

**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. 7754**

This 30<sup>th</sup> day of March, 2010, 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

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<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, by Order No. 7366 (Feb. 21, 2008) in Docket No. 07-364 and, subsequently, on a permanent basis by Order No. 7406 (June 17, 2008).

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 was reached on this application and a settlement agreement was executed among the Company, Staff and the Division of Public Advocate on October 30, 2009 (the "2009 Settlement Agreement"). A hearing was held regarding the 2009 Settlement Agreement on November 23, 2009, and, December 8, 2009, the Hearing Examiner issued a report recommending that the 2009 Settlement Agreement be approved.

4. On December 22, 2009, the Commission accepted the recommendations of the Hearing Examiner and approved the 2009

Settlement Agreement and the updated RARM factor. See PSC Order No. 7703 (Dec. 22, 2009) (Docket No. 09-9).

5. Prior to its final approval, on November 10, 2009, the Company filed an application for another adjustment of the RARM factor that was ultimately approved by Order No. 7703. The Company had requested that the increased RARM factor be implemented as "an increase with usage (with proration) effective on the electric Customer's usage on or after January 9, 2010."

6. Based on Staff's recommendation, on December 8, 2009, the Commission approved the proposed RARM factor with proration for usage on or after January 9, 2010, on a temporary basis, and subject to refund with interest. See PSC Order No. 7701 (Dec. 8, 2009) (Docket No. 09-484).

7. The Commission required the Company to publish a general notice of the proposed rates in two newspapers of general circulation and the Commission Secretary provided direct notice to the parties from Docket No. 04-391. The Company filed evidence of the publication on December 31, 2009. No comments or objections have been filed.

8. Staff has completed its review of the November 10, 2009 application and has determined that the Company's proposed adjustments to the RARM factor are generally supportable, except that Staff felt that the following two adjustments to the proposed RARM factor recommended should be made:

- A lump sum recovery for Year 3 under-collections of RARM cost of \$978,862; and

- A 6.4% carrying charge for the amortization of under-collected Year 2 RARM costs for the HPS.<sup>2</sup>

9. Although the Company agreed in responses to discovery that these adjustments are appropriate, Staff nevertheless concluded that given the amount at issue, the short period of time the temporary RARM factor has been in effect, and the difficulty of re-calculating an appropriate amount to reflect that the temporary RARM factor has been recovering amounts related to these issues, such adjustments would be better reflected in the Company's next RARM factor filing. Staff's position is reasonable given that the Company has indicated that it intends to file another RARM application as soon as April. Staff recommends, therefore, that the adjustments identified in this filing be reflected in the Company's next RARM factor filing and the Commission approve the temporary RARM factor currently in effect as final.

**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 and based upon Staff's recommendations, 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.

2. The Company's next RARM factor filing shall be revised to reflect the amounts to be recovered for the lump-sum recovery of Year 3 under collections, the revised carrying charge for Year 2 under

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<sup>2</sup> Per Attachment T – Year 2 of the Application.

collections for the HPS, as well as such additional issues that may be identified by Staff and approved by the Commission.

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.

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