

**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. 7775

AND NOW, this 4th day of May 2010:

WHEREAS, in October of 2005, this Commission approved a Request for Proposal ("RFP") process for Delmarva Power & Light Company ("DPL" or the "Company") 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").¹ 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 DPL's overall SOS load.² 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.³

WHEREAS, on October 7, 2008, the Commission, pursuant to 26 Del. C. §1007(c)(1) and the Commission's continuing jurisdiction in this docket, issued Order No. 7461, which approved the Company's request to utilize a reverse auction process conducted by World Energy in its

¹See PSC Order No. 6746 (Oct. 11, 2005).

²See 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).

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

annual standard offer service procurement process through which DPL procures energy for service to its SOS customers.⁴

WHEREAS, this reverse-auction format relies upon bidders' awareness of the actions of other bidders to attempt to drive prices down. 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.

WHEREAS, in late 2009 and early 2010, the Company conducted its fifth annual SOS procurement bidding and the second utilization of the World Energy reverse auction for supply contracts commencing on June 1, 2010. 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 all of the load for other "fixed price" services. Boston Pacific Company, Inc. ("Boston Pacific"), the Commission's retained technical consultant, along with Staff, observed and evaluated each tranche procurement.

WHEREAS, at the Commission meeting on February 18, 2010, the Commission received Boston Pacific's final report dated February 16, 2010, detailing each procurement and the successful bids for the 2009-10 RFP for SOS, effective June 1, 2010 (the "Final Report"). Boston Pacific reported that the average winning price for three years of Residential and Small Commercial service was \$89.95/MWh (a 13.1% decrease from the 2008-09 bid year). On the commercial side, the

⁴ The SOS procurement process previously in effect was originally established in this docket by Commission Order No. 6746 (Oct. 11, 2005), and was last modified in PSC Order No. 7432 (Aug. 19, 2008). The former format was a simple, one round, sealed bid RFP in which bidders had one opportunity to submit their bid for any or all of the blocks available, without knowledge of

average winning bid price was \$87.37/MWh for MGS customers, (an 11.7% decrease from the 2008-09 bid year), \$82.38/MWh for LGS customers (a 20.3% decrease from the 2008-09 bid year), and \$80.44/MWh for GS customers (a 21.1% decrease from the 2008-09 bid year).⁵ The solicitation produced the following eight winning bidders:

- American Electric Power Service Corp.
- Conectiv Energy Supply, Inc
- Constellation Energy Commodities Group
- DTE Energy Trading, Inc.
- HESS Corporation
- Macquarie Cook Power, Inc.
- NRG Power Marketing, Inc.
- PPL EnergyPlus, LLC

WHEREAS, on March 24, 2010, the Company filed an application with revised tariffs reflecting the new SOS rates resulting from the 2009-10 RFP procurement process and its revised Procurement Cost Adjustment ("PCA"),⁶ with a proposed effective date for the tariff changes of June 1, 2010 (the "Application"). Staff has noted that it has commenced its review of the Application and has served several data requests upon the Company. Staff nonetheless recommends that the Commission

the actions of other bidders. The idea behind this format was that bidders were forced to submit their best price, for fear of losing out.

⁵ See Final Report, Table Four, page 8.

⁶The 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.

should grant the Application and the proposed tariff and rate changes, with proration, on a temporary basis and subject to refund with interest, following the completion of Staff's review and DPL's filing a public notice, with the following exception. While the Company reports that the proposed tariff and rate changes will result in a proposed monthly reduction to a 1000 kWh "typical residential" bill of \$6.59 (a 4.4% monthly decrease), the Company's filing will result in a significant increase during the winter months for certain Residential - Space Heating (RSH) customers who use more than 1500 kWh under the rate design the Company proposes to use in lieu of the declining rate for winter billing periods. In fact, Staff points out that those customers could see increases from 10% to more than 30% during the winter (\$14.38 to \$97.18). While Staff is in favor of the elimination of the declining rate structure, Staff believes that alternative rate designs should be explored to mitigate this significant increase to these customers. Accordingly, Staff has recommended suspending for the time being the tariff changes for the winter billing periods subject to the development of possible alternatives to the rate design proposed by the Company to eliminate the declining rate. Staff will further investigate alternatives and attempt to reach a resolution with the Company. Staff notes these procedures will allow the Commission to receive comments from the public while it conducts its review of the Application and address the concern raised above.

The PCA is calculated by customer class and any differences are also subject to an interest charge.

**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 2009-2010 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 16, 2010) is hereby accepted, which ratifies the conclusions reached by the Commission when it reviewed the November 30th, 2009 Tranche 1 and January 25th, 2010 Tranche 2 bid results at its meetings on December 3, 2009 and January 28, 2010 (respectively).

2. That the minutes, transcripts, and exhibits related to the executive sessions held in this docket on December 3, 2009 and January 28, 2010 are hereby released for public inspection under 29 *Del. C.* §10004(f); provided, however, that 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 March 24, 2010, that pertain to its Standard Offer Service offerings and Procurement Cost Adjustment factors may go into effect on June 1, 2010, with proration and on a temporary basis 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; provided, however, for the reasons discussed above, the

Commission suspends the Company's proposed tariff sheets and rate changes relating to the elimination of the declining rate for residential customers pending further investigation of possible alternatives to the rate design used in lieu of the declining rate structure.

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 11, 2010 (The News Journal)

Wednesday, May 12, 2010 (Delaware State News)

Delmarva Power & Light Company shall cause to be filed in this docket affidavits of publication of the above notices within two weeks of becoming available.

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, 2010. 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:

/s/ Arnetta McRae
Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Jeffrey T. Clark
Commissioner

Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
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 March 24, 2010, 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 \$6.59 or 4.4%. The Company's filing, however, also proposes to eliminate the declining rate for residential kWh usage during the winter period which could result in different seasonal bill impacts. For instance, as proposed

by the Company there could be significant increases (approximately 10%-30%) in the monthly bills for certain residential space-heating customers who use more than 1500 kWh per month. The PSC Staff will be exploring alternatives to the winter billing rates proposed by the Company.

On May 4, 2010, in PSC Order No. 7775, the PSC allowed the proposed rate and tariff changes for the summer billing period to go into effect, with proration, on a temporary basis, on June 1, 2010 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, 2010. 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. The application and proposed rate and tariff changes are also posted on the PSC's website located at <http://depsc.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 pamela.knotts@state.de.us or john.farber@state.de.us.