

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

ORDER NO. 7904

AND NOW, this 27th day of January, 2011;

WHEREAS, on July 2, 2010, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Delaware Public Service Commission (the "Commission") an application (the "Rate Application") seeking approval of: (a) an increase in its natural gas base rates; (b) a proposed revenue decoupling rate design, and (c) miscellaneous tariff changes; and

WHEREAS, in its Rate Application, Delmarva represented that it is seeking an increase in annual operating revenues of \$11,915,381, or 6.3% over total revenues; and

WHEREAS, 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; and

WHEREAS, by PSC Order No. 7808, 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, in the event the Commission suspends the proposed rate increase; and

WHEREAS, Delmarva filed rebuttal testimony on December 3, 2010 which reduced the amount of the revenue requirement requested in the Rate Application by \$1,752,056 to \$10,163,325; and

WHEREAS, 26 *Del. C.* §306 provides that a utility may place their full-proposed rate into effect under bond if the Commission has not reached a decision of a rate application within seven months of its filing;

WHEREAS, on January 19, 2011, Delmarva submitted an Application with proposed tariff sheets (the "Interim Application") seeking to implement under bond the full amount of its proposed gas delivery rates based upon the Company's rebuttal position filed on December 3, 2010 (*i.e.* \$10,163,325), as permitted by 26 *Del. C.* §306. Although the Company did not file the bond with the Interim Application, as required by 26 *Del. C.* §306, it stated that it anticipates that the Commission will require the filing of a bond; and

WHEREAS, Commission Staff reviewed the Interim Application and recommends that the Commission approve the Company's request; and

WHEREAS, it appears that the proposed rates set forth in the Interim Application will result in total additional revenue to Delmarva of less than or equal to 15% of its annual gross intrastate

operating revenues, thus not exceeding the 15% ceiling set forth in 26 Del. C. §306(b); and

WHEREAS, the Commission having reviewed the Interim Application to implement under bond the full amount of its proposed rate increase under refund bond without surety and the supporting information demonstrating that the proposed increase is within the limitations established by 26 Del. C. §306(b) and otherwise complies therewith for the collection of rates under bond;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. That the Commission finds, pursuant to 26 Del. C. §306, that Delmarva Power & Light Company has the statutory right, after the expiration of seven months from the filing of its rate increase application (or on February 2, 2011), to place into effect the full amount of its proposed rate increase.

2. That the proposed temporary rates set forth in the tariff sheets filed by Delmarva Power & Light Company in its Interim Application are reasonably designed to produce, on an annual basis, equal to or less than 15% of the gross annual intrastate operating revenues of Delmarva Power & Light Company and may therefore be placed into effect on February 2, 2011, under 26 Del. C. §306(b), with proration for usage on or after February 2, 2011, subject to refund with interest, so long as said rates will not produce an increase in excess of 15% of the Company's annual gross intrastate operating revenues.

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3. That, within ten days, Delmarva Power & Light Company shall submit to the Commission a rate refunding bond, without surety, in the amount of \$10,163,325. Such rate refunding bond shall further guarantee repayment of the increased interim rates now to be collected pursuant to 26 Del. C. §306(b) should the Commission, after notice and hearing, approve less than the rate increase requested by Delmarva Power & Light Company in its July 2010 Application. The Commission reserves the right to subsequently increase the principal amount of the rate refunding bond, or require surety on any such amount, should the circumstances warrant.

4. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary and 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

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ATTEST:

/s/ Alisa Carrow Bentley_____
Secretary