

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

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IN THE MATTER OF THE APPLICATION )  
OF DELMARVA POWER & LIGHT COMPANY )  
FOR AN ANNUAL UPDATE IN THE GAS ) PSC DOCKET NO. 12-420  
ENVIRONMENTAL SURCHARGE RIDER )  
RATE (ESR) (FILED AUGUST 31, 2012) )

ORDER NO. 8240

AND NOW, this 5<sup>th</sup> day of November, 2012:

WHEREAS, on August 31, 2012, 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, 2012. With its application, Delmarva submitted direct testimony from Ashley T. Adams, Regulatory Affairs Senior Analyst. The application requested an increase in the ESR rate from \$0.00013 per ccf to \$0.00021 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 1 cent increase in his monthly winter bill; and

WHEREAS, the Division of the Public Advocate ("DPA") exercised its statutory right of intervention on September 18, 2012; and

WHEREAS, by Order No. 8218 dated September 18, 2012, the Commission permitted the proposed rates to become effective with service on an after November 1, 2012, with proration, subject to

modification and refund after a public evidentiary hearing to be conducted by the Commission at its November 5, 2012 meeting; and

**WHEREAS**, Delmarva published notice of the filing of its Application and of the public evidentiary hearing in *The News Journal* newspaper on September 25 and October 16, 2012, and no comments were received in response to the publications of the notices; and

**WHEREAS**, on November 5, 2012, the Commission conducted the duly-noticed public evidentiary hearing. At the evidentiary hearing, Delmarva, the Commission Staff, and the DPA presented the Commission with a propped Settlement Agreement in which the parties agreed that Delmarva's Application should be approved. Both Staff and the DPA testified that they reviewed the Application. In addition, Staff conducted an audit of the claimed expenses and shared their examination and findings with the DPA. Both Staff and the DPA concluded that the proposed ESR rate complied with the Company's existing ESR tariff, would result in just and reasonable rates, and 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; and

**WHEREAS**, we admitted into evidence four exhibits which are listed in the attached Exhibit Log;

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

1. That the Commission finds that the proposed Settlement Agreement, which was admitted into evidence and is attached to this Order as Attachment "A," will result in just and reasonable rates, is in the public interest, and is thus hereby **APPROVED**.

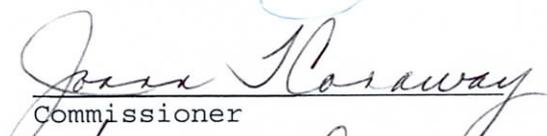
2. That Delmarva Power & Light Company shall be permitted to charge the proposed ESR rate, effective with service on and after November 1, 2012.

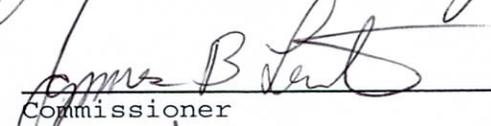
3. That Delmarva Power & Light Company is hereby put on notice that it will be charged the costs incurred in connection with this proceeding under the provisions of 26 Del. C. §114(b)(1).

4. 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

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

ATTEST:

Alisa Cannon Bentley  
Secretary

Exhibit Log - PSC Docket 12-420

<u>Exhibit No.</u>	<u>Date of Admission</u>	<u>Sponsor</u>	<u>Description</u>
1	November 5, 2012	Commission Staff	Affidavit of Publication of Public Notice
2	November 5, 2012	Commission Staff	Application of Delmarva Power & Light Company dated August 31, 2012
3	November 5, 2012	Commission Staff	Direct Testimony of Ashley T. Adams, Regulatory Affairs Senior Analyst for Delmarva Power & Light Company
4	November 5, 2012	Commission Staff	Proposed Settlement Agreement

Attachment "A"

The Proposed Settlement Agreement  
Signed by Delmarva Power & Light Company,  
The Public Advocate, and  
The Staff of the Public Service Commission

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**IN THE MATTER OF THE APPLICATION )  
OF DELMARVA POWER & LIGHT COMPANY )  
FOR AN ANNUAL UPDATE IN THE GAS ) PSC Docket No. 12-420  
ENVIRONMENTAL SURCHARGE RIDER )  
RATE (ESR) (Filed August 31, 2012) )**

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**PROPOSED SETTLEMENT**

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”) hereby enter into this Proposed Settlement Agreement to settle all issues raised in this proceeding as follows.

**I. INTRODUCTION AND PROCEDURAL BACKGROUND**

1. On August 31, 2012, 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, 2012 with proration, and with such revised factors to continue in effect until October 31, 2013. In its Application, Delmarva proposed to increase its current ESR rate from a positive surcharge of \$0.00013 per ccf to a positive surcharge rate of \$0.00021 per ccf for all firm delivery service customers based on prior amortization amounts to be collected in this Environmental Cost Year (“ECY”), and the addition of 1/5 of the 13 invoices totaling \$112,416.42 spent during the applicable ECY in remediation costs for the Wilmington Coal Gas Site – South. The table below sets forth the proposed rate increase for each customer class.

Service Classification	Current 2011-12 ESR Rate	Proposed 2012-13 ESR Rate
Residential Gas Service General Gas Sales Service General Gas Firm Transportation Service	\$0.00013/ccf	\$0.00021/ccf
Medium Volume Gas Sales Service Large Volume Gas Sales Service Medium Volume Firm Transportation Service Large Volume Firm Transportation Service Qualified Fuel Cell Provider	\$0.00128/mcf	\$0.00211/mcf

2. The proposed increase would result in an increase of approximately 1 cent per month, or 0.01%, on the winter gas bill of the typical residential space heating customer using 120 ccf of natural gas during a winter month. Monthly increases for other customer classes will depend upon the usage of each customer within the respective customer class. This increase reflects the proper portion of the amortized remediation expense balance for this period. The Company estimates that it will collect a total of \$40,444.79 during this ESR collection period (November 1, 2012, to October 31, 2013), which includes the total amortized balance of \$35,325.02 plus a true-up (in the form of an increase in the amount of \$5,119.77) of an under-collection from the previous ESR period. See Direct Testimony of Ashley T. Adams dated August 31, 2012, at page 10, Q18.

3. On September 18, 2012, in Order No. 8218, the Commission opened this docket and 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, 2012, with proration.

4. Pursuant to Order No. 8218, notice of the Application was published in *The News Journal* on September 25 and October 16, 2012, advising that an evidentiary hearing and public comment session would be held on Monday, November 5, 2012, at

1:00 p.m. at 861 Silver Lake Boulevard, 1<sup>st</sup> Floor Hearing Room, Cannon Building, Dover, Delaware 19904.

5. The DPA filed its statutory notice of intervention on September 18, 2012. No other party has intervened.

6. On July 26, 2012, prior to the filing of the Application, Delmarva provided Staff and the DPA with electronic copies of all invoices and backup information pertaining to the Wilmington Coal South site clean-up, totaling \$112,416.42 for the current ECY. Upon receipt of the Application, Staff analyst Malika Davis conducted an audit of the claimed ESR expenses and exchanged informal correspondence with the Company. Staff shared its examination and findings with the DPA to enable the DPA to raise any issues it may have had.

7. Staff has completed its audit, and the DPA has reviewed Staff's audit results. No issues were raised either by Staff or the DPA regarding the audit. Accordingly, the Parties agree to submit this Proposed Settlement to the Commission for its approval and 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 results in just and reasonable rates and is in the public interest. Delmarva's revised Tariff sheets, which set forth the proposed ESR rate for each customer class, are attached hereto and fully incorporated herein as "**Attachment 1.**"
- b. The provisions of this Proposed Settlement are not severable. In addition, this Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission fails to grant such approval, or modifies any of the Settlement's terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect unless the Parties agree in writing to waive the application of this provision.

- c. If this Proposed Settlement does not become final, either because it is not approved by the Commission or because it is the subject of a successful appeal and remand, each Party reserves its respective rights to submit additional testimony, file briefs, or otherwise take positions as it deems appropriate in its sole discretion to litigate the issues in this proceeding.
- d. This Proposed 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 Proposed 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 Proposed 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.
- e. To the extent opinions or views were expressed or issues were raised in the pre-filed testimony that are not specifically addressed in this Proposed Settlement, no findings, recommendations, or positions with respect to such opinions, views, or issues should be implied or inferred.
- f. The signatories hereto represent that they have the authority to execute this Proposed Settlement on behalf of the Party for whom they are signing.
- g. This Proposed Settlement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof. This Proposed Settlement shall become effective when one or more counterparts have been signed by each of the Parties' representatives and have been delivered to each of the other Parties.

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.

**[SIGNATURE PAGE TO FOLLOW]**

DELAWARE PUBLIC SERVICE  
COMMISSION STAFF

Date: 11/1/2012

/s/ William F. O'Brien  
William O'Brien, Executive Director

THE PUBLIC ADVOCATE

Date: 11/1/12

/s/ Michael D. Sheehy  
Michael D. Sheehy

DELMARVA POWER & LIGHT  
COMPANY

Date: 11-1-2012

/s/ Gary R. Stockbridge

Print Name: Gary R. Stockbridge

Title: Vice President

**Attachment 1**

Proposed Revised Tariff Sheets

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RATES AND CHARGES  
CORE SALES RATE LEAF

SERVICE CLASSIFICATION	BASE RATE	BASIS
<u>Residential Gas Sales Service ("RG")</u>		
Customer Charge	\$10.40	per month
Commodity Charge	\$0.45802	per CCF
Space Heating Commodity Charge 1/ Over 50 CCF	\$0.36754	per CCF
Environmental Surcharge Rider	\$0.0001300021	per CCF
Gas Cost Rate (GCR)	\$0.88804	per CCF
<u>General Gas Sales Service ("GG")</u>		
Customer Charge	\$29.71	per month
Commodity Charge		
First 750 CCF	\$0.38049	per CCF
Over 750 CCF	\$0.28421	per CCF
Environmental Surcharge Rider	\$0.0001300021	per CCF
Gas Cost Rate (GCR)	\$0.88804	per CCF
<u>Gas Lighting Sales Service ("GL")</u>		
(Estimated Usage - 15 CCF per month)		
Monthly Charge	\$ 6.44	per gas light
Gas Cost Rate (GCR)	\$13.32	per gas light
<u>Medium Volume Gas Sales Service ("MVG")</u>		
Customer Charge	\$456.12	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Commodity Charge 2/	\$0.46757	per MCF
Environmental Surcharge Rider	\$0.0012800211	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.0936	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	\$7.1740	per MCF
<u>Large Volume Gas Sales Service ("LVG")</u>		
Customer Charge	\$690.36	per month
Demand Charge	\$8.97	per MCF of Billing MDQ
Commodity Charge 2/	\$0.11248	per MCF
Environmental Surcharge Rider	\$0.0012800211	per MCF
Gas Cost Rate (GCR) Demand Charge	\$11.0936	per MCF of Billing MDQ
Gas Cost Rate (GCR) Commodity Charge 2/	Varies	per MCF

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% Charged on all non-exempt services, in the City of Wilmington, including the GCR.

1/ Gas used by Customers with permanently installed gas-fired space heating equipment qualifies for the space heating commodity rate for all gas used in excess of 50 ccf for the billing months of October through May, inclusive.

2/ All LVG and "Electing" MVG Customers pay a monthly Commodity Charge GCR based upon the system Weighted Average Commodity Cost of Gas ("System WACCOG"). "Non-Electing" MVG Customers pay the annual GCR Commodity Charge listed here.

Order Nos. 8040 & 8041-  
Docket Nos. 11-381F & 11-382

Filed: ~~October~~ August 31, 2011+2012  
Effective with Usage On and After November 1, 2011+2012

Filed in Compliance with Order No. 8040 in Docket No. 11-381F  
and with Order No. 8041 in Docket No. 11-382  
Proposed

Leaf No.: 37a

Delmarva Power & Light Company  
P.S.C. Del. No. 5 – Gas

Revision: Original First  
Revised: March 30/August 31, 2012

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RATES AND CHARGES  
CORE SALES RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>Large Volume Gas Sales Service-Qualified Fuel Cell Provider-Renewable Capable Power Production ("LVG-QFCP-RC")</u>		
Customer Charge	\$3,166.67	per month
Capital Recovery Charge	Varies	per Customer's Executed Service Agreement
Environmental Surcharge Rider	\$0.0042800211	per MCF
Gas Cost Rate (GCR) Commodity Charge 1/	Varies	per MCF

Public Utilities Tax: 4.25% applies to all non-residential services, unless pursuant to Title 30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2% charged on all non-exempt services, in the City of Wilmington.

1/ All LVG-QFCP-RC customers pay a Commodity Charge Rate based upon the Gas Daily Average (GDA) for Transco Zone 6 Non-New York price plus any premiums incurred by Delmarva to provide this service.

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Order Nos. 8079  
Docket Nos. 11-362

Filed: March 30/August 31, 2012  
Effective with Billing Month of May Usage On and After November 1, 2012

Filed in compliance with Commission Order No. 8079 in Docket No. 11-362 Proposed

RATES AND CHARGES

CORE TRANSPORTATION RATE LEAF

<u>SERVICE CLASSIFICATION</u>	<u>BASE RATE</u>	<u>BASIS</u>
<u>General Volume Firm Transportation Service ("GVFT")</u>		
Customer Charge	\$328.88	per month
Delivery Charge		
First 750 CCF	\$0.38049	per CCF Redelivered
Over 750 CCF	\$0.28421	per CCF Redelivered
Balancing Fee Non-Base Rate	\$0.03829	per CCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.0001300021	per CCF
<u>Medium Volume Firm Transportation Service ("MVFT")</u>		
Customer Charge	\$755.30	per month
Demand Charge	\$ 14.57	per MCF of Billing MDQ
Delivery Charge	\$ 0.46757	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3829	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.0012800211	per MCF
<u>Large Volume Firm Transportation Service ("LVFT")</u>		
Customer Charge	\$989.53	per month
Demand Charge	\$ 8.97	per MCF of Billing MDQ
Delivery Charge	\$ 0.11248	per MCF Redelivered
Balancing Fee Non-Base Rate	\$ 0.3829	per MCF of Imbalance Volumes
Environmental Surcharge Rider	\$0.0012800211	per MCF
<u>Standby Service ("SBS")</u>		
Demand Charge Non-Base Rate	\$11.0936	per MCF of Standby MDQ
Commodity Charge		Monthly System WACCOG per MCF (adjusted for losses and unaccounted for)

Public Utilities Tax: 4.25% Applies to all non-residential services, including the GCR, unless pursuant to Title30 Chapter 55, the Customer is eligible for a different tax rate or is exempt from such tax.

City of Wilmington Local Franchise Tax: 2.00% Charged on all non-exempt Services, in the City of Wilmington, including the GC.

Order Nos. 8040 & 8041  
Docket Nos. 11-381F & 11-382

Filed: ~~October~~<sup>August 31, 2011</sup>~~2012~~  
Effective with Usage On and After November 1, 2011

Filed in Compliance with Order No. 8040 in Docket No. 11-381F  
and with Order No. 8041 in Docket No. 11-382

Proposed

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