

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

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR AN ANNUAL UPDATE IN THE GAS) PSC DOCKET NO. 11-382
ENVIRONMENTAL SURCHARGE RIDER)
RATE (ESR) (FILED AUGUST 31, 2011))

ORDER NO. 8069

AND NOW, this 8th day of November, 2011:

1. On August 31, 2011, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Delaware Public Service Commission (the "Commission") its annual application (the "Application") for the Gas Environmental Surcharge Rider ("ESR") rate to become effective November 1, 2011. With its application, Delmarva submitted direct testimony from Ashley T. Adams, Regulatory Affairs Senior Analyst. The application requested a decrease in the ESR rate from \$0.00100 per ccf to \$0.00013 per ccf for all firm delivery service customers. According to the Application, a typical residential space heating customer using 120 ccf of gas in a winter month would experience an approximate 10 cent decrease in his monthly winter bill.

2. The Public Advocate exercised his statutory right of intervention on September 12, 2011.

3. By Order No. 8041 dated September 20, 2011, the Commission permitted the proposed rates to become effective with service on an after November 1, 2011, with proration, subject to modification and refund after a public evidentiary hearing to be conducted by the Commission at its November 8, 2011 meeting. Delmarva published notice

of the filing of its Application and of the public evidentiary hearing in the *News-Journal* newspaper on September 28 and 29, 2011.

4. On November 8, 2011, the Commission conducted the duly-noticed public evidentiary hearing. At the evidentiary hearing, Delmarva, the Commission Staff and the Public Advocate presented the Commission with a propped Settlement Agreement in which the parties agreed that Delmarva's Application should be approved. Representatives of Staff and the Public Advocate testified that they had reviewed the Application and conducted an audit of the claimed expenses. They concluded that the proposed ESR rate complied with the Company's tariff and would result in just and reasonable rates, and that the settlement was in the public interest because it would eliminate the legal costs and expenditure of time associated with conducting discovery and filing additional testimony. Delmarva also presented a witness to testify that the settlement was in the public interest and would result in just and reasonable rates.

5. We admitted four exhibits into evidence: Ex. 1 - Affidavit of Publication of Public Notice; Ex. 2 - the Application; Ex. 3 - the direct testimony of Ashley T. Adams, Regulatory Affairs Senior Analyst for Delmarva Power & Light Company; and Ex. 4 - the proposed Settlement Agreement.

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

1. That the proposed Settlement Agreement admitted as Ex. 4 (and attached hereto) will result in just and reasonable rates, is in the public interest and is **APPROVED**.

2. That Delmarva shall be permitted to charge the proposed ESR rate, effective with service on and after November 1, 2011.

3. That the Commission reserves the jurisdiction and authority to enter such further orders in this docket as may be necessary or proper.

BY ORDER OF THE COMMISSION:

Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

/s/ Dallas Winslow
Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary

EXHIBIT 4

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ENVIRONMENTAL SURCHARGE RIDER)
RATE (ESR) (Filed August 31, 2011))**

PROPOSED SETTLEMENT

On this 1st day of November 2011, Delmarva Power & Light Company (“Delmarva” or the “Company”), the Delaware Public Service Commission Staff (“Staff”), and the Division of the Public Advocate (“DPA”) (together, the “Parties” or “Settling Parties”) hereby propose to settle all issues raised in this proceeding as follows.

I. INTRODUCTION AND PROCEDURAL BACKGROUND

1. On August 31, 2011, Delmarva filed an application (the “Application”) with the Delaware Public Service Commission (the “Commission”) for the annual update in its Gas Environmental Surcharge Rider Rate (“ESR”), effective on and after November 1, 2011 with proration, and with such revised factors to continue in effect until October 31, 2012. In its Application, Delmarva proposed to decrease its current ESR rate from a positive surcharge of \$0.00100 per ccf to a positive surcharge rate of \$0.00013 per ccf for all firm delivery service customers (approximately 10 cents per month decrease, or less than 0.1%, on a 120 ccf winter gas bill), based on 7 invoices totaling \$13,167.99 spent during the applicable Environmental Cost Year (“ECY”) in remediation costs for the Wilmington Coal Gas Site - South. This decrease reflects the proper portion of the amortized remediation expense balance for this period. The Company estimates that it will collect a total of \$24,937.56 during this ESR collection period (November 1, 2011-October 31, 2012), which includes the total amortized balance (\$26,943.52) plus a true-

up (in the form of a reduction in the amount of \$2,005.96) of an over-collection from the previous ESR period. See Direct Testimony of Ashley T. Adams dated August 31, 2011 at pages 9 and 10.

Service Classification	2010-11 ESR Rate	Proposed 2010-11 ESR Rate
Residential Gas Service General Gas Sales Service General Gas Firm Transportation Service	\$0.00100/ccf	\$0.00013/ccf
Medium Volume Gas Sales Service Large Volume Gas Sales Service Medium Volume Firm Transportation Service Large Volume Firm Transportation Service	\$0.01001/Mcf	\$0.00128/mcf

2. On September 20, 2011, in Order No. 8041, the Commission allowed the proposed ESR rates, reconciliation and true-ups to become effective on a temporary basis, subject to refund, effective with usage on and after November 1, 2011, with proration.

3. Pursuant to Order No.8041, notice of the Application was published in the News Journal on September 28 and 29, 2011, advising that an evidentiary hearing and public comment session would be held on Tuesday, November 8, 2011 at 1:00 p.m. at the Commission's office located at 861 Silver Lake Boulevard, Suite 100, Dover, Delaware 19904.

4. The DPA filed its statutory notice of intervention on September 12, 2011. No other party intervened.

5. On August 3, 2011, prior to the filing of the Application, Staff analysts Courtney A. Stewart and Malika Davis conducted an audit of the claimed ESR expenses. They also exchanged informal correspondence with Company representatives regarding information they examined during the audit. Staff's analysts also shared their examination and findings with the DPA to enable the DPA to raise any issues it may have had.

6. As a result of Staff's audit and the DPA's review of the audit examination and findings, the Parties agree that the Commission should approve Delmarva's Application as follows.

II. SETTLEMENT PROVISIONS

- a. The parties agree that the proposed ESR complies with the Tariff and its approval is in the public interest.
- b. The provisions of this Settlement are not severable.
- c. This Settlement shall not be regarded as a precedent with respect to any ratemaking or any other principle in any future case. No Party to this settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue in agreeing to this settlement other than as specified herein and only as applicable to the treatment of this item for purposes of this Application, except that the Parties agree that the resolution of the issues herein taken as a whole results in just and reasonable rates.
- d. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in the Settlement, no findings, recommendations, or positions with respect to such opinions, views or issues should be implied or inferred.

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

SIGNATURES APPEAR ON NEXT PAGE

/s/ Todd Goodman
Delmarva Power & Light Company

/s/ William O'Brien
Delaware Public Service
Commission Staff

By: Todd Goodman
Print Name

By: William O'Brien
Print Name

Date: 11/2/11

Date: 11/2/11

/s/ Andrea Maucher
Division of the Public Advocate

By: Andrea Maucher
Print Name

Date: 11/2/11