,830	39.33%
Commodity (ccf Rate - Option 1)	1,021,680	\$ 0.13000	\$ 132,818	\$ 0.13000	\$ 132,818	0.00%
Over 5000 ccf	3,179,960	\$ 0.03600	\$ 114,479	\$ 0.03600	\$ 114,479	0.00%
Commodity (ccf Rate - Option 2)	419,630	\$ 0.10000	\$ 41,963	\$ 0.10000	\$ 41,963	0.00%
			<u>\$ 326,460</u>		<u>\$ 341,090</u>	
Total			<u>\$ 703,958</u>		<u>\$ 727,919</u>	