

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. 7558

This 5th day of May 2009, the Commission finds, determines, and Orders the following:

1. On April 1, 2009 Delmarva Power & Light Company ("DPL" or the "Company") filed with the Commission revised tariffs reflecting new Standard Offer Service ("SOS") rates and its new Procurement Cost Adjustment (the "PCA"),¹ with an effective date of June 1, 2009. The tariff and rate changes proposed in the Company's filing will result in a proposed monthly reduction to a 1000 kWh "typical residential customer" bill of \$0.88 or a decrease of .6%.

2. As discussed below, Staff has begun their review of the Company's filing and has initiated several discovery requests. At this time, pending further review of the filing, Staff is recommending that the Commission approve the Company's proposed rate changes on a

¹The 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 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.

temporary basis, subject to refund, with interest, and public notice, effective June 1, 2009, as requested by the Company in its filing.

3. In October 2005, the Commission approved a Request for Proposal ("RFP") process for the Company to procure supply from the wholesale electric market for resale to its SOS customers, in accordance with the Electric Utility Restructuring Act of 1999 ("Act").² In April 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 the Company's overall SOS load.³ 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 results.⁴

4. On October 7, 2008, the Commission, pursuant to 26 Del.C. § 1007(c)(1) and the Commission's jurisdiction in this docket, issued Order No. 7461, which approved the Company's request to utilize a reverse auction process conducted by World Energy Solutions Inc. ("World Energy") in its upcoming annual SOS procurement process through which DPL procures energy for service to its SOS customers.

5. The SOS procurement process previously in effect was originally established in this docket by Commission Order No. 6746

²See PSC Order No. 6746 (Oct. 11, 2005).

³See 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).

⁴See PSC Orders Nos. 7053 (Oct. 17, 2006) and 7284 (Sept. 18, 2007).

(Oct. 11, 2005), and was last modified in PSC Order No. 7432 (Aug. 19, 2008). The old format was a simple, one round, sealed bid RFP in which bidders had a single chance to submit their bid for any or all of the blocks available, without knowing other bids. The idea behind this format was that bidders were forced to submit their best price.

6. In contrast, the new reverse auction format relies upon the bidders' awareness of the actions of other bidders in an attempt to drive prices down. Prior to submitting bids, Boston Pacific Company, Inc. ("Boston Pacific"), the Commission's retained technical consultant, and World Energy establish a beginning price for each product. On the day of bidding, a separate auction is conducted for each block available. The auctions open simultaneously, and bidders are able to submit as many bids as they like on each block, as long as each bid is below the start price. Once bidders submit a bid, they are able to view the current low bid price as it ticks down over the course of the auction. After 30 minutes, the first block closes and the lowest bid is declared the winner. Another block closes every 15 minutes after that, until the bid day is complete. After each block closes all bidders participating in that auction are able to see the winning price. Implementation of the reverse auction process would retain all the current structures which exist today in the RFP.

7. In late 2008 and early 2009, DPL conducted its fourth annual SOS procurement bidding and the initial utilization of the World Energy reverse auction for supply contracts commencing on June 1, 2009. 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, along with Staff, observed and evaluated each tranche procurement.

8. At the Commission meeting on February 19, 2009, the Commission received the Final Report from Boston Pacific on the details of each procurement and the successful bids for the 2008-2009 RFP for SOS. According to Boston Pacific, the average winning price for three years of Residential and Small Commercial service was \$103.49/MWh, a 6 percent decrease from last year. On the commercial side, the average winning bid price was \$98.95/MWh for MGS customers, \$103.33/MWh for LGS customers, and \$101.97/MWh for GS customers. As summarized by Boston Pacific, these represent changes ranging from about a 3 percent decrease to a 6 percent increase over last year's prices. The solicitation produced the following six winning bidders:

- Conectiv Energy Supply, Inc.
- Consolidated Edison Energy, Inc.
- Constellation Energy Commodities Group
- Hess Corporation
- Macquarie Cook Power, Inc.
- PPL EnergyPlus, Inc.

