

**Final Report Of
Technical Consultant
On
Delmarva's 2011-2012 Request for Proposals
For
Full Requirements Wholesale Electric Power Supply to
Delaware's Standard Offer Service Customers
For
Delaware Public Service Commission**

March 6, 2012



Vantage Energy Consulting, LLC

Management Consulting and Energy Services

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I. EXECUTIVE SUMMARY

Delmarva Power & Light Company ("Delmarva" or "the Company") procures full requirements supply for its Standard Offer Service ("SOS") customers using a Request for Proposal ("RFP") process. Standard Offer Service is used by customers who elect NOT to have a third-party supplier. Vantage Energy Consulting LLC ("Vantage") served as Technical Consultant for the 2011-12 Request for Proposal and related procurements. On October 5, 2011, Delmarva Power published a solicitation, (see Attachments), for the following.

Service Type	MW
Residential and Small Commercial & Industrial FP-SOS	295.3
Medium General Service-Secondary FP-SOS	133.3
Large General Service-Secondary FP-SOS	24.2
General Service-Primary FP-SOS	26.8
TOTAL MW	479.6

Source: RFP October 5, 2011 pages 7 & 8

The Tranche 1 and Tranche 2 procurements, for the contract year beginning June 1, 2012, for Delmarva's Delaware Residential and Small Commercial and Industrial (RSCI) SOS customers result in there now being six different suppliers. This number of suppliers is indicative of a robust market and adequate supply diversity. This is a decrease of two suppliers from the eight suppliers for the contract year beginning June 1, 2011.

Overall, average winning bids for Residential, Small Commercial, Industrial ("RSCI") service type, for the two procurements, was \$83.02, a price that is consistent with current market conditions within PJM. The winning bids were 3.3% lower than average winning bids during the 2010-11 procurements. When compared with the RSCI contracts being replaced, (procured in the 2008-09 RFP), the average winning bids are almost 20% lower. The resulting average cost of the RSCI portfolio for the contract year beginning June 1, 2012, is \$86.31¹. This is approximately 7.7% lower than the average cost for the RSCI portfolio for the June 1, 2011-May 31, 2012, contract year. The price declines were consistent with our expectations for the 36-month supply period and softness in the energy prices was somewhat offset by higher future PJM capacity costs.

Overall, winning bids for Medium General Service ("MGS") markets were \$72.94/MWh. The Large General Service ("LGS") winning bid was \$71.97/MWh and the winning bid for General Service Primary ("GSP") service was \$70.62/MWh. These one-year contracts reflected higher

¹ Does not include all costs in supply



market prices for power than the previous contract year, primarily resulting from the increase in PJM's capacity rate.

Upon completion of each of the two bid days (November 28, 2011 and February 6, 2012), Walter Drabinski, President of Vantage Energy Consulting, appeared before the Delaware Public Service Commission (Commission) and presented the results from the respective tranches. Vantage found the results were consistent with the following Evaluative Criteria:

1. The process used for conducting the RFP should be well defined and used successfully.
2. All potential bidders should be invited to participate in all available formats.
3. Instructions on how to participate should be clear with opportunities for questions and timely responses.
4. A reasonable number of bidders should demonstrate interest in qualifying.
5. The actual RFP bid receipt and evaluation process should be monitored to ensure that all communications, access to data and evaluations are conducted without the possibility of collusion.
6. Evaluation of bids, ranking and impact on rates should be evaluated independently.
7. Enough bidders should qualify and actually bid to ensure robust competition and the number of successful bidders should be diverse.
8. Bid prices should reflect competitive market conditions absent of temporary pricing anomalies.

Over the course of the two procurement events, bids were submitted as follows:

- RSCI: 7 suppliers offered 83 bids for 6 blocks (bid ratio of 13.8 to 1).
- MGS: 5 suppliers offered 27 bids for 3 blocks (bid ratio of 9 to 1).
- LGS: 4 suppliers offered 5 bids for 1 block (bid ratio of 5 to 1).
- GSP: 4 suppliers offered 6 bids for 1 block (bid ratio of 6 to 1).



II. EVALUATIVE CRITERIA ASSESSMENT AND PROCUREMENT RESULTS

With respect to the first three criteria, this auction has been functioning well since 2006. The World Energy platform, in place since 2008, has been well-tested. No significant changes occurred since the 2010-2011 procurements.

With regard to Criteria 4 and 7: There were a sufficient number of eligible bidders as well as actual bidders and bid activity for an adequate competitive environment.

**Table 1
Total Eligible and Actual Bidders by Procurement Year**

Number of Bidders	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
EOIs:	20	18	26	24	12	17
Eligible Bidders:	14	12	12	11	8	8
Actual Bidders:	11	11	9	9	8	8

One eligible bidder from last year's procurements did not become eligible this year. However, there were sufficient bidders to create an adequately competitive procurement.

The high level of competitiveness was also reflected in the average number of bids per block offered.

**Table 2
Summary of Results**

Product	Block Size	Number of Blocks to Procure	Total MW Solicited/Awarded	Number of Bidders		Total Number of Bids	Average Number of Bids Per Block	Average Winning Load Weighted Average Bid (\$/MWh)	
				Qualified	Actual				
Tranche 1	RSCI	49.1	3	147.3	7	6	41	13.7	\$ 88.68
	MGS	43.8	2	87.6	7	5	18	9.0	\$ 76.67
	LGS	23.4	1	23.4	7	4	5	5.0	\$ 71.97
	GS-P	29.8	1	29.8	7	4	6	6.0	\$ 70.62
Tranche 2	RSCI	49.2	3	147.6	8	6	42	14.0	\$ 77.35
	MGS	44.3	1	44.3	8	5	9	9.0	\$ 65.47
Total		11	480			121	11		

The following main points are apparent from Table 2:



- Winning bid prices decreased from Tranche 1 to Tranche 2, this was consistent with market conditions.
- In spite of fewer qualified bidders and suppliers when compared to last year, sufficient competition does exist as evidenced by the number of bids and resulting competitive prices.
- With regard to Criteria 5 and 6: Vantage representatives were present on Delmarva Power premises with Company and World Energy personnel and on-line monitoring of the bids by Commission staff. The bid receipt and evaluation processes were conducted appropriately. Room and system security were observed. Bids were evaluated strictly on the pricing criteria.
- With regards to Criteria 8, Vantage observed competition and bidding consistent with current market conditions. As expected, the winning bids were lower than the opening prices. The opening prices reflected current and competitive market conditions for this auction. RSCI Tranche 1 opening bid prices, as based on Vantage and World Energy modeling, was approximately 10% higher than comparable prices a year ago. However, RSCI Tranche 2 opening bid prices were approximately 10% lower than Tranche 1 due to changing market conditions (warmer than normal winter conditions resulted in natural gas storage that was reported as quite full for this time of year and resulted in declining prices).

