

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

IN THE MATTER OF THE PROVISION)
OF STANDARD OFFER SUPPLY TO)
RETAIL COMSUMERS IN THE SERVICE)
TERRITORY OF DELMARVA POWER &) PSC DOCKET NO. 04-391
LIGHT COMPANY AFTER MAY 1, 2006)
(OPENED OCTOBER 19, 2004))

ORDER NO. 7816

AND NOW, this 17th day of August 2010:

WHEREAS, on March 24, 2010, Delmarva Power & Light Company (the "Company") filed with the Delaware Public Service Commission (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, 2010, (the "Application"), which proposed tariff and rate changes would result in a proposed monthly reduction to a 1000 kWh "typical residential customer" average annual bill of \$6.59 or a decrease of 4.4%; and

WHEREAS, the Application also included work papers supporting the reasonable allowance for return margin ("RARM") for the year ending May 31, 2010 as well as the calculation of the RARM for the year beginning June 1, 2010 that resulted in a RARM factor within the 5.25%

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 the Company 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 subject to an interest charge.

threshold for which no change in RARM factor was required pursuant to a Settlement Agreement previously approved by the Commission;² and

WHEREAS, the Application also proposed the elimination of the declining rate for residential service during the winter billing period which resulted in substantial increases to many customers served under the residential space heating ("RSH") tariff; and

WHEREAS, 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 (the "Act");³ and

WHEREAS, 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;⁴ and

WHEREAS, after each of the first two SOS procurement years, the Commission made certain changes to the RFP process and to the framework for public disclosure of the results;⁵ and

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

²See PSC Order No. 7703 (Dec. 22, 2009) (Docket No. 09-9).

³See PSC Order No. 6746 (Oct. 11, 2005).

⁴See 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).

⁵See PSC Orders Nos. 7053 (Oct. 17, 2006) and 7284 (Sept. 18, 2007).

auction process conducted by World Energy Solutions Inc. ("World Energy") in its upcoming annual SOS procurement process;⁶ and

WHEREAS, in late 2009 and early 2010, the Company conducted its fifth annual SOS procurement, using the reverse auction, for supply contracts commencing on June 1, 2010;⁷ and

WHEREAS, at the Commission's February 18, 2010 meeting, Boston Pacific provided a Final Report on the details of each procurement and the successful bids for the 2009-2010 RFP for SOS; and

WHEREAS, as noted above, on March 24, 2010, the Company filed revised tariffs reflecting the new SOS rates resulting from the 2009-2010 RFP results and its revised PCA, with a proposed effective date for the tariff changes of June 1, 2010, which, pursuant to Order No. 7775,⁸ the rates for the summer billing period have been in effect on a temporary basis subject to refund since that date and the

⁶The Commission established the original SOS procurement process in October 2005 (Order No. 6746) and modified it in August 2008 (Order No. 7432). The original RFP format was a simple sealed bid process in which bidders had one chance to submit bids for any or all of the blocks available without knowing other bids, the idea being that bidders would be forced to submit their best price. 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. As designed, prior to the submission of bids, the Commission's consultant, Boston Pacific Company, Inc. ("Boston Pacific"), and World Energy set a starting price for each block. A separate auction is conducted for each available block. The auctions open simultaneously, and bidders may submit as many bids as they like on each block as long as each bid is below the starting price. Once bidders submit bids, 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 thereafter, until the bid day is complete. After each block closes, all bidders participating in that auction are able to see the winning price.

⁷ 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 Issued May 4, 2010 in Docket No. 04-391.

implementation of the proposed rates for the winter billing period were suspended pending Staff's pursuit of rate design alternatives for the elimination of the declining rate for the residential customers taking service under the RSH tariff; and

WHEREAS, the Company published notice of the filing of its Application and the deadline of June 15, 2010 to file comments or objections; and

WHEREAS, Staff has reviewed the Application and determined that the proposed rates and tariff changes comply with previous Commission orders, reflect the bidding results reflected in Boston Pacific's Final Report, and reflect the total supply costs of which the Company requested recovery; and

WHEREAS, Staff has reviewed the Company's work papers supporting the RARM for the year beginning June 1, 2010 and has concurred with the Company that no adjustment to the RARM factor for the non-HPS customers is required; however, adjustments to the RARM costs for HPS customers requires a refund to be implemented by the Company; and

WHEREAS, Staff and the Company were able to achieve a modification of the rate design for the residential customers taking service under the RSH tariff that mitigates the substantial increases that would have occurred during the winter billing period while beginning the transition to a uniform rate by changing the initial block of kWh usage from 500kWh to 750kWh rather than the uniform rate originally filed for all kWh; and

WHEREAS, no person filed any objections, comments or requests for an evidentiary hearing with respect to the Application; and

WHEREAS, Staff has not identified any other issues in the Company's determination of the SOS rates or recovery of the PCA and therefore recommends approval of the Company's proposed tariff revisions for the summer billing period and, as modified as described above, for the winter billing period;

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

1. That the proposed rates and tariff changes proposed by Delmarva Power & Light Company in its application filed on March 24, 2010, for approval of revised tariffs reflecting new Standard Offer Service ("SOS") rates and its new Procurement Cost Adjustment (the "PCA")⁹, with an effective date of June 1, 2010, (the "Application"), which rates were placed into effect on a temporary basis and subject to refund effective with service on and after June 1, 2010, for the summer billing period and, as modified as described above, for the winter billing period are approved.

2. That the Company is directed to implement the appropriate refunds to the HPS customers to reflect the adjustments proposed by Staff within 60 days of the date of this Order.

3. That the Company is directed to file a report with the Commission documenting the implementation of the refund to the HPS customers within 30 days of the completion of such refund.

⁹The 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 the Company 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 subject to an interest charge.

4. That the Company is directed to file revised tariff leafs reflecting the rates and charges approved in this Order no later than August 30, 2010.

5. 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/ Dallas Winslow
Commissioner

/s/ Jeffrey J. Clark
Commissioner

ATTEST:

/s/ Alisa Carrow Bentley
Secretary