

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

IN THE MATTER OF INTEGRATED RESOURCE)
PLANNING FOR THE PROVISION OF)
STANDARD OFFER SUPPLY SERVICE BY)
DELMARVA POWER & LIGHT COMPANY UNDER)
26 DEL. C. § 1007(c) & (d): REVIEW) PSC DOCKET NO. 06-241
AND APPROVAL OF THE REQUEST FOR)
PROPOSALS FOR THE CONSTRUCTION OF)
NEW GENERATION RESOURCES UNDER 26)
DEL. C. § 1007(d))
(OPENED JULY 25, 2006))

ORDER NO. 7003

This 8th day of August, 2006, the Commission determines and Orders the following:

1. The "Electric Utility Retail Customer Supply Act of 2006" directs Delmarva Power & Light Company ("DP&L") to file a proposal to obtain long-term supply contracts on or before August 1, 2006. As a part of that filing, DP&L shall include a proposed form of "Request for Proposals ("RFP") for the construction of new generation resources within Delaware for the purpose of serving customers taking standard offer service. The proposed RFP shall include a proposed form of output contract with a term of no less than 10 years and no more than 25 years.¹ This Commission, the State Energy Office (an office of the Department of Natural Resources and Environmental Control), the Office of Management and Budget, and the Controller General are charged, in

¹See 26 Del. C. § 1007(d) (as amended by 75 Del. Laws ch. 242 § 6 (2006)).

collaboration, to retain the services of an independent consultant to oversee the development of the RFP solicitation and to assist in the review of proposals. This Commission and the Energy Office may approve or modify the elements of the RFP prior to its issuance. Once issued, the Commission, the Energy Office, the Controller General, and the Office of Management and Budget, must evaluate the responding proposals and may approve one or more of the "successful" contract or contracts.²

2. As of this date DP&L has filed its proposal to obtain long-term contracts, including a draft generation RFP solicitation. The Commission opens this docket as the vehicle to perform its oversight and review of the generation RFP tasks. As noted above, the first task is to review (within a relatively short time) the draft RFP solicitation and to make any necessary modifications prior to its official issuance on November 1, 2006. Upon official issuance, DP&L will provide notice of its RFP in one or more newspapers or periodicals and/or by direct notice to those persons or entities that likely have a particular interest in the "new generation" RFP process, as selected by the Commission.

3. By this Order, the Commission establishes a tentative first task direction to comply with the requirements of the "Electric Utility Retail Customer Supply Act of 2006" and invites the participation of the Energy Office, the Office of Management and Budget, and the Controller General to participate in any and all Commission activities. The Commission recognizes the need to move

²See 26 Del. C. § 1007(d)(1)-(2) (as amended by 75 Del. Laws ch. 242 § 6 (2006)).

quickly on this task, to have flexibility in moving forward, and to provide for transparency throughout the complete process. The goal is to allow "public" input into review of the RFP while at the same time maintaining an efficient process capable of meeting the statutory deadline for when the official RFP must be announced and released.

4. As part of the review process, Staff will conduct an initial public workshop to not only allow for input from interested parties but to provide an opportunity for Staff to pose questions or seek additional information. The Commission, within a very short time frame, will also solicit written comments from interested parties. After receiving the input from the workshop and later initial comments,³ the Staff (in consultation with the retained consultant) will provide a report with Staff's recommendations. Interested persons will have an opportunity (albeit short) to offer responses to Staff's views and to appear before the Commission.⁴ Based on those submissions and appearances, the Commission will decide whether DP&L's proposed RFP solicitation should be modified and, if so, in what manner.

5. The Commission cautions that parties should not see the opportunity for comment and workshop input as just a device to try to steer the RFP process in a way that will have the solicitation point

³Staff is given the discretion to hold additional workshops.

⁴Staff's recommendations do not have to be limited to those concerns voiced in comments and workshop discussions. The Commission believes that § 1007(d)(1) allows Staff, and the retained consultant, to make recommendations based on valid policy concerns and accumulated expertise even if those recommendations were not raised in the comments from the "public" and others.

toward that party's own contemplated generation proposal. Section 1007(c) outlines the overall goals in the DP&L IRP planning process and section 1007(d) lists the elements that the RFP must capture for the long-term contract component of such planning. Rather, comments and input should focus on whether the draft RFP captures those overall IRP goals and the section 1007(d) values and whether the draft document will ensure that potential sources of supply (that can meet one or more of those listed values) are not arbitrarily excluded from offering a proposal.

Now, therefore, **IT IS ORDERED:**

1. That this docket is opened to conduct the obligation imposed on the Commission under 26 Del. C. § 1007(d), as added by 75 Del. Laws ch. 242 § 5 (2006). The notice provided by Staff and published in The News Journal newspaper on Monday, August 7, 2006 is hereby ratified.

2. That interested persons or entities may file comments concerning the draft Request for Proposal solicitation submitted by Delmarva Power & Light Company on August 1, 2006. Such comments shall be filed, and served on the Public Service Commission and Delmarva Power & Light Company, on or before August 31, 2006. The Commission Staff shall conduct a public workshop on Friday, August 18, 2006 in order to receive input from persons or entities concerning the draft Request for Proposals and to gain further information and viewpoints from Delmarva Power & Light Company and other interested persons. The Staff may conduct further public workshops (appropriately noticed) that it believes may be required.

3. That on or before Friday, September 15, 2006, the Commission Staff, after consultation with the retained consultant, shall submit a Report with its recommendations concerning modifications, if any, to the Request for Proposals solicitation submitted by Delmarva Power & Light Company. Interested persons or entities shall have the opportunity to submit responses to Staff's Report and its recommendations no later than Friday, September 29, 2006.

4. That the Commission will hear oral argument and take final action on the Request for Proposals submitted by Delmarva Power & Light Company on October 17, 2006 at its regularly scheduled meeting

5. That Delmarva Power & Light Company is hereby put on notice, under 26 Del. C. § 114(b), that it will be charged the costs of this proceeding. James McC. Geddes, Esquire, is retained to assist the Commission and Staff in this proceeding.

6. That, subject to Commission review and approval, Delmarva Power & Light Company shall be permitted to recover its incurred costs associated with the RFP process and the expense of the consultant retained by the Coordinating State Agencies for the RFP process and the evaluation of bids resulting from that process in Standard Offer Service rates in PSC Docket No. 04-391. Delmarva Power & Light Company shall be permitted deferred accounting treatment for this purpose.

7. That, subject to Commission review and approval, the other initial costs incurred by Delmarva Power & Light Company in developing and submitting its IRP under the Act shall be included and recoverable

in its next distribution rate case. Delmarva Power & Light Company shall also be permitted deferred accounting treatment for this purpose, in which case the costs shall be amortized as an expense. In all subsequent cases, such costs shall be normalized as an expense in accordance with Commission practice.

8. That the Commission reserves any decision and judgment on whether carrying charges, and at what level, may be recovered on the amounts now granted deferred accounting treatment under Ordering paragraph 6. If Delmarva Power & Light Company seeks to recover such carrying charges, it shall file an application for such carrying costs when it seeks to recover through revisions to its Standard Offer Service prices the amounts granted deferred accounting treatment under Ordering paragraph 6. Similarly, the Commission reserves decision and judgment on whether the amounts granted deferred accounting treatment under Ordering paragraph 7 related to the initial Integrated Resource Plan, should earn a return, or some other carrying charge, for either the period until the onset of recovery or during any amortized recovery period. Such determinations shall be made during the distribution rate proceeding when Delmarva Power & Light Company seeks to recover the amounts granted deferred accounting treatment under Ordering paragraph 7.

9. That the Secretary shall send a copy of this Order to the State Energy Office, the Controller General, the Director of the Office of Management and Budget, and the Division of the Public Advocate.

10. 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/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

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**SOLICITATION OF COMMENTS AND NOTICE OF
PUBLIC WORKSHOP CONCERNING
DELMARVA POWER & LIGHT COMPANY'S
REQUEST FOR PROPOSALS FOR
LONG-TERM SUPPLY CONTRACTS WITH
NEW GENERATION RESOURCES IN DELAWARE**

Under the provisions of 26 Del. C. § 1007(d) (as amended by 75 Del. Laws ch. 242 § 5 (2006)), Delmarva Power & Light Company ("DP&L") filed a proposal on August 1, 2006 to obtain long-term supply contracts to include a proposed form of Request for Proposal for the construction of new generation resources within Delaware for the purpose of serving its standard offer service customers. The Public Service Commission ("PSC") and the State Energy Office are charged with reviewing and, if appropriate, modifying the content of the RFP solicitation.

Delmarva Power & Light Company has submitted to the PSC and other state agencies its draft proposal including a draft RFP solicitation.

It is available at the Commission's office and also on the Internet at www.state.de.us/delpsc.

The PSC seeks comments concerning that proposal in light of the goals and criteria expressed in 26 Del. C. § 1007(c) & (d). In addition, the PSC, through the Staff, will conduct a workshop to receive further input and to gain more information concerning the draft RFP. That workshop will be held on Friday, August 18, 2006 at Legislative Hall, Senate Side, Second Floor Hearing Room, Dover, Delaware, starting at 10:00 AM and concluding at 3:00 PM. If you wish to submit comments, you must file written and electronic copies with the PSC on or before Thursday, August 31, 2006. You should concurrently also serve written copies on Delmarva Power & Light Company. Regardless of your interest to file written comments, interested parties should also attend the workshop. If you cannot do so in person, contact the PSC to participate by telephone. The addresses for comments are:

Public Service Commission
Attn: Robert J. Howatt
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, Delaware 19904
robert.howatt@state.de.us

Delmarva Power & Light Company
Attn: William R. Moore
401 Eagle Run Road
Post Office Box 9239
Newark, Delaware 19714-9239

Please make sure that in your comments you identify yourself and provide a telephone number and Internet e-mail address. You should review PSC Order No. 7003 for the proposed procedural template for the PSC to review the solicitation. That Order is available after August 8, 2006 on the PSC's website.

Subsequent to the workshop and the initial comment period, the Commission Staff, assisted by an independent third party consultant, will consolidate comments and issue a report, including recommendations, to the Commission by September 15, 2006. Staff's report will be available on the PSC website and interested parties will have until September 29, 2006 to file responses to the report.

If you have questions or desire further information about this matter you can contact the PSC at 1-800-282-8574 (Delaware only) or at (302) 739-4347 (text telephone also). You can also address your inquiries by Internet e-mail to www.robert.howatt@state.de.us. If you are disabled and need assistance to review materials or to participate, please contact the PSC in order to make arrangements for such assistance.