

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

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT COMPANY)
FOR AN INCREASE IN ELECTRIC BASE) PSC DOCKET NO. 11-528
RATES AND MISCELLANEOUS TARIFF)
CHANGES (FILED DECEMBER 2, 2011))

ORDER NO.8265

AND NOW, this 18th day of December, 2012:

WHEREAS, the Delaware Public Service Commission (the "Commission") has received and considered the Findings and Recommendations of the Hearing Examiner issued in the above-captioned docket, which was submitted after a duly-noticed public evidentiary hearing, and is attached hereto as Attachment "A;" and

WHEREAS, the Hearing Examiner recommends that the Commission approve the Proposed Settlement Agreement (submitted into evidence as Hearing Exhibit No. 39 at the August 28, 2012 evidentiary hearing), and which is attached hereto as Attachment "B;"; and

WHEREAS, State Representative Kowalko, an intervener in this Docket, filed written exceptions to the Hearing Examiner's Report taking issue with the amount of the settlement, as well as the right of Delmarva Power & Light Company ("Delmarva" or the "Company") to recover the net book value associated with former analog meters that have been replaced by Delmarva as part of Delmarva's advanced metering infrastructure (also known as "AMI"); and

WHEREAS, having heard and considered the arguments of the parties on the exceptions filed by the State Representative, the Commission finds that there exists a preponderance of evidence in the record

developed by the Hearing Examiner supporting the proposed rates and tariff changes as just and reasonable, and that adoption of the Proposed Settlement Agreement is in the public interest;

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

1. That by and in accordance with the affirmative vote of a majority of the Commissioners, the Commission hereby adopts the October 23, 2012 Findings and Recommendations of the Hearing Examiner recommending approval of the Proposed Settlement Agreement and the proposed rates therein.(3-0, Chairman Winslow participating by telephone and not voting). The approved rates reflect an additional \$22 million revenue requirement, or an approximate 0.4% decrease over the interim rates under bond that became effective July 3, 2012. The revenue requirement amount is based upon a capital structure of 49.61% equity and 50.39% long-term debt, an overall cost of capital of 7.38%, and a rate of return on common equity of 9.75%.

2. That the final approved rates will become effective with usage on or after the date of this Order.

3. That the Commission orders that new compliance tariff leaves be developed and filed with the Commission Staff for its review, which shall include the new electric distribution rates and which shall become effective with service on and after January 1, 2013.

4. Since the new approved rates are less than the existing distribution rates placed into effect on July 3, 2012, pursuant to 26 Del. C. §306(a)(1), customers are entitled to a refund of overpayments since Delmarva's interim rate increase was placed into effect, with

interest on the deferred amounts calculated in accordance with 26 *Del Admin. Code* §1003, which shall reflect Delmarva's short-term borrowing costs. Once final approved rates are in effect, the Company shall develop a rate refund plan for applying customer refunds. The Company shall then promptly file its plan with the Commission.

5. 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/ Dallas Winslow
Chairman

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey J. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary