

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

**IN THE MATTER OF THE INVESTIGATION )  
BY THE DELAWARE PUBLIC SERVICE )  
COMMISSION INTO IMPLEMENTATION OF ) PSC Docket No. 09-311  
DYNAMIC PRICING )**

**Delmarva Power & Light Company's Response to Staff Report  
On Delmarva Power & Light's Dynamic Pricing Proposal**

Overall, Staff supports moving forward in implementing Rider DP for the 7,000 FAT customers. However, in order for Staff to fully support DPL's proposed implementation of dynamic pricing for all SOS customers the following are necessary:

- (1) There should be a "stop and review" period before full implementation for the entire DPL service territory. A Staff recommendation to support dynamic pricing for the 7,000 FAT customers does not imply approval for full implementation.

**Delmarva proposes the following:**

- a) **Having one or more Phase I Assessment Workshops at the conclusion of the Phase I CPR effective time period. The Company recognizes that implementation is not going to be perfect, that learnings from Phase I will provide opportunities to make program improvements, and that cooperation with Staff and DPA will be crucial during the Phase 1 assessment. Delmarva will work together with all Stakeholders to ensure the program works to the satisfaction of the DE PSC Staff.**
- b) **A time frame within which the Assessment Workshops will occur (i.e. within 60 days from 9/30/12 (end of CPR effective period)) with a recommendation filed by 12/31/12. The Company does expect the program to move forward to full implementation and considers this Phase I Assessment period to be an opportunity to address and correct any issues learned from the initial 7,000 FAT customers, further refine the customer education piece as well as to further refine and improve the program as a whole. The Company requires full DE PSC approval for implementation of the Dynamic Pricing Proposal in its entirety by February 29, 2011 to provide the certainty necessary for the Company to offer this capacity into the PJM Base Residual Auction (BRA), which occurs three years prior to the delivery date for the capacity.**
- c) **Identifying specific metrics to be measured and analyzed during the Phase I Assessment time frame, including, but not limited to, data on FAT customer complaints and number of customers who opt-out (item No. 4 below). The Company anticipates that the costs of this study will be recoverable.**

- (2) The Company should submit monthly reports/status updates to Staff and DPA which will include, but not be limited to:

- a. PJM capacity revenues;
- b. PJM energy market payments resulting from DR being called;
- c. Any penalties assessed against the Company for not responding
- d. On-going balance of monies paid out to customers versus monies collected from PJM; and

**Note - Delmarva will have to participate in the Incremental Auction (IA) rather than the BRA for the 2012 summer and based on recent trends the IA prices have been lower.**

- e. Effect of customer migration and changes in customer baselines on dynamic pricing

**Delmarva can agree to the requested monthly reports/status updates. However, these may change based on what metrics are agreed upon in item 1 above. Metrics will be important for the Phase I Assessment.**

- (3) There should be some type of risk-sharing mechanism in place for any potential PJM penalties for non-performance. Staff suggests an 80/20 risk sharing mechanism for PJM penalties, where the Company would be responsible for shouldering 80% of the penalty and ratepayers would be responsible for the remaining 20%.

**Delmarva believes that Dynamic Pricing does not present an appropriate opportunity for risk sharing and was not able to identify an appropriate risk sharing mechanism at this time. Delmarva proposes to meet with Staff in the immediate short term to discuss in detail PJM's Reliability Pricing Model ("RPM"), Base Residual Action, Incremental Auction and bid processes and related business rules; Delmarva's continued participation and performance in the RPM bid process and mitigation measures used by Delmarva; and Delmarva's response to any perceived risks to it's SOS customers from implementation of this program. Delmarva intends for this process to be a collaborative effort going forward and will continue to work with Staff to ensure that the program operates effectively to maximize its impact and minimize any unintended consequences.**

**See description of the Confidential Delmarva Power & Light Company Dynamic Pricing Process to Offer Capacity into the PJM RPM filed under separate cover.**

- (4) Further discussions during the stop and review period will be required on opt-in and opt-out offers to customers.  
**The Company is willing to discuss this item during the Phase I assessment workshops proposed under item (1). Delmarva anticipates that learnings from Phase I may provide helpful information on this issue.**
- (5) Staff believes there needs to be a push forward on pre-paid metering as part of the full optimization of AMI capabilities.  
**Delmarva is interested in pursuing a pre-paid meter program and agrees to actively investigate implementing a program that coordinates with its AMI meters. At this time pre-paid meters are not part of the current AMI plan but the Company agrees to study how it can be integrated into the ongoing plan. The Company is willing to**

**file semiannual reports with the Commission Staff detailing the steps taken and the progress made in regards to its investigation and integration of pre-paid metering. These reports will be filed twice a year from the date of approval of this docket through 2013. Delmarva would appreciate any input and ideas from Staff and DPA concerning a pre-paid metering program.**