

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

IN THE MATTER OF THE APPLICATION OF        )  
DELMARVA POWER & LIGHT COMPANY        )  
FOR APPROVAL OF MODIFICATION        )        PSC DOCKET NO. 09-385F  
TO ITS GAS COST RATES        )  
(FILED AUGUST 31, 2009)        )

**ORDER NO. 7801**

**AND NOW**, this 6<sup>th</sup> day of July, 2010:

1. On August 31, 2009 Delmarva Power & Light Company ("DP&L" or "the Company") filed with the Delaware Public Service Commission (the "Commission") the above-captioned application seeking approval to modify its Gas Cost Rates ("GCR") effective on November 1, 2009, with proration, as follows: (1) revise the volumetrically applied GCR factors applicable to the RG, GG, GL, and non-electing MVG Service Classifications; (2) revise the demand charge for the non-electing MVG, electing MVG and LVG and Standby Service Classifications; and (3) reconcile and true-up actual versus estimated monthly Commodity Cost Rate assignments for sales under the LVG and so-called "electing" MVG Service Classifications.

2. By Order No. 7642 dated September 9, 2009, the Commission determined, pursuant to 26 Del. C. §§304 and 306, that the proposed GCR modifications and other requested revisions to the Company's tariffs should be permitted to become effective for usage on and after November 1, 2009, with proration and subject to refund, pending further review and final decision by the Commission.

3. The Division of the Public Advocate exercised its statutory right of intervention in this docket.

4. The Hearing Examiner approved a proposed procedural schedule, pursuant to which the parties conducted discovery and submitted testimony.

5. Subsequently, the parties entered into a proposed settlement agreement, which they presented to the Hearing Examiner at the evidentiary hearing held on May 6, 2010.

6. Leaf No. 36 of the Company's Gas Service Tariff provides that "if it appears at any time during the Application Period that the use of the GCR in effect for the remainder of that period will result in a net under collection of the Company's gas cost by more than 6% of the latest estimate ... the Company shall apply to the Commission for a change in the GCR... ." <sup>1</sup>

7. On June 14, 2010, while the matter was pending before the Hearing Examiner, the Company provided the Commission Staff with its Gas Cost recovery Schedule, which showed a projected \$9 million under recovery of fuel expenses as of October 31, 2010 (based on six months actual results and six months estimated results). This would result in the Company under collecting its gas costs by 7.4%.

8. By letter dated June 25, 2010 to the Commission's acting Executive Director, the Company set forth the causes of the under recovery and requested a waiver of the provisions of Tariff Leaf No. 36 requiring a supplemental filing to change the GCR rates. In that letter, the Company first noted that the market price of natural gas had declined, but the Company had not been to take advantage of those declines largely because of hedging positions it took under its

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<sup>1</sup> Order No. 5061, issued March 1, 1999 in Docket No. 98-376F.

previous hedging program during 2008 and early 2009 when natural gas prices were extremely high and were not expected to decline as they did. Since that time, the hedging program rules have been revised, and the Company is phasing in the new program as the old positions are being phased out. However, the unexpected decline in natural gas prices, combined with a shortfall in natural gas sales compared to those forecasted in the Company's August 2009 GCR filing, has prevented the Company from taking advantage of spot market prices at the level it had planned.

9. Second, natural gas customers have been switching away from full service classifications to transportation, and the number of natural gas commercial customers going out of business has been increasing. This reduction in sales has left a large portion of fixed pipeline demand costs to be spread among the remaining customers.

10. The Company's primary reason for requesting a waiver of the supplemental filing provisions of Tariff Leaf No. 36 is timing. The Company explained that usage is generally low in the summer season; therefore, any adjustment now would not significantly impact the estimated under recovery. If prices were to be increased now, the increase would disproportionately be borne by customers who do not use natural gas to heat their homes or businesses. The Company contended that this would be inequitable because space-heating customers were responsible for approximately 60% of gas sales from November 2009 through April 2010.

11. Staff has reviewed the Company's request for a waiver of the supplemental filing requirements of Tariff Leaf No. 36, the

monthly GCR reports and quarterly hedging reports. Staff notes that the Company will be filing its next application to reset GCR rates in August 2010 - only two months from now -, which will include the current under recovery. In light of this, Staff has recommended that the Commission grant the Company's requested waiver.

12. The Commission has reviewed the Company's letter application and Staff's memorandum recommending approval of the requested waiver, and finds that under the current circumstances (including the fact that the Company will be filing its application to reset the GCR rates in a little over two months), the Company's request should be granted for the reasons set forth in the letter application and Staff's memorandum.

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE  
OF NO FEWER THAN THREE COMMISSIONERS,**

1. That the Company's June 25, 2010 letter application to waive the requirement of Tariff Leaf No. 36 for a supplemental filing to increase the GCR rates due to an under recovery that is outside the band set forth in that tariff leaf is **GRANTED**. The under recovery shall be included in the Company's next GCR application to be filed in August 2010.'

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae  
Chair

/s/ Joann T. Conaway  
Commissioner

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Commissioner

/s/ Dallas Winslow \_\_\_\_\_  
Commissioner

/s/ Jaymes B. Lester \_\_\_\_\_  
Commissioner

ATTEST:

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