

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

IN THE MATTER OF THE PROVISION OF )  
STANDARD OFFER SUPPLY TO RETAIL )  
CONSUMERS IN THE SERVICE TERRITORY ) PSC DOCKET NO. 04-391  
OF DELMARVA POWER & LIGHT COMPANY )  
AFTER MAY 1, 2006 )  
(OPENED OCTOBER 19, 2004) )

**ORDER NO. 7388**

This 6<sup>th</sup> day of May, 2008, the Commission finds, determines, and Orders the following:

1. In October of 2005, this Commission approved a Request for Proposal ("RFP") process for Delmarva Power & Light Company ("DP&L") to procure supply from the wholesale electric market for resale to its Standard Offer Service ("SOS") customers, in accordance with the Electric Utility Restructuring Act of 1999 ("Act").<sup>1</sup> In April of 2006, the General Assembly revised certain SOS provisions in the Act but carried forward the RFP process established in this docket as the means to procure at least thirty percent of DP&L's overall SOS load.<sup>2</sup> After each of the first two SOS procurement years, the Commission reopened the docket and made certain changes to the process as well as to the framework for public disclosure of the eventual results.<sup>3</sup>

2. In late 2007 and early 2008, DP&L conducted its third annual SOS procurement, for supply contracts commencing on June 1,

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<sup>1</sup>See PSC Order No. 6746 (Oct. 11, 2005).

<sup>2</sup>See 26 Del. C. § 1007(c)(1)a, as added by the "Electric Utility Retail Customer Supply Act of 2006," 75 Del. Laws ch. 242 (Apr. 6, 2006).

<sup>3</sup>See PSC Orders Nos. 7053 (Oct. 17, 2006) and 7284 (Sept. 18, 2007).

2008. The procurement was conducted in two "tranches" and secured three-year supply contracts for one-third of the residential SOS load and one-year contracts for 100% of the load for other "fixed price" types of service. Boston Pacific Company, Inc. ("Boston Pacific"), the Commission's retained technical consultant, observed and evaluated each tranche procurement.

3. At meetings on November 28, 2007 (Tranche 1) and January 31, 2008 (Tranche 2), the Commission heard from Boston Pacific about the details of each procurement and the successful bids.<sup>4</sup> On each occasion, the Commission determined (based on Boston Pacific's and Staff's reports) that the RFP process for that tranche had been appropriately conducted under the prevailing standards, that the bid responses had been sufficiently robust to produce competitive bids, and that the resulting successful bids were consistent with projected wholesale market prices for wholesale supply over the contract period.

4. Boston Pacific has now submitted a Final Report related to the RFP procurement process for the 2007-2008 bid year. Boston Pacific representatives also made an oral presentation concerning the Final Report at the Commission's public meeting on April 17, 2008. According to Boston Pacific, the bid prices this year for residential service are 15% higher than the bid prices from the 2006-2007 year,

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<sup>4</sup>At each of these meetings, the Commission sat in executive session so as to be able to consider the bid results (both as to the names of the winning bidders and the actual bid numbers). The Commission had earlier treated the bids, losing and successful, as confidential commercial documents. See 29 Del. C. § 10002(g)(2). See also 29 Del. C. § 10004(b)(6) (allowing executive sessions for discussions of non-public documents). In addition, the Commission determined earlier in Order 7053 not to release winning bidders' identities until 21 days after approval of the results of the final Tranche.

with a total bill impact for residential customers of a 2.83% increase.<sup>5</sup> The winning bidders were Constellation Energy Commodities Group and Hess Corporation, winning 39% and 61% of the supply respectively. After Boston Pacific made its presentation, the Commission voted to formally accept its Final Report.

5. On April 2, 2008, DP&L filed revised tariffs reflecting the new SOS rates resulting from the 2007-2008 RFP results and its new Procurement Cost Adjustment ("PCA"),<sup>6</sup> with an effective date for the tariff changes of June 1, 2008. Staff reports that, based on its preliminary analysis, the tariff and rate changes proposed in DP&L's application appear to be accurate and consistent with the dictates approved in the Commission's prior Orders. However, Staff recommends that the Commission allow the proposed rate and tariff changes to go into effect on June 1, 2008 on a temporary basis and subject to refund. According to Staff, such a procedure would allow interested persons to comment upon, or object to, the proposed changes before the Commission makes a final determination.

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<sup>5</sup>The smaller size of the rate impact reflects the fact that the new contracts replace the contracts from 2005-2006, when winning bids were only slightly lower than this year's bids. In addition, customers' bills reflect components other than supply service.

<sup>6</sup>The PCA is a component of the "Full Requirements Cost" portion of both "fixed" and "hourly" priced SOS rates. It is designed to collect, or return, over the subsequent rate year any past period differences between the amounts billed to customers for fixed-price SOS (FP-SOS) and Hourly Priced services (HPS) and the amounts DP&L actually paid to wholesale suppliers and PJM Interconnection ("PJM") to provide such full requirements for FP-SOS and HPS. The PCA is calculated by customer class and any differences are also subject to an interest charge.

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

1. That the "Final Report of the Technical Consultant on Delmarva's 2007-08 Requests for Proposals for Full Requirements Wholesale Supply to Delaware's Standard Offer Service Customers" (March 11, 2008) filed by the Boston Pacific Company, Inc. is hereby accepted, which ratifies the conclusions reached by the Commission when it reviewed the Tranche 1 and Tranche 2 bid results at its meetings on November 28, 2007 and January 31, 2008.

2. That the minutes, transcripts, and exhibits related to the executive sessions held in this docket on November 28, 2007 and January 31, 2008 are hereby released for public inspection under 29 Del. C. § 10004(f) (2006 Supp.). However, these minutes, transcripts, and exhibits have been redacted by Staff consistent with the non-disclosure requirements set forth at ¶¶ 52-59 of Findings, Opinion, and Order No. 7053 (Oct. 17, 2006).

3. That, pursuant to 26 Del. C. § 306(a)(1), the revised tariff sheets, including revised rates, filed by Delmarva Power & Light Company on April 2, 2008, that pertain to its Standard Offer Service offerings and Procurement Cost Adjustment factors are allowed to go into effect on a temporary basis on June 1, 2008. Such rates and tariff amendments that are now allowed to go into effect shall be subject to refund if the Commission shall finally determine that such rates or amendments are, in whole or in part, unjust or unreasonable.

4. That Delmarva Power & Light Company shall publish the form of notice attached hereto as Exhibit "A" in the following newspapers, on the designated dates, in two-column format outlined in black:

Tuesday, May 13, 2008 (The News Journal)

Wednesday, May 14, 2008 (Delaware State News)

5. That, in accordance with the schedule described in Exhibit "A," interested persons may file comments or objections to the proposed rate and tariff changes on or before June 13, 2008. If material comments or objections are filed, or if Staff recommends changes to such rates or tariff revisions, the Commission will, by further Order, determine the course of further proceedings. If material comments or objections are not filed, and Staff recommends final approval of the rates and tariff amendments, then the Commission may enter a final Order without further proceedings.

6. That Delmarva Power & Light Company is hereby notified that it will be charged the costs of this proceeding under 26 Del. C. § 114(b).

7. 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

PSC Docket No. 04-391, Order No. 7388 Cont'd.

/s/ Jeffrey J. Clark  
Commissioner

ATTEST:

/s/ Karen J. Nickerson  
Secretary

**E X H I B I T "A"**

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**PUBLIC NOTICE OF CHANGES TO  
FIXED PRICE STANDARD OFFER SERVICE RATES  
AND PROCUREMENT COST ADJUSTMENT RATE FACTORS**

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**TO: ALL CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY  
TAKING STANDARD OFFER SUPPLY**

On April 23, 2007, Delmarva Power & Light Company ("DP&L") filed with the Public Service Commission ("the PSC") an application to make changes to its Electric Tariff related to its Standard Offer Supply ("SOS") service offerings including:

- (a) changes in the rates for "fixed" price SOS to reflect the bid prices from the recent "fixed price" SOS wholesale procurement process; and
- (b) implementation of the initial "Procurement Cost Adjustment" factors applicable to both fixed price SOS and Hourly Prices (SOS and returning customer) services.

For a typical residential customer using 750 kWh of electricity in a month, the effects of the proposed rate changes would be an increase in the monthly bill of \$3.07 or 2.83%.

On May 6, 2008, in PSC Order No. 7388, the PSC allowed the proposed rate and tariff changes to go into effect, on a temporary basis, on June 1, 2008 but subject to refund if the Commission should later finally determine the rates and charges are incorrect, or unjust or unreasonable. The PSC now solicits comments or objections to any, or all, of these rate and tariff changes. If you wish to comment or object, you should file ten copies of such comments or objections with the PSC at the address set forth below:

Public Service Commission  
861 Silver Lake Blvd.  
Cannon Bldg., Suite 100  
Dover, DE 19904  
Attn: PSC Dckt. No. 04-391

You must file such comments or objections on or before Friday, June 13, 2008. If possible, you should also file an electronic copy of your comments or objections as an attachment to an Internet e-mail addressed to [janis.dillard@state.de.us](mailto:janis.dillard@state.de.us). If you file an objection, or wish to participate as a party in this proceeding, you should also file, by the above date, a petition to intervene under Rule 21 of the PSC's Rules of Practice and Procedure.

The PSC urges you to review copies of DP&L's application to learn the details of the rate adjustments and tariff changes. You can review the filings, and supporting material, at the PSC's office at the address denoted above. The application and proposed rate and

tariff changes are also posted on the PSC's website located at <http://dep.sc.delaware.gov>.

If you are disabled and need assistance in participating in this matter, please contact the PSC to discuss such assistance. You can contact the PSC about this matter at 1-800-282-8574 (toll-free in Delaware) or (302) 739-4247 (text telephone also). You may also send your inquiries by Internet e-mail addressed to [janis.dillard@state.de.us](mailto:janis.dillard@state.de.us).