

120 FERC ¶ 61,164
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 17, 2007

In Reply Refer To:
Delmarva Power & Light Company
Docket Nos. ER07-914-000 and
ER07-914-001

Pepco Holdings, Inc.
701 Ninth Street, N.W., Suite 1100
Washington, D.C. 20068

Attention: Amy L. Blauman
Counsel for Delmarva Power & Light Company

Reference: Formula Rate Template Tariff Revisions

Dear Ms. Blauman:

1. On May 15, 2007, you filed on behalf of Delmarva Power & Light Company (Delmarva), revised tariff sheets¹ to Attachment H-3D of PJM Interconnection, L.L.C.'s Open Access Transmission Tariff to reflect ministerial changes to its formula rate template. On June 20, 2007, you filed an amendment to revise certain tariff sheets to remove inadvertent errors. Your revisions are accepted effective June 1, 2007, as proposed.

2. Delmarva's proposal modifies its formula rate template to conform to the accounting changes adopted by the Commission in Order No. 668.² Pursuant to a settlement agreement in Docket No. ER05-515 (Settlement Agreement), Delmarva

¹ See Appendix.

² *Accounting and Financial Reporting for Public Utilities Including RTOs*, 113 FERC ¶ 61,276 (2005), *reh'g denied*, Order No. 668-A, 115 FERC ¶ 61,080 (2006), *reh'g denied*, 117 FERC ¶ 61,066 (2006) (Order No. 668).

implemented a formula rate that relies on the FERC Form No. 1 accounting data for the rate inputs. Delmarva requests an effective date of June 1, 2007 and a waiver of the Commission's 60-day notice requirement.³

3. Notice of Delmarva's May 15, 2007 filing was published in the *Federal Register*, 72 Fed. Reg. 30,584 (2007), with interventions and protests due on or before June 5, 2007. The Delaware Municipal Electric Corporation, Inc. (DEMEC) filed a timely motion to intervene and protest. On June 20, 2007, Delmarva filed an amendment and answer to revise the original filing in response to the motion to protest. Notice of the amended filing was published in the *Federal Register*, 72 Fed. Reg. 35,455 (2007), with interventions and protests due on or before July 11, 2007. None were filed.

4. DEMEC protests the instant filing because it violates the rate change moratorium in the Settlement Agreement and because Delmarva made no attempt to contact DEMEC regarding the proposed changes.⁴ DEMEC explains that Delmarva had knowledge of the requirements of Order No. 668 when it filed the formula rate template in March 2006 and so there is not good cause to allow changes to the formula rate template at this time.⁵ DEMEC states that formula rate changes are subject to the moratorium provisions of the Settlement Agreement and that the rate changes proposed in this proceeding are classified as "changes to any other elements or components of the Formula Rates" and thus the earliest allowed effective date of the changes is June 1, 2009.⁶ In addition, DEMEC objects to Delmarva's request for waiver of the Commission's 60-day notice requirements.⁷

5. DEMEC states that its consent is required under the moratorium provisions of the Settlement Agreement.⁸ DEMEC requests the Commission mandate settlement talks between the parties.⁹ In addition, DEMEC states that Delmarva failed to demonstrate

³ 18 C.F.R. § 154.207 (2007).

⁴ DEMEC Protest at 3.

⁵ *Id.* at 4.

⁶ *Id.* at 4-5.

⁷ *Id.* at 5.

⁸ *Id.* at 5-6.

⁹ *Id.* at 6.

that all of the tendered changes are specifically required by Order No. 668 and that the change to Line 108 does not appear to be related to Order No. 668.¹⁰ Finally, DEMEC is concerned about whether or not the changes are responsible for any rate increases.¹¹

6. In its amendment and answer, Delmarva states that its proposed changes were intended to solely comply with the Commission's directives in Order No. 668, and that it mistakenly included two ministerial changes that were not necessitated by the Commission in Order No. 668. Delmarva explains that changes to line 65 (of Sheet Nos. 310B and 310N) and Line 108 (of Sheet No. 310C) of the formula rate template were meant to correct numbering errors only and not to add new lines to the formula.

7. Delmarva acknowledged in its revised filing that certain proposed changes are outside the scope of the changes necessitated by Order No. 668, and it eliminated such changes in the revised filing. In addition, Delmarva filed a matrix of changes that details the location and specific reason for the changes made to the formula rate template. Delmarva states that the changes do not result in an increase or change in rates and thus no further procedures are necessary. Finally, Delmarva explains that it filed the proposed changes as soon as the relevant Form 1 entries were identified and finalized for completion of the 2006 FERC Form 1 and asks that the tariff sheets be made effective June 1, 2007.

8. No party filed a protest to Delmarva's amendment and answer.

9. The Commission finds that Delmarva's proposed formula rate template changes to reflect the accounting changes required by Order No. 668 do not violate the Settlement Agreement rate moratorium provisions. Changes to Delmarva's Form 1 accounts were required by Order No. 668 to accommodate the restructuring changes that are occurring in the electric industry due to the availability of open-access transmission service and increasing competition in wholesale bulk power markets. In order to maintain the rates under the Settlement Agreement, it was necessary for Delmarva to revise its formula rate template to reflect such Form 1 changes. Consistent with Order No. 668, the revisions to Delmarva's formula rates did not increase the transmission charges derived from the formula rate.¹² Because the Order No. 668 changes did not materially change Delmarva's formula rate, the Commission concludes that the proposed changes do not

¹⁰ *Id.*

¹¹ *Id.* at 7.

¹² Order No. 668 at P 87.

violate the rate moratorium provisions in the Settlement Agreement. Further, the Commission denies DEMEC's request for settlement proceedings because Delmarva has shown that such changes are appropriate and do not increase charges to customers.

10. Finally, in accordance with our policy,¹³ the Commission will grant waiver of the 60-day notice requirement because Delmarva filed the proposed changes at the earliest available time once it had its 2006 FERC Form 1 completed and the filing is ministerial. Therefore, the Commission accepts Delmarva's revised tariff sheets effective June 1, 2007, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.

¹³ See *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139 (1993); *Central Hudson Gas & Elec. Corp.* 60 FERC ¶ 61,106 (1992).

APPENDIX

PJM Interconnection, L.L.C.
FERC Electric Tariff
Sixth Revised Volume No. 1

Tariff Sheets Accepted Effective June 1, 2007

First Revised Sheet No. 300E
Substitute First Revised Sheet No. 300F
Substitute First Revised Sheet No. 300G
First Revised Sheet No. 300O
Substitute First Revised Sheet No. 300Q
First Revised Sheet No. 300R