

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY FOR)
A CHANGE TO ITS TRANSMISSION) PSC DOCKET NO. 11-289
SERVICE CHARGE FOR ITS ELECTRIC)
SUPPLY AND TRANSMISSION CUSTOMERS)
(FILED JUNE 22, 2011))

ORDER NO. 8009

This 9th day of August 2011, the Delaware Public Service Commission (the "Commission") finds, determines, and Orders the following:

1. On June 22, 2011, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Commission an application to increase its Transmission Service Charge for both its Standard Offer Service ("SOS") Fixed Price Service and SOS Hourly Priced Service from \$1.6129 per kW-month to \$1.721561 per kW-month and to revise Tariff Leaf Nos. 111 and 114 to reflect these increases. According to Delmarva, these adjustments are derived from the formula for establishing retail transmission rates set forth in paragraph F of the Settlement Agreement that we approved in PSC Docket No. 04-391, Order No. 6746 (Oct. 11, 2005). That settlement established a pass-through mechanism that permits Delmarva to develop transmission rates that mirror the transmission rates that PJM Interconnection, L.L.C. charges Delmarva under Federal Energy Regulatory Commission ("FERC") requirements.

2. The review of the FERC-approved formula rate is subject to the Federal Energy Regulatory Commission's ("FERC") Formula Rate Implementation Protocols ("Protocols"). The Protocols regarding discovery provide that they "shall be limited to what is necessary to determine if Delmarva has properly applied the Formula Rate and the [Protocol] procedures."¹ Pursuant to the Protocols, the annual update is to be "based upon Delmarva's FERC Form No. 1 data ... and ... be based upon the books and records of Delmarva consistent with FERC accounting policies."²

3. Staff issued discovery in this docket primarily intended to confirm whether Delmarva's proposed formula rate was in compliance with the Protocols. In response to this discovery, the Company has confirmed that the formula rate is in compliance with the protocols.³ The Company has also confirmed that the adjustment necessary as a result of the 2009 FERC Form 1 resubmission discussed in Order No. 7898 in Docket No. 10-226 (June 21, 2011) (a decrease in the Network Rate of \$108,928 plus associated interest) has been reflected in this annual update.

¹ Attachment H-3E Formula Rate Implementation Protocols, §2b.

² *Id.*, §1f.

³ In reviewing the Company's Application, Staff observed that some of the components of the revenue requirement were substantially greater than the average increase of approximately 6.7%. For example: the Wages and Salaries allocator increased more than 12%; Transmission O&M Expense increased approximately 13.7%; and General & Common Expenses allocated to transmission increased approximately 27%.

4. Staff states that it cannot confirm with specificity the elements of the costs that are included in the formula rate and recovered in the Network Rate. However, it concludes that in the absence of a modification to the FERC Protocols to provide greater access to the underlying cost elements and/or a standard for costs to be included in the formula rate, implementing the proposed Annual Update to the Network Rate on a temporary basis to allow for more thorough discovery to support a potential challenge to the formula rate would not be productive. Given the Company's confirmation that the formula rate is in compliance with the Protocols, Staffs recommends that we approve the proposed Annual Update to the Network Rate.

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

1. That, pursuant to 26 Del. C. §306(a)(1), the proposed rates for Transmission Service Charges for SOS Fixed Price Service and Hourly Priced Service offerings reflected on revised Tariff Leaf Nos. 111 and 114, filed by Delmarva Power & Light Company on June 22, 2011, are approved, effective August 16, 2011.

2. 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/ Jaymes B. Lester
Commissioner

/s/ Joann T. Conaway
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary