

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE
AND THE DELAWARE ENERGY OFFICE,
THE OFFICE OF MANAGEMENT AND BUDGET,
AND THE CONTROLLER GENERAL**

IN THE MATTER OF INTEGRATED RESOURCE)
PLANNING FOR THE PROVISION OF STANDARD)
OFFER SUPPLY SERVICE BY DELMARVA POWER &) PSC DOCKET NO. 06-241
LIGHT COMPANY UNDER 26 *DEL. C.* §1007(c))
& (d): REVIEW 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. 7417

This 31st day of July, 2008, the Delaware Public Service Commission ("the Commission"), Delaware Energy Office, the Office of Management and Budget, and the Controller General determine and Order the following:

1. By PSC Order No. 7199 (May 22, 2007), the Commission, the Delaware Energy Office, the Office of Management and Budget, and the Controller General (collectively "the State Agencies") accepted Staff's proposed energy supply portfolio approach and directed Delmarva Power & Light Company ("Delmarva") to negotiate in good faith with Bluewater Wind LLC ("Bluewater") for a long-term power purchase agreement ("PPA") for the provision of wind power. (See PSC Order No. 7199 (May 22, 2007) at ¶¶ 51, 55)). On November 20, 2007, the State Agencies convened to consider the merits of Term Sheets outlining the proposed PPA between Bluewater and Delmarva, as well as the backup generation arrangements. By PSC Order No. 7328 (Dec. 4, 2007), the State Agencies disaggregated the Bluewater proposal from the backup arrangements and directed Delmarva and Bluewater to continue

negotiating towards a final PPA for the procurement of offshore wind power. (See PSC Order No. 7328 (Dec. 4, 2007) at ¶ 61). When the final PPA was presented to the State Agencies on December 18, 2007, the State Agencies unanimously voted to table the matter because there was not a consensus to approve the PPA in its current form. (See Dec. 18, 2007 Tr. at 2308-2310).

2. On June 23, 2008, Bluewater and Delmarva executed a negotiated PPA for construction of a 200 MW facility off the coast of Rehoboth Beach - a fifty percent reduction in size from the December 18, 2007 PPA. The negotiated PPA offered a lower price for renewable energy credits ("RECs") with application of a 350% multiplier to RECs produced by the wind facility for the purposes of meeting Delaware's Renewable Energy Portfolio Standard. Although many of the negotiated contract's commercial terms were identical to the December 18, 2007 PPA, it provided termination rights to Bluewater for two years after execution of the contract, Delmarva covenanted not to appeal the State Agencies' decision on the PPA, and it contained a most favored customer clause to protect the rights of Delmarva's ratepayers in the event that Bluewater sells energy to third parties in the future.

3. On July 8, 2008, the State Agencies convened to consider Staff's proposed revised procedural schedule for the State Agencies' deliberation on the negotiated Bluewater-Delmarva PPA. The State Agencies decided by voice vote to adopt the following procedural schedule that would require a final decision on the PPA by July 31, 2008:

Proposed Schedule

July 17, 2008 Public Comment Session at 7:00 PM at Legislative Hall in Dover.

July 25, 2008 Comments by all interested participants on the final Bluewater-Delmarva PPA and the Independent Consultant's Report assessing the agreed upon contract as well as the future review process for backup generation arrangements.

July 31, 2007 State Agencies to consider the negotiated Bluewater-Delmarva PPA, the IC's report thereon, comments by bidders and other participants on the negotiated contract, and the future disposition of negotiations with NRG and Conectiv regarding additional generation resources in Sussex County.

4. The State Agencies determined that a separate public comment session was appropriate in light of the public's extensive role in the evolution of this monumental docket. The State Agencies further recognized that the path forward regarding backup generation facilities was related to the negotiated contract for the procurement of offshore wind power. Accordingly, the State Agencies determined that they would consider both the Bluewater-Delmarva PPA and the future process for review of proposed contracts for backup generation resources on July 31, 2008.

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

1. That Staff's proposed procedural schedule providing for the State Agencies' deliberation on the negotiated Bluewater-Delmarva PPA and the future process governing consideration of backup generation proposals on July 31, 2008 is hereby adopted and approved.

2. That the Commission and other State Agencies reserve the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE DELAWARE PUBLIC SERVICE COMMISSION,
THE DELAWARE ENERGY OFFICE,
THE COMPTROLLER GENERAL, AND THE
DIRECTOR OF THE OFFICE OF MANAGEMENT & BUDGET

DELAWARE ENERGY OFFICE

/s/ John A. Hughes

PUBLIC SERVICE COMMISSION

/s/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

THE CONTROLLER GENERAL

/s/ Russell Larson

/s/ Jaymes B. Lester
Commissioner

**DIRECTOR OF THE OFFICE OF
BUDGET & MANAGEMENT**

/s/ Jennifer W. Davis

/s/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary