

**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. 7897

AND NOW, this 18th 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 “Walmart”), the Delaware Energy Users Group

("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 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 Walmart submitted to the Commission a proposed settlement outlining the parties' plans for education and workshops with respect to the 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 has resolved the issues in this matter as set forth below;

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, the Commission hereby approves an overall increase in Delmarva Power & Light Company's electric distribution rates of \$16,695,000, the components of which are set forth below:

<u>Description</u>	<u>Amount</u>
Rate Base	\$443,327,000
Overall Rate of Return	7.61%
Return on Equity	10.0%
Cost of Long-Term Debt	5.45%
Required Operating Income (Present Rates)	\$33,737,000
Operating Income Deficiency	\$9,864,000
Gross Revenue Conversion Factor	1.69246
Total Revenue Requirement Increase	\$16,695,000

These amounts are subject to verification by all parties and may be changed by further Order of the Commission upon such verification. 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 Revenue Decoupling and Cost of Service Settlement attached hereto as Exhibit A is in the public interest and will result in just and reasonable rates. (Unanimous)

3. That the Commission orders that new compliance tariff leaves be developed and filed with the Commission Staff no later than January 24, 2011, which shall include the new

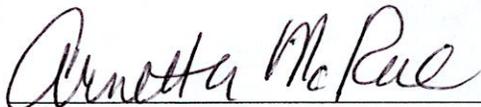
electric distribution rates and which shall become effective with service on and after February 1, 2011. (Unanimous)

4. Since the new rates are less than the existing distribution rates placed into effect on April 19, 2010 pursuant to 26 *Del. C.* §306(a)(1), customers will be entitled to a refund of overpayments since Delmarva Power & Light Company's full requested rate increase was placed into effect, with interest on the deferred amounts as calculated in accordance with Regulation Docket No. 11, which shall reflect Delmarva Power & Light Company's short-term borrowing costs.

5. The method and manner of such refund shall be approved by the Commission in a further Order.

6. That the Commission reserves the jurisdiction and authority to issue such further Orders as it deems necessary or proper.

BY ORDER OF THE COMMISSION:



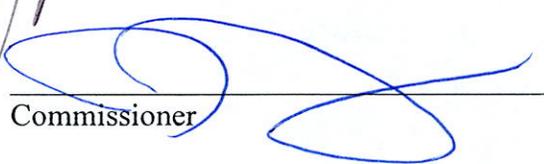
Chair



Commissioner



Commissioner



Commissioner



Commissioner

ATTEST:

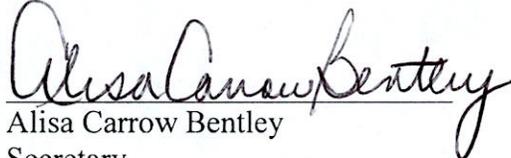

Alisa Carrow Bentley
Secretary

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 INCREASE IN) PSC DOCKET NO. 09-414
ELECTRIC BASE RATES AND)
MISCELLANEOUS TARIFF CHANGES)
(FILED SEPTEMBER 18, 2009))

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT)
COMPANY FOR APPROVAL OF A) PSC DOCKET NO. 09-276T
MODIFIED FIXED VARIABLE RATE)
DESIGN FOR ELECTRIC RATES)
(FILED JUNE 25, 2009))

PROPOSED SETTLEMENT

On this day, January 18, 2011, Delmarva Power & Light Company ("Delmarva" or the "Company"), the Staff of the Delaware Public Service Commission ("Staff"), the Department of Natural Resources and Environmental Control ("DNREC"), Delaware Electric Users Group ("DEUG") and Wal-Mart Stores East, LP and Sam's East, Inc. ("Walmart"), all of whom together are the "Parties," hereby propose a settlement on the issue of the process to be used in moving forward on the issue of implementing the modified fixed variable rate design (the "Settlement").

A. Modified Fixed Variable Rate Design

1. The Parties agree that Docket 09-276T 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 a MFV rate design, an implementation plan will be developed, through workshops outlined below. The implementation plan shall articulate the consumer benefits from the proposed 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 and demand response, 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. These initiatives to promote energy conservation and effective management of energy bills, will include, but will not necessarily be limited to:
- (1) additional usage information and feedback mechanisms for customers to reduce consumption;
 - (2) opportunities for customers to participate in time-of-day pricing to lower unit costs;
 - (3) expanded opportunities for demand response, particularly during periods of peak demand;
 - (4) energy efficiency programs and services, in collaboration with the Sustainable Energy Utility.
- 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.

B. Rate Design and Cost of Service Issues

With respect to disputed rate design and CCOS issues raised in these proceedings, the Parties agree as follows:

1. The Parties agree to DP&L's withdrawal of its request for the establishment of its proposed TN Service Classification. Should the underlying basis for the SOS rate for traffic signal customers be changed, the Company will evaluate and propose, if appropriate, a cost-based distribution rate intended to reduce traffic signal electric distribution costs for governmental entities.

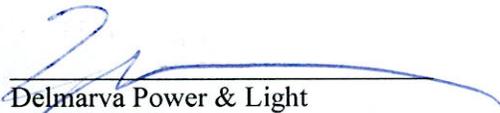
2. The Parties agree that distribution rates for Residential and Residential Space Heating Service Classifications shall be designed on an aggregate basis with the Customer Charge for the two classifications to be identical.

3. A workshop with a focused agenda on CCOS and revenue allocation issues presented in this proceeding shall be established within sixty (60) days after implementation of new electric distribution rates and not less than ninety (90) days before the Company's next electric distribution rate filing for the purpose of developing an agreement on a CCOS approach to be used in future distribution rate cases. The Company may defer costs associated with the workshop in the next base rate case; provided, however, the Parties do not waive their right to challenge such costs.

4. Any electric distribution revenue change among DP&L's Service Classifications shall be done on an across-the-board basis, such that the percentage change in the distribution revenues will be the same for all Service Classifications, except

that the GS-T customer class shall receive no increase in distribution revenues. With respect to the existing design in effect for the LGS rate class, the distribution energy charge component shall be eliminated from the design.

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


Delmarva Power & Light
Company

Date: 1/18/11


Department of Natural Resources and
Environmental Control

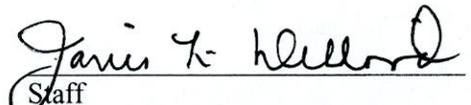
Date: 1/18/11


Wal-Mart Stores East, LR and Sam's East,
Inc.

Date: 1-18-11

Delaware Energy Users Group

Date: _____


Staff
Delaware Public Service Commission

Date: 1-18-11

that the GS-T customer class shall receive no increase in distribution revenues. With respect to the existing design in effect for the LGS rate class, the distribution energy charge component shall be eliminated from the design.

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

Delmarva Power & Light
Company

Date: _____

Department of Natural Resources and
Environmental Control

Date: _____



Delaware Energy Users Group

Date: 1/19/11

Wal-Mart Stores East, LP and Sam's East,
Inc.

Date: _____

Staff
Delaware Public Service Commission

Date: _____