Table 3
Winning Bids Comparisons

Product	Winning Bids Load Weighted Average \$/MWh						Percent Change	
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	From 2008-09	From 2010-11
RSCI 36-Month	\$ 95.78	\$ 109.90	\$ 103.49	\$ 89.95	\$ 85.89	\$ 83.02	-19.8%	-3.3%
MGS 12-Month	\$ 92.90	\$ 101.53	\$ 98.95	\$ 87.37	\$ 72.30	\$ 72.94		0.9%
LGS 12-Month	\$ 98.00	\$ 97.53	\$ 103.33	\$ 82.38	\$ 68.41	\$ 71.97		5.2%
GSP 12-Month	\$ 92.15	\$ 95.80	\$ 101.97	\$ 80.44	\$ 65.95	\$ 70.62		7.1%

Noteworthy from above is that the winning bids for the RSCI market are about 3.3% lower than bids solicited last year and nearly 20% lower than winning bids procured in 2008-09 (The supply from 2008-09 procurement will no longer be in the supply portfolio for the contract year beginning June 1, 2012.) The current year procurement includes the lowest supply cost to date and will help mitigate the portfolio cost should future bids increase, which are the current market projections at this time. The effect on the contract supply years are provided in Table Four below.



Table 4
Average Cost of Supply Procured for Supply Contract Years

Average Price	Supply Year 6/1/08- 5/31/09	Supply Year 6/1/09- 5/31/10	Supply Year 6/1/10- 5/31/11	Supply Year 6/1/11- 5/31/12	Supply Year 6/1/12- 5/31/13	2012 vs 2011
RSCI	\$ 103.17	\$ 102.61	\$ 101.11	\$ 93.53	\$86.31	-7.72%
MGS	\$ 101.53	\$ 98.95	\$ 87.37	\$ 72.30	\$72.94	0.88%
LGS	\$ 97.23	\$ 103.33	\$ 82.38	\$ 68.41	\$71.97	5.20%
GSP	\$ 95.80	\$ 101.97	\$ 80.44	\$ 65.95	\$70.62	7.08%

It is also noteworthy that two-thirds of the supply for the 6/1/13 - 5/31/14 supply year has been purchased at bids reflecting historic low energy prices. Because the RSCI service is contracted for a 36-month period, current market prices will provide some measure of price protection for the RSCI SOS customers in future years if price increases are as currently forecast. The bid prices for the supply year are reflected in the estimated average bill comparison computations provided by the Company in Table 5.

Table 5
Estimated Average Bill Comparison

Estimated Average Bill Comparison				
Customer Type	Av. Monthly Bill 2/15/12	Av. Monthly Bill 6/1/12	\$ Change per Bill	% Change per Bill
RS	\$ 133.46	\$ 126.10	\$ (7.36)	-5.5%
SGS	\$ 107.00	\$ 101.58	\$ (5.41)	-5.1%
MGS	\$ 874.07	\$ 859.75	\$ (14.32)	-1.6%
LGS	\$ 12,306.12	\$ 12,410.98	\$ 104.86	0.9%
GS-P	\$ 30,244.94	\$ 31,199.41	\$ 954.47	3.2%

Source: As calculated by Delmarva Rate Department. (These comparisons are estimates and as such are subject to change as they do not include adjustments to transmission, procurement cost, renewable portfolio costs or reasonable allowance for retail margin).

The supply for the upcoming contract year reflects strong supplier diversity. Table Six below depicts the supply for all of Delmarva's service types procured for the upcoming contract year.



Table 6
SOS Suppliers and Percent of Total Procured Supply
Contract Year June 1, 2012-May 31, 2013

<u>Supplier</u>	<u>% of 2012-2013 Load Served</u>
Conectiv Energy Supply, Inc.	14.2%
Constellation Energy Commodities Group	28.5%
DTE Energy Trading, Inc.	18.8%
Hess Corporation(W)	23.8%
NRG Power Marketing, Inc.	9.5%
Shell Energy North America (US), L.P.	5.2%
Total	100.00%

A look at the breakdown of suppliers from 2011-12 versus 2012-13 supply year is valuable. Macquarie, Next Era and PPL Energy Plus are not providing supply in the upcoming contract year resulting in adjustments of relative market share. There are six suppliers now versus nine last year.

Table 7
Suppliers by Supply Year and Service Compared

Suppliers	2011-12 Supply Year				2012-13 Supply Year			
	RSCI	MGS	LGS	GS	RSCI	MGS	LGS	GS
Conectiv Energy Supply, Inc.	28.6%				17.3%			
Constellation Energy Commodities Group	12.5%	32.3%			29.5%	33.2%		
DTE Energy Trading, Inc.	12.0%		100.0%	100.0%	17.7%	33.2%		
Hess Corporation(W)	17.6%				17.6%	33.6%	100.0%	100.0%
Macquarie Energy, LLC (power)	5.7%							
NextEra Energy Power Marketing, LLC		67.7%						
NRG Power Marketing, Inc.	11.6%				11.6%			
PPL EnergyPlus, LLC	5.7%							
Shell Energy Marketing	6.2%				6.3%			
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

RSCI supply for the upcoming contract year reflects six suppliers compared to eight suppliers for the contract year just ending. The MGS supply is more diversified and there has been a shift in suppliers for the LGS and GS supplies.

Diversity in winners is positive because it encourages continued participation in future RFPs, reduces supply risk and stimulates competition.



III. MARKET CONDITIONS

Vantage analyzed prices to derive the opening prices for the procurements. Vantage also monitored prices throughout the procurement period in order to conclude that the winning bids were consistent with market expectations.

Our market model compared prices for relevant energy products during the supply contract years. Vantage used its experience from other procurements and considered the impact of PJM capacity prices and ancillary services.

Overall, PJM market prices for energy during this procurement period changed dramatically between Tranche 1 and Tranche 2, going from \$54.44/MWh to \$44.16/MWh at the PJM Western Hub. This was generally attributed to lower natural gas costs (the peaking market) due to warmer winter weather resulting in storage which was substantially full.

Table 8 provides PJM Western Hub peak futures electricity prices during prior procurements as a reference point. The graph which follows illustrates the PJM Western Hub peak futures electricity prices for the period through 2015. Note that prices during the most recent procurements are among the lowest since 2005. Current expectations of future prices remain below \$60/MWh.

WHOLESALE ELECTRICITY PRICES

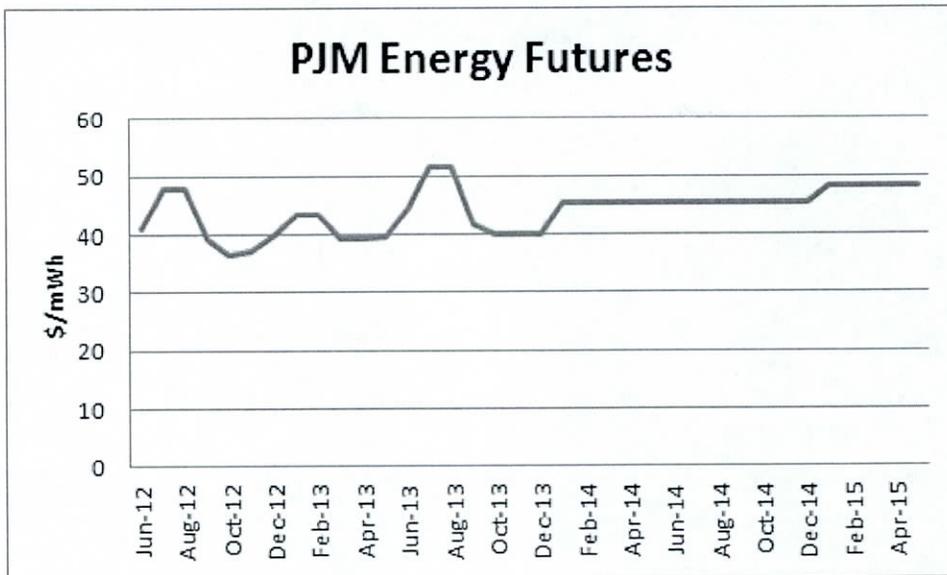
Table 8
PJM Western Hub Peak Price - History at Prior Solicitations
(\$/MWh)

Construct Supply Period	2005-2006 Solicitation (First Tranche Dec. 12, 2005)	2006-2007 Solicitation (First Tranche Nov. 27, 2006)	2007-2008 Solicitation (First Tranche Nov 26, 2007)	2008-2009 Solicitation (First Tranche Nov 17, 2008)	2010-2011 Solicitation (First Tranche Nov 29, 2010)	2010-2011 Solicitation (Second Tranche Jan 25, 2011)	2010-2012 Solicitation (First Tranche Nov 28, 2011)	2011-2012 Solicitation (Second Tranche Feb. 6, 2012)
36-Month Average	\$ 83.81	\$ 73.91	\$ 82.83	\$ 74.07	\$ 52.47	\$ 53.08	\$ 54.44	\$ 44.16

Note: The 36-month average above corresponds to the procurement period for RSCI supply during the procurement period



PJM Western Hub Peak Price - Futures as of February 2012



NATURAL GAS PRICES

Table 9 provides Natural Gas futures prices at the Henry Hub during prior procurements as a reference point. The graph which follows illustrates the futures prices for the period through 2014. Note that prices during the most recent procurements are the lowest prices experienced during our reference period. Current expectations of future prices remain below \$5/Mmbtu. The natural gas prices are relevant because they are generally viewed as the primary marginal fuel in PJM.

Table 9
Natural Gas @ Henry Hub - History at Prior Solicitations
 (\$/Mmbtu)

Contract Supply Period	2005-2006 Solicitation (First Tranche Dec. 12, 2005)	2006-2007 Solicitation (First Tranche Nov. 27, 2006)	2007-2008 Solicitation (First Tranche Nov 26, 2007)	2008-2009 Solicitation (First Tranche Nov 17, 2008)	2010-2011 Solicitation (First Tranche Nov 29, 2010)	2010-2011 Solicitation (Second Tranche Jan 25, 2011)	2010-2012 Solicitation (First Tranche Nov 28, 2011)	2011-2012 Solicitation (Second Tranche Feb. 6, 2012)
36-Month Average	\$ 9.69	\$ 8.26	\$ 8.38	\$ 7.86	\$ 4.99	\$ 5.17	\$ 4.65	\$ 3.83

Note: The 36-month average above corresponds to the procurement period for RSCI supply during the procurement period



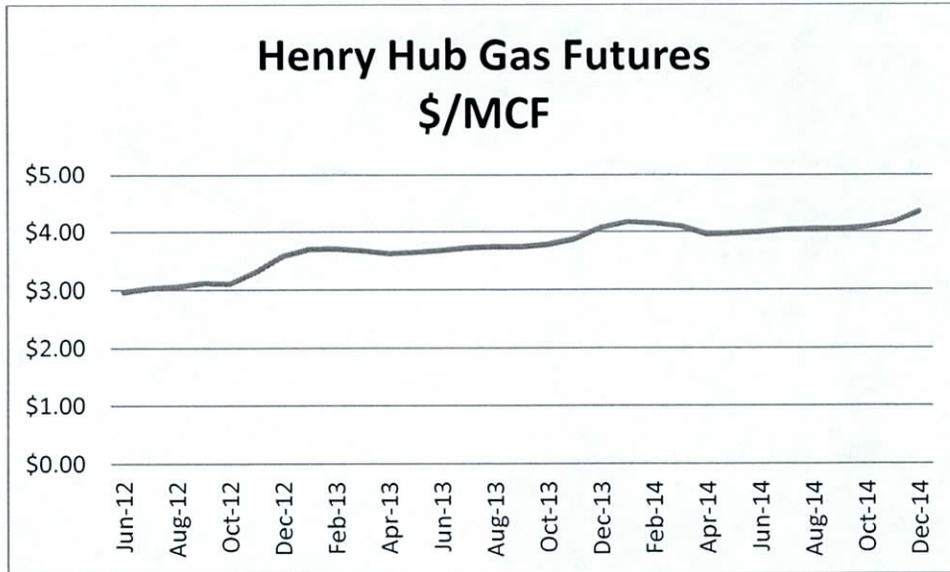
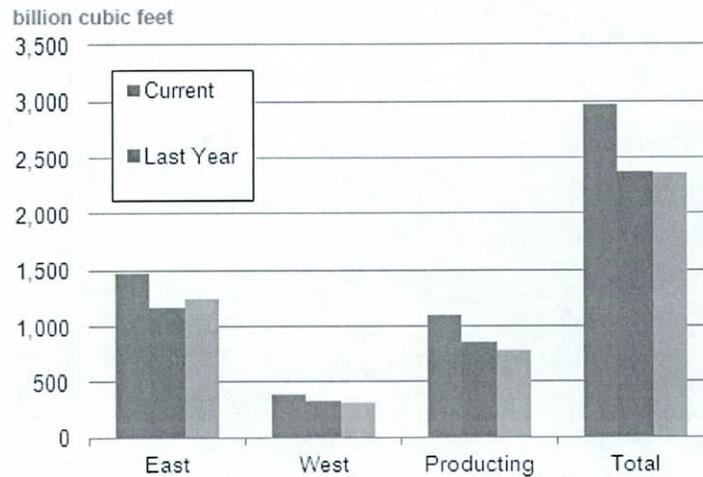


Table 10 below compares natural gas storage quantities which are putting downward pressure on current natural gas prices.

Table 10
Current storage inventories exceed previous years' levels



Source: Energy Information Administration

Source: EIA Natural Gas Week Report Feb 2, 2012. The green bars represent the five year average

COAL PRICES

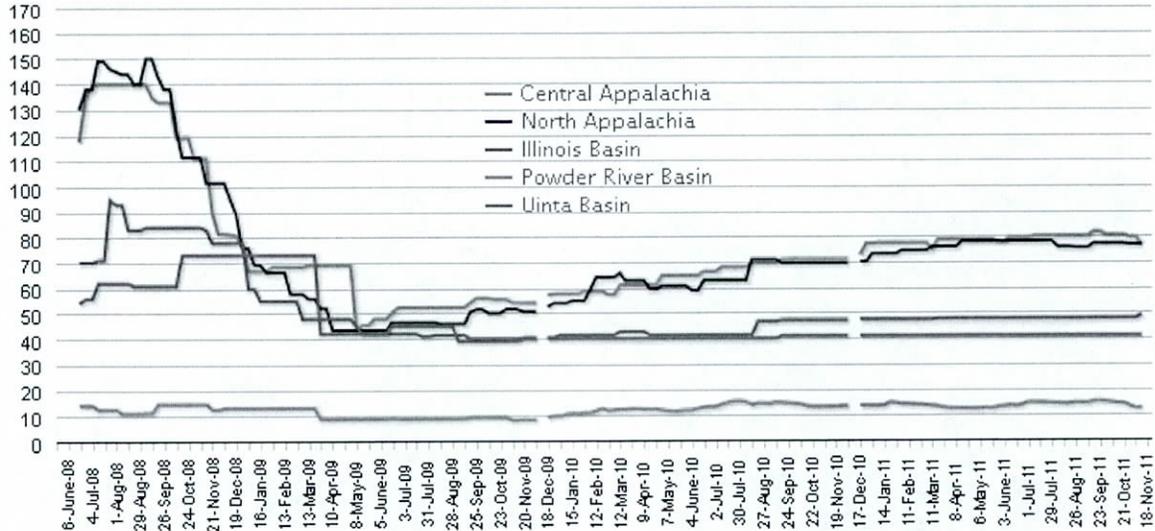
Table 11 below provides historical average weekly coal commodity spot prices through November, 2011. The Central and Northern Appalachia regions are the predominant coal source for PJM. The peak in pricing during 2009 was due to significant purchases by China.



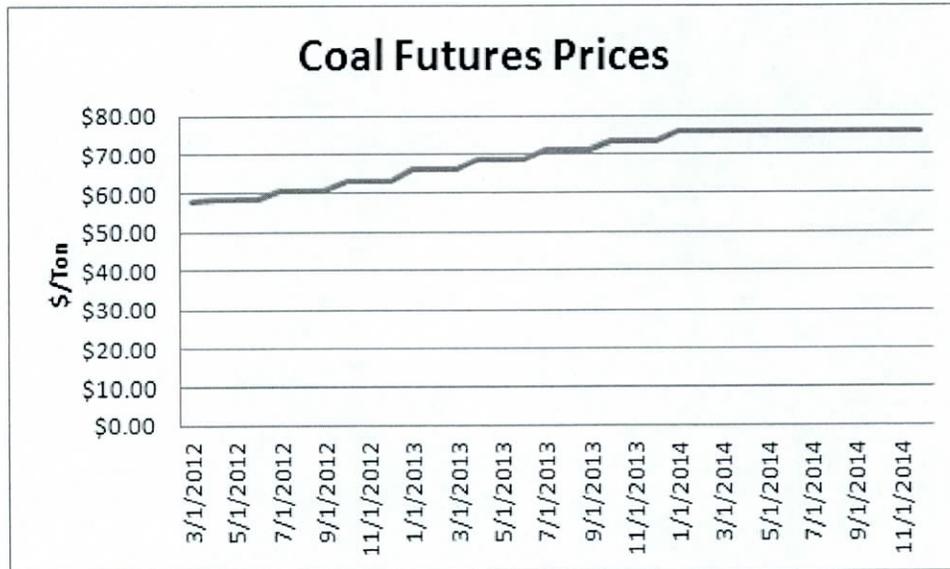
It is important to note that after the major decline in prices during 2008-2009, coal prices have continued to increase. Table 11 indicates higher future prices through early 2014.

Table 11
Historical Spot Coal Prices
 (\$/Short Ton)

Historical average weekly coal commodity spot prices
 dollars per short ton



Source: With permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey."
 Note: The historical data file of spot prices is proprietary and cannot be released by EIA; see Coal News and Prices .



TOTAL PRICE OF WHOLESALE POWER

The total price of wholesale power is the total price per MWh of purchasing wholesale electricity from PJM markets. The total price is an average price and actual prices vary by location. The total price includes the price of energy, capacity, ancillary services, transmission service, administrative fees, regulatory support fees and uplift charges billed through PJM systems.

Table 1-7, from the State of the Market Report for PJM Q3 published 11/14/11, provides the average price and total revenues paid by component, for January through September of 2010 and 2011.

Table 1-7 shows that Energy, Capacity and Transmission Service Charges represent the three largest components of the total price per MWh of wholesale power, contributing 96.1 percent of the total price per MWh for the January through September 2011 period. The cost of energy was the most important component, making up 74.3% of the total price per MWh for the January through September 2011 period. The cost of capacity contributed 15.3% and the cost of transmission service contributed 6.5% of the total price per MWh for the January through September 2011 period.

Each of the components is defined in PJM's Open Access Transmission Tariff (OATT) and PJM Operating Agreement and each is collected through PJM's billing system.

Components of Total Price (footnotes in the original SOM report 11-15-11)

- The Load Weighted Energy component is the real time load weighted average PJM locational marginal price (LMP).
- The Capacity component is the average price per MWh of Reliability Pricing Model (RPM) payments.
- The Transmission Service Charge component is the average price per MWh of network integration charges and firm and non firm point to point transmission service.³⁸
- The Operating Reserve (uplift) component is the average price per MWh of day ahead and real time operating reserve charges.³⁹
- The Reactive component is the average cost per MWh of reactive supply and voltage control from generation and other sources.⁴⁰
- The Regulation component is the average cost per MWh of regulation procured through the Regulation Market.⁴¹
- The PJM Administrative Fees component is the average cost per MWh of PJM's monthly expenses for a number of administrative services, including Advanced Control Center (AC2) and OATT Schedule 9 funding of FERC, OPSI and the MMU.
- The Transmission Enhancement Cost Recovery component is the average cost per MWh of PJM billed (and not otherwise collected through utility rates) costs for transmission upgrades and projects, including annual recovery for the TrAIL and PATH projects.⁴²



- The Day-Ahead Scheduling Reserve component is the average cost per MWh of Day-Ahead scheduling reserves procured through the Day-Ahead Scheduling Reserve Market.⁴³
- The Transmission Owner (Schedule 1A) component is the average cost per MWh of transmission owner scheduling, system control and dispatch services charged to transmission customers.⁴⁴
- The Synchronized Reserve component is the average cost per MWh of synchronized reserve procured through the Synchronized Reserve Market.⁴⁵
- The Black Start component is the average cost per MWh of black start service.⁴⁶
- The RTO Startup and Expansion component is the average cost per MWh of charges to recover AEP, ComEd and DAY's integration expenses.⁴⁷
- The NERC/RFC component is the average cost per MWh of NERC and RFC charges, plus any reconciliation charges.⁴⁸
- The Load Response component is the average cost per MWh of day ahead and real time load response program charges to LSEs.⁴⁹
- The Transmission Facility Charges component is the average cost per MWh of Ramapo Phase Angle Regulators charges allocated to PJM Mid-Atlantic transmission owners.



**Table 1-7 Total price per MWh by category and total revenues by category:
January through September of 2010 and 2011**

Category	2010 (Jan-Sep) \$/MWh	2011 (Jan-Sep) \$/MWh	Percent Change \$/MWh	2010 (Jan-Sep) Percent	2011 (Jan-Sep) Percent
Energy	\$49.91	\$49.47	(0.9%)	73.6%	74.3%
Capacity	\$11.71	\$10.19	(13.0%)	17.3%	15.3%
Transmission Service Charges	\$3.93	\$4.30	9.4%	5.8%	6.5%
Operating Reserves (Uplift)	\$0.76	\$0.90	18.2%	1.1%	1.3%
PJM Administrative Fees	\$0.37	\$0.38	2.2%	0.6%	0.6%
Reactive Regulation	\$0.36	\$0.38	7.3%	0.5%	0.6%
Transmission Enhancement	\$0.37	\$0.36	(5.3%)	0.6%	0.5%
Cost Recovery Synchronized Reserves	\$0.18	\$0.28	55.9%	0.3%	0.4%
Transmission Owner (Schedule 1A)	\$0.06	\$0.09	54.1%	0.1%	0.1%
Day Ahead Scheduling Reserve (DASR)	\$0.09	\$0.09	1.6%	0.1%	0.1%
Black Start	\$0.01	\$0.07	402.8%	0.0%	0.1%
NERC/RFC	\$0.02	\$0.02	21.9%	0.0%	0.0%
RTO Startup and Expansion	\$0.02	\$0.02	(8.2%)	0.0%	0.0%
Load Response	\$0.01	\$0.01	(3.2%)	0.0%	0.0%
Transmission Facility Charges	\$0.01	\$0.01	(11.0%)	0.0%	0.0%
Total	\$67.83	\$66.58	25.9%	100.0%	100.0%

The outlook for PJM's RPM Capacity prices is provided below in Table 12:

**Table 12
PJM Capacity Prices**

	2011-2012	2012-2013	2013-2014	2014-2015
DPL Capacity Prices \$/MW/Day	\$ 110.00	\$ 169.63	\$ 245.09	\$ 142.99
Percentage change		54.209%	44.485%	-41.658%

These capacity prices affect the outlook for the RSCI service and were a contributing factor to the higher bids by suppliers for one year contract deliveries beginning June, 2012. PJM capacity prices will continue to put upward pressure on prices for future years.



IV. COMPLIANCE WITH COMMISSION PROCESS

As the Commission's Technical Consultant, Vantage is also responsible for monitoring implementation of Delmarva's RFP. This process has been well established and time-tested. Company personnel were competent and highly professional throughout the process. The World Energy platform has been used by the suppliers and the dry-run process offers a sufficient 'refresher' course to those who use it less frequently. The following is our assessment of the process.

1. RFP INITIATION – ADVERTISING AND WEB SITE

The Company solicits broadly to attract credible suppliers. The press release announcing the RFP was issued October 5, 2011. The RFP web site went active with relevant information, including the RFP and schedule, related Commission Orders, Bid Plan, Application Materials and Load Data. Seventeen entities expressed interest by completing an Expression of Interest. This compares with twelve entities last year.

2. PRE-BID CONFERENCE AND FOLLOW-UP

The pre-bid conference was held in Delmarva's Newark, Delaware office on October 19, 2011. Walt Drabinski of Vantage was present. Eight bidders participated via WebEx/on the telephone.

Delmarva's presentation was well prepared and the overview of the World Energy platform was also provided. The bidders appeared to be sufficiently familiar with the process and platform.

3. BIDDER PRE-QUALIFICATION

Seven bidders submitted complete eligibility documentation for Tranche 1 and were declared eligible to participate in that procurement. One additional bidder submitted eligibility documents after the due date for Tranche 1 documentation, and was therefore eligible for Tranche 2.

