

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

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY)
FOR APPROVAL OF MODIFICATIONS) PSC DOCKET NO. 11-381F
TO ITS GAS COST RATES)
(FILED AUGUST 31, 2011))

ORDER NO. 8116

AND NOW, this 6th day of March, 2012:

WHEREAS, on August 31, 2011 Delmarva Power & Light Company ("Delmarva" or "the Company") filed with the Delaware Public Service Commission (the "Commission") the above-captioned application (the "Application") seeking approval to modify its Gas Cost Rates ("GCR") effective on November 1, 2011, 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; and

WHEREAS, by Order No. 8040 dated September 20, 2011, 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, 2011, with proration and subject to refund, pending further review and final decision by the Commission; and

WHEREAS, Section XX D of the Company's tariff requires that if, during a GCR year, an underrecovery in the GCR should exceed a 6% threshold, Delmarva should apply for an interim GCR increase; and

WHEREAS, Delmarva represents that as a result of "record setting" above-normal temperatures experienced this heating season, sales from November 2011 through January 2012 were almost 1.2 Bcf less than forecast in the Application; and

WHEREAS, Delmarva states that the reduced sales have been partially offset by reduced purchases for send-out and by lower natural gas prices; and

WHEREAS, Delmarva has informed Staff and the Division of the Public Advocate that the January 2012 deferral amount exceeds the 6% threshold amount set forth in Section XX D of the Company's tariff and is currently at 6.5%, or \$5.7 million; and

WHEREAS, on February 21, 2012, Delmarva filed a letter application with the Commission (the "Letter Application") requesting a waiver of Section XX D of its tariff requiring it to request an interim GCR rate increase because:

... it appears that such a filing would not be in the best interests of Delmarva's customers. In this instance, after running modeling on updated forecasts of gas costs and sales, Delmarva has determined that any interim rate change would only result in a minimal reduction in the under recovery by the beginning of the next GCR year. This is due to the fact that any interim rate change must be set to collect the shortfall over the subsequent 12 month period, rather than by the end of the existing GCR period. Because the heating season would be over before increased interim rates would take effect, there would be very little reduction in the under recovery by the time the GCR is established for the upcoming 2012-13 GCR year.

Based upon a review of the current cost estimates, sales forecasts and forward markets, Delmarva is projecting that without an interim increase, the GCR for 2012-13 is likely to be significantly lower than the current GCR. Moreover, without an interim increase, it is likely that the current 6.5% under recovery will have been reduced to within the 6.0% threshold by the end of the current GCR period. Accordingly, Delmarva is of the opinion that an interim rate increase would be of very small, if any, benefit. More importantly, Delmarva believes that any small benefit an interim increase might offer would be outweighed by potential confusion to customers and an inefficient use of valuable resources of the Commission, Staff, DPA and Delmarva.

and;

WHEREAS, Staff and the Public Advocate have reviewed the Letter Application and recommend that the Company's requested waiver be granted; and

WHEREAS, having reviewed the Letter Application and having considered the proffered reasons for the requested waiver as well as the Staff's and the Public Advocate's recommendations regarding the requested waiver, the Commission concludes that the requested waiver should be granted for the reasons set forth in the Letter Application;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT

FEWER THAN THREE COMMISSIONERS:

1. That Delmarva Power and Light Company's request for a waiver of the provisions of Section XX D of its tariff is **GRANTED**.

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:

Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary