

Before the Delaware Public Service Commission
Application for an Increase in Gas Base Rates
PSC Docket No. 10 -
Briefing Sheet

SUBJECT: Delmarva Power & Light Company's (Delmarva or the Company) Application for an Increase in Gas Base Rates filed July 2, 2010

INCREASE SOUGHT: Delmarva seeks approval of a proposed increase of \$11,915,381 in its gas base revenues, which equates to an increase in total revenue of 6.3%.

REASONS FOR FILING: The proposed increase reflects higher costs since 2006 to improve reliability and safety.

EFFECTIVE DATE: The Company has proposed that the requested the full proposed increase become effective August 31, 2010. If the Commission should decide to suspend the full proposed increase, the Company requests to put an interim increase of \$2.5 Million into effect on August 31, 2010.

RATE DESIGN: The proposed rate design incorporates the modified fixed variable rate design (MFVRD) as approved by the Commission in Order No. 7420 in Regulation Docket No. 59. The MFVRD is consistent with the Company's gas decoupling Application filed on June 25, 2009 in PSC Docket No. 09-277T.

The Company is also proposing a new Utility Facility Relocation Rider which is intended to provide a mechanism to implement the recovery of costs related to relocation of the Company's distribution facilities as required to accommodate projects sponsored by the Delaware Department of Transportation, or other state agencies, as allowed under Section 315 of Title 26 of the Delaware Code. As an alternative, Delmarva is proposing a rate mitigation measure (Rider VM) related to pension, OPEB and uncollectible expenses.

RATE OF RETURN: 8.10% overall; 11.00% on Common Equity, assuming implementation of decoupling.

TEST YEAR: Actual Data for the 12 months ended December 31, 2009

TEST PERIOD: Twelve Months Ended June 30, 2010, which includes 6 months of actual data ended December 31, 2009 and 6 months of forecasted data ended June 30, 2010

CAPITAL STRUCTURE: Proforma at March 31, 2010, assuming implementation of decoupling

<u>Type of Capital</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long Term Debt	51.20%	5.33%	2.73 %
Common Equity	48.80%	11.00%	5.37 %
Total	100.00%		8.10 %

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<u>ELEMENTS OF RATE INCREASE:</u>	Items:	(\$000)
	Rate Base Growth and Inflation	\$4,773
	Return on Equity Increase	\$1,582
	Reliability Plant Additions	\$1,814
	Pension/OPEB, Wages and FICA	\$1,357
	Advanced Metering Infrastructure Initiative	\$2,063
	<u>Energy Expert Resource</u>	<u>\$ 326</u>
	Total	\$11,915

IMPACT OF PROPOSED INCREASE ON DIFFERENT CLASSES:

Service Classification	Proposed Increase (\$000)			
	Full Proposed Increase		Interim Increase	
	\$	%	\$	%
RG	\$ 7,804	6.54	\$ 1,605	1.35
GG+GVFT	\$ 3,041	5.24	\$ 635	1.09
MVG+MVFT	\$ 439	6.53	\$ 127	1.91
LVG+LVFT	\$ 632	13.44	\$ 132	2.81
Gas Lighting	\$ -	-0.31	\$ -	0.80
Total	\$ 11,915	6.3%	\$ 2,500	1.32%

IMPACT ON AVERAGE RESIDENTIAL CUSTOMER:

For a residential customer with a usage pattern at or near that of the class average usage pattern, the average monthly bill impact is estimated to be \$6.99 or 8.1% of their total annual bill.

With the proposed interim base rate increase, on August 31, 2010, a typical residential customer using an average of 120 CCF in a winter month would see a bill increase of \$2.06, from \$167.25 to \$169.31 or 1.23%.

Details of preceding rate case
(Docket No. 06-284)

1. Filed August 31, 2006
2. Rates Effective April 1, 2007
3. Increase of \$9.0M
4. 10.25% Return on Equity approved

Rate impact varied by class