4. TESTING PRIOR TO BID DAY

World Energy conducted two dry-runs of the bid system. Vantage was online during each dry run and monitored test bids and the open telephone line. These dry runs provided sufficient opportunity for bidders to practice prior to the actual bid day. Seven bidders participated during the November 22nd dry run with and one bidder participated during the February 2, 2012 dry run.



5. BID DAY

On November 28, 2011 and February 6, 2012, Delmarva conducted Tranche 1 and Tranche 2 respectively, in Baltimore, Maryland. Company personnel, a World Energy representative, and a Vantage representative were present on-site. Commission Staff and other Vantage representatives were present via the open phone line and monitored on-line. During each day Vantage was present from 9 a.m. through the final ranking of bids.

World Energy's reverse auction system worked as intended. After a bidder places an initial bid (typically at the established Opening Price), they are able to view the current lowest offer. This provides direct knowledge of the 'price to beat' in order to secure the winning bid.

A separate auction is conducted for each block. All auctions open at the same initial time. Bidding for the first block closes 30 minutes after opening and subsequent blocks close every 15 minutes until the procurement is complete. All bidders who have participated see the winning price and know immediately upon closing whether they have won or not.

The expectation is that competition will increase as bidding progresses in the hope of winning. Often the winning bid was submitted in the closing seconds of the auction.

Following the verification of winning bids amongst the Company, World Energy and Vantage, Delmarva representatives confirmed the winning bids and processed the required contracts.

6. FOLLOW-UP TO BID DAY

Vantage provided briefings to the Commission both public and confidential on the results of each solicitation. By the close of business on Thursday of each bid week, the Commission voted to approve the results consistent with the RFP.



V. RECOMMENDATIONS & CONCLUSIONS

Delaware's SOS RFP continues to function well and continues to attract sufficient suppliers who compete to serve this market. Vantage recommends that the process continue as currently implemented.

Vantage notes the reduction in suppliers who serve Delaware supply for the June 2012 - May 2013 supply year. This is typical of a market which is maturing. At this point sufficient and robust competition among the suppliers exists, based on the bidding activity.

Vantage believes that Delaware's 2011-2012 RFP process, as executed by Delmarva and World Energy, has achieved the Commission's objective of providing competitively priced electricity to those customers who choose SOS service.

There are no recommendations for changes to the process.



VI. ATTACHMENTS

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2.3. Multi-Tranche Process

The selection of proposals by Delmarva in this solicitation will be conducted through a multi-tranche process following the contract term portfolio criteria stated in Section 2.1 (Supply Requirement Overview). As specified in Section 6 (Schedule for RFP Process), this process will allow for up to three tranches to fulfill Delmarva's requests for its various Service Types. The process is designed, however, such that Delmarva requests are fully met in no more than two tranches, as set forth below. Any remaining tranche(s) will be reserved for use only if Delmarva requests go unfulfilled in the prior tranche(s). If multi-year contracts are applicable, the load associated with each tranche will be further divided among the contract terms. The load within each tranche and for each contract term is further divided into bid blocks. Each bid block represents a certain and specific percentage of the associated load, as of the date indicated in the header of the capacity PLC table in Section 2.1 (Supply Requirement Overview). The bid block design for this solicitation is as follows.

	<u>Contract Term</u>		<u>Total</u>
	<u>12-Month</u>	<u>36-Month</u>	
Residential and Small Commercial & Industrial FP-SOS		33.3333%	100.0%
Approximate Total PLC, MW		295.3	886.0
Block Size, %		5.5556%	
Approximate Block Size, MW		49.2	
Total # of Blocks		6	6
Tranche 1 Blocks		3	3
Tranche 2 Blocks		3	3
Medium General Service-Secondary FP-SOS	100.0%		100%
Approximate Total PLC, MW	133.3		133.3
Block Size, %	33.3333%		
Approximate Block Size, MW	44.4		
Total # of Blocks	3		3
Tranche 1 Blocks	2		2
Tranche 2 Blocks	1		1
Large General Service-Secondary FP-SOS	100.0%		100%
Approximate Total PLC, MW	24.2		24.2
Block Size, %	100.0%		

Approximate Block Size, MW	24.2	
Total # of Blocks	1	1
Tranche 1 Blocks	1	1
General Service-Primary		
FP-SOS	100.0%	100%
Approximate Total PLC, MW	26.8	26.8
Block Size, %	100.0%	
Approximate Block Size, MW	26.8	
Total # of Blocks	1	1
Tranche 1 Blocks	1	1

Unfilled Tranche Targets:

The number of blocks in each tranche for each contract term is a Delmarva target. If the amount of conforming bids in any tranche is unable to meet that tranche's targets, then the unfilled portion of that tranche will be included in the next tranche, and the targets in the next tranche will be revised accordingly. If in the last tranche in which bids are being solicited, as set forth above for any Service Type, any multi-year contract targets are not met, then conforming surplus single-year bids will fill the deficiencies. If in the last tranche there are not sufficient conforming surplus single-year bids to fill a multi-year contract target deficiency, or if the single-year contract target has not been met, then the remaining reserve tranche(s) will be conducted to solicit for any deficiencies.

2.4. Reverse Auction

Within each tranche and for each FP-SOS bid block offered by Service Type, there is a single auction conducted on the World Energy web-based auction platform. The energy price offers shall be in terms of \$/MWh. Each auction will open and close as shown below and will be conducted in accordance with the following schedule:

Tranche 1- November 28, 2011

Service Type/Offer	Auction No.	Open	Close	Input Price Offer
RSCI /I block	1	10:00 AM	10:30 AM	\$/MWhr
RSCI /I block	2	10:00 AM	10:45 AM	\$/MWhr
RSCI /I block	3	10:00 AM	11:00 AM	\$/MWhr
MGS /I block	4	10:00 AM	11:15 AM	\$/MWhr
MGS /I block	5	10:00 AM	11:30 AM	\$/MWhr
LGS /I block	6	10:00 AM	11:45 AM	\$/MWhr
GS-P /I block	7	10:00 AM	12:00 PM	\$/MWhr



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Delmarva Power Issues RFP for Wholesale Electric Power for Delaware Customers

Wednesday, October 05, 2011

Pre-Bid Conference to be held Oct. 19

NEWARK, Del. – Delmarva Power today announced a Request for Proposals (RFP) for wholesale electric power supplies to meet its Standard Offer Service (SOS) obligation in the state of Delaware. Standard Offer Service is the market-based, fixed-price electricity Delmarva Power buys on behalf of its customers who do not purchase their electricity from competing retail suppliers and who do not choose the option of hourly-priced service.

Delmarva Power is requesting proposals to supply approximately 485 megawatts (MW) of electricity. Peak load contributions by customer class include approximately 295 MW for the combined Residential, Small Commercial and Industrial customers; 130 MW for the Medium General Service-Secondary (MGS-S) customers; 25 MW for the Large General Service-Secondary (LGS-S) customers; and 35 MW for the General Service-Primary (GS-P) customers.

A pre-bid conference for prospective bidders will be held on Oct. 19, 2011. The conference will review the general RFP structure, process improvements, the Delmarva Power bid plan for its Delaware customers and the power supply contract.

The RFP is being issued in accordance with the Delaware Public Service Commission (DPSC) terms and conditions established in Docket No. 04-391 for the competitive provision of electric service beginning on and after June 1, 2012. It is structured as a multi-phase bidding process with pre-bid preparation activities which started on Oct. 5, 2011. The first round of bidding will begin on Nov. 28, 2011 and the final round will conclude in early February 2012. The winning bidders will be awarded service contracts to supply electricity for Delmarva Power customers beginning on June 1, 2012. Further details regarding the RFP or the pre-bid conference can be found by visiting the RFP website: www.delmarva.com/derfp. The website will provide interested parties with additional contact information.

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Delmarva Power, a public utility owned by Pepco Holdings, Inc. (NYSE: POM), provides safe and reliable energy to nearly 500,000 electric delivery customers in Delaware and Maryland and over 123,000 natural gas delivery customers in northern Delaware.

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Delmarva Power DE SOS

Overview

Delmarva Power & Light is, for the period starting June 1, 2012, soliciting full-requirements wholesale electric power supply, except for the provision of Renewable Energy Credits (RECs). On July 29, 2008, Delmarva filed an application with the Commission to modify the process by which it procures electricity for SOS customers by removing the requirement that wholesale electricity suppliers provide RECs to Delmarva. On August 19, 2008, the Commission approved the application in Order No. 7432.

The RFP, approved by the Delaware Public Service Commission, seeks offers for the supply of electric power to meet the needs of four specific service types. The types are described as Residential and Small Commercial & Industrial, Medium General Service-Secondary, Large General Service-Secondary, and General Service-Primary. Table 1 below describes the service types and the service classifications included in each service type.

Bidding on the load for each service type will be by bid rounds referred to as "tranches". Up to two tranches of bidding are planned, with a third tranche held in reserve to be used if any load is still unfilled after the second tranche. One hundred percent (100%) of the load solicited in the 2012 RFP process will be solicited in the first two tranches, but the third tranche will be used if not all of the load is awarded.

The solicitation for this RFP is to procure the load for the Residential and Small Commercial & Industrial type, with a 36-month contract. Twelve-month contracts will be solicited for each of the three remaining types namely: Medium General Service-Secondary, Large General Service-Secondary and General Service-Primary.

The load in each tranche is divided into blocks of approximately 50 MW in size for bidding purposes. Suppliers may bid on as many blocks, for as many service types, as the supplier deems appropriate. A supplier of full-requirements service will have an obligation stated as a percentage of Delmarva's actual retail load for a service type, and as that load varies from day to day and hour to hour, the supplier's full requirements obligation will follow those variations.

For the MGS-S, LGS-S and GS-P customer classes, the RFP provides a volumetric risk mechanism to mitigate the risk to wholesale suppliers if there is large customer migration back to SOS from competitive retail service. When such events occur and to the extent that the SOS load per 50 MW block increases by an increment more than 5 MW, that "incremental" load will become the responsibility of Delmarva. More specifically, when an increment of load is triggered, the supplier will supply the full requirements service that follows load up to the SOS load plus 5 MW and Delmarva will supply the full requirements service that follows the "incremental" load above that level. Table 2 shows preliminary Peak Load Contribution (PLC) for the specific service types for which Delmarva is soliciting wholesale supply in the RFP. Two representations of PLC are provided. The first represents the PLC associated with customers currently receiving SOS from Delmarva. The second represents the PLC associated with all customers currently eligible for a specific service type within Delmarva's service territory.

Within each tranche and for each FP-SOS bid block offered by service type, there is a single auction conducted on the World Energy web-based auction platform. The energy price offers shall be in terms of \$/MWh. Each auction will open and close as shown below and will be conducted in accordance with the following schedule:

Tranche 1-November 28, 2011

Service Type/Offer	Auction No	Open	Close	Input Price Offer
RSCI /1 block	1	10:00 AM	10:30 AM	\$/MWhr
RSCI /1 block	2	10:00 AM	10:45 AM	\$/MWhr
RSCI /1 block	3	10:00 AM	11:00 AM	\$/MWhr

MGS /1 block	4	10:00 AM	11:15 AM	\$/MWhr
MGS /1 block	5	10:00 AM	11:30 AM	\$/MWhr
LGS /1 block	6	10:00 AM	11:45 AM	\$/MWhr
GS-P /1 block	7	10:00 AM	12:00 PM	\$/MWhr

Tranche 2- February 6, 2012

Service Type/Offer	Auction No	Open	Close	Input Price Offer
RSCI /1 block	1	10:00 AM	10:30 AM	\$/MWhr
RSCI /1 block	2	10:00 AM	10:45 AM	\$/MWhr
RSCI /1 block	3	10:00 AM	11:00 AM	\$/MWhr
MGS /1 block	4	10:00 AM	11:15 AM	\$/MWhr

Bids will only be accepted through the World Energy web-based auction platform to be held on November 28, 2011 and February 6, 2012 in accordance with the schedule specified in Section 6 of the RFP starting at 10:00 AM EPT. The bid block auctions will be held at <http://www.wesplatform.com>, which is the auction website.

During each auction, bidders will be able to see all the bids they have posted and the current low bid. All bids shall be anonymous.

In order to access and use the auction website, eligible bidders will be contacted by World Energy Solutions, Inc., the proprietor of the auction website, and will be required to sign a Supplier Agreement with World Energy Solutions before being issued a password to access the auction website. In addition, all eligible bidders must agree to pay a required fee to World Energy Solutions, for any auction awards made by Delmarva to the bidders as a result of this RFP. All bids submitted must be inclusive of this fee.