9. Boston Pacific opined that the new reverse auction format may result in a greater variety of winners compared to the sealed bid format because it allowed for bidders to see and react to each other's bids.

10. As noted above, on April 1, 2009, DPL filed revised tariffs reflecting the new SOS rates resulting from the 2008-2009 RFP results

and its revised PCA, with a proposed effective date for the tariff changes of June 1, 2009. Staff reports that, although the discovery process has just begun, Staff's preliminary analysis indicates that the tariff and the rate changes proposed in DPL's filing appear to be accurate and consistent with the dictates approved in the Commission's prior Orders. At this time, however, Staff recommends that the Commission allow the proposed rate and tariff changes to go into effect after public notice on June 1, 2009, as requested, but on a temporary basis and subject to refund, with interest. This procedure will allow interested persons to comment upon, or object to, the proposed changes while Staff continues its review of the Company's filing before the Commission makes its final determination.

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

1. That the *Final Report Of The Technical Consultant On Delmarva's 2008-2009 Request For Proposals For Full Requirements Wholesale Electric Power Supply To Delaware's Standard Offer Service Customers Presented To The Delaware Public Service Commission By Boston Pacific Company, Inc.* (dated February 17, 2009) is hereby accepted. This ratifies the conclusions reached by the Commission when it reviewed the November 17, 2008 Tranche 1 and January 26, 2009 Tranche 2 bid results at its meetings on November 21, 2008 and January 29, 2009, respectively.

2. That the minutes, transcripts, and exhibits related to the executive sessions held in this docket on November 21, 2008 and January 29, 2009 are hereby released for public inspection under 29

Del. C. § 10004(f). However, these minutes, transcripts, and exhibits have been redacted by Staff consistent with the non-disclosure requirements set forth in paragraphs 52-59 of Findings, Opinion, and Order No. 7053 (Oct. 17, 2006).

3. That, pursuant to 26 Del. C. § 306(a)(2), the revised tariff sheets, including revised rates, filed by Delmarva Power & Light Company on April 1, 2009, that pertain to its Standard Offer Service offerings and Procurement Cost Adjustment factors, are allowed to go into effect after public notice on a temporary basis on June 1, 2009. Such rates and tariff amendments that are now allowed to go into effect shall be subject to refund, with interest, 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 12, 2009 (The News Journal)

Wednesday, May 13, 2009 (Delaware State News)

Delmarva Power & Light Company shall file an affidavit attesting to the above publication within two weeks thereof.

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 15, 2009. 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)(1).

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:

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/s/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Dallas Winslow
Commissioner

/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

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

On April 1, 2009, Delmarva Power & Light Company ("DPL" or the "Company") filed with the Delaware 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) revision of the "Procurement Cost Adjustment" factors applicable to both fixed price SOS and Hourly Prices (SOS and returning customer) services.

For a typical residential customer using 1000 kWh of electricity in a month, the Company states that the effects of the proposed rate changes would be a decrease in the monthly bill of \$0.88 or 0.6%.

On May 5, 2009, in PSC Order No. 7558, the PSC allowed the proposed rate and tariff changes to go into effect, on a temporary basis, on June 1, 2009, but subject to refund with interest 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 Monday, June 15, 2009. If possible, you should also file an electronic copy of your comments or objections as an attachment to an Internet e-mail addressed to pamela.knotts@state.de.us or john.farber@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 DPL'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. You may also review copies of the filing at the office of the Division of the Public Advocate located at the Carvel State Office Building, 4th Floor, 820 North French Street,

Wilmington, Delaware 19801. Please call (302) 577-5077 to arrange for a time to review the documents at that location.

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) 736-7500 (text telephone also). You may also send your inquiries by Internet e-mail addressed to pamela.knotts@state.de.us or john.farber@state.de.us.