Applicants interested in participating in the RFP are required to express their non-binding interest to bid by completing and submitting the Expression of Interest Form. The applicant will not be eligible to submit proposals until such submission has been provided to Delmarva. Upon submission of the Expression of Interest Form, an applicant will be issued a password to access a website containing additional information relating to the RFPs.

Table 1. Customer Service Types and Customer Classes Included in SOS

Utility	Service type	Customer Classes
Delmarva	Residential and Small Commercial & Industrial FP-SOS	R, R-TOU, R-TOU-ND, R-TOU-SOP, SGS-ND, SGS-SH, SGS-WH, MGS-SH, OL, ORL, X
	Medium General Service-Secondary FP-SOS	MGS-S
	Large General Service-Secondary FP-SOS	LGS-S
	General Service- Primary FP-SOS	GS-P

Table 2. Preliminary SOS Capacity PLC			
Utility	Service type	SOS	Eligible
Delmarva	Residential and Small Commercial & Industrial FP-SOS	295.0	308.9
	Medium General Service-Secondary FP-SOS	132.8	252.4
	Large General Service-Secondary FP-SOS	24.6	113.9
	General Service- Primary FP-SOS	34.6	406.6
Delmarva Total		487.0	1081.8

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**Delmarva DE SOS RFP 2012
Final - Tranche 1**

<u>Service Type</u>	as of: 11/21/2011		
	<u>SOS PLC (MW)</u>	<u>Eligible PLC (MW)</u>	
Residential and Small Commercial & Industrial	294.8	309.0	
Medium General Service -Secondary	131.4	252.0	
Large General Service -Secondary	23.4	114.3	
General Service - Primary	29.8	406.6	
Total	479.4	1081.9	

<u>Service Type</u>	<u>Contract Term</u>		<u>Total</u>
	<u>12 Month 6/1/12-5/31/13</u>	<u>36 Month 6/1/12 - 5/31/15</u>	
Residential and Small Commercial & Industrial		100.0000%	100.0%
Service Classifications: R, R-TOU, R-TOU-ND, R-TOU-SOP SGS-ND, SGS-SH, SGS-WH, OL, ORL, X.			
Approximate Total PLC		294.8	294.8
Block Size %		5.5556%	
Approximate Block Size (MW)		49.1	
Total Number of Blocks		6	
Tranche 1 blocks		3	
Tranche 2 blocks		3	
Medium General Service - Secondary	100.0%		100.0%
Service Classifications: MGS-S			
Approximate Total PLC	131.4		131.4
Block Size %	33.3333%		
Approximate Block Size (MW)	43.8		
Total Number of Blocks	3		
Tranche 1 blocks	2		
Tranche 2 blocks	1		
Large General Service - Secondary	100.0%		100.0%
Service Classifications: LGS-S			
Approximate Total PLC	23.4		23.4
Block Size %	100.0%		
Approximate Block Size (MW)	23.4		
Total Number of Blocks	1		
Tranche 1 blocks	1		
General Service - Primary	100.0%		100.0%
Service Classifications: GS-P			
Approximate Total PLC	29.8		29.8
Block Size %	100.0%		
Approximate Block Size (MW)	29.8		
Total Number of Blocks	1		
Tranche 1 blocks	1		

**Delmarva DE SOS RFP 2012
Final - Tranche 2**

<u>Service Type</u>	as of: 1/23/2012		
	SOS PLC (MW)	Eligible PLC (MW)	
Residential and Small Commercial & Industrial	295.3	309.8	
Medium General Service -Secondary	132.8	252.2	
Large General Service -Secondary	N/A	N/A	
General Service - Primary	N/A	N/A	
Total	428.1	562.0	

<u>Service Type</u>	<u>Contract Term</u>		<u>Total</u>
	<u>12 Month</u> 6/1/12-5/31/13	<u>36 Month</u> 6/1/12 - 5/31/15	
Residential and Small Commercial & Industrial		100.0000%	100.0%
Service Classifications: R, R-TOU, R-TOU-ND, R-TOU-SOP SGS-ND, SGS-SH, SGS-WH, OL, ORL, X.			
Approximate Total PLC		295.3	295.3
Block Size %		5.5556%	
Approximate Block Size (MW)		49.2	
Total Number of Blocks		6	
Tranche 1 blocks		3	
Tranche 2 blocks		3	
 Medium General Service - Secondary	 100.0%		 100.0%
Service Classifications: MGS-S			
Approximate Total PLC	132.8		132.8
Block Size %	33.3333%		
Approximate Block Size (MW)	44.3		
Total Number of Blocks	3		
Tranche 1 blocks	2		
Tranche 2 blocks	1		

Asked Questions – DPL DE SOS 2011-2012

Answers to Frequently Asked Questions (FAQs) are provided here. General Questions have been categorized into three Areas:

- I. Request for Proposals Questions
- II. Full Services Agreement Questions
- III. Pre Bid Conference Questions

I. Request for Proposals Questions

Q1. Can you please provide an estimated timeline for updates to historical hourly load data, PLCs, NSPLs, and customer counts?

- A. The historical hourly load is typically updated approximately two and a half months after the month in question. The PLCs, NSPLs and customer counts are updated one week before bid day.

Q2. Can you confirm that the historical hourly load posted to the RFP Data folder on the procurement website is the Generation Load (i.e., inclusive of all EHV 500kV losses and UFE losses)? In other words, this MWh data has NOT been de-rated to the PJM Zonal Settlement level yet.

- A. That is correct. The MWh data has not been de-rated.

Q3. Has the utility been able to provide an updated version of RFP DPL DE 2011 SOS Pricing Model Uniform Rates Template file? If so, can you please provide a link or location?

- A. The retail pricing model is located on the Phi's Energy Procurement System at Bidder_Info > RFP Data > Retail Pricing Model

II. Full Services Agreement Questions

III. Pre Bid Conference Questions

Disclaimer

The information provided in the Frequently Asked Questions document (FAQ's) has been prepared by Delmarva on the basis of a.) Specific sections contained in Request for Proposals for Wholesale Full Requirements Electric Power Supply, and b.) Interpretation of the Request for Proposals for Wholesale Full Requirements Electric Power Supply, including Appendices and Attachments The information presented and distributed here may be subject to modifications and/or amendments as a consequence of the Delaware Public Service Commission Orders or for other reasons. These changes would be announced as appropriate through this SOS RFP web site.

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