

**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. 7947

This 19th day of April 2011 the Commission finds, determines, and Orders the following:

1. On April 1, 2011, Delmarva Power & Light Company ("DPL" or the "Company") filed a Request for Approval of 2011 Standard Offer Service Rates, Procurement Cost Adjustment, and Reasonable Allowance for a Retail Margin (the "2011 SOS - PCA - RARM Filing"). The 2011 SOS - PCA - RARM Filing included revised tariff leafs 39 - 41; 43 - 47; 50; 112; and 114. Additionally, the Company filed work papers supporting the proposed tariff changes as well as bill impact information that showed a proposed monthly reduction of \$2.79 (or a decrease of 1.9%) for a "typical residential customer" using 1000 kWh per month on an annual average basis. The Company also proposed to change the current declining block rate for Residential Space Heating ("RSH") customers with usage greater than 1200 kWh in the winter billing periods, resulting in different bill impacts by season compared to the Residential customers.

2. As discussed further below, Staff has begun its review of the 2011 SOS - PCA - RARM Filing... At this time, pending further

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review of the 2011 SOS - PCA - RARM Filing, Staff recommends that the Commission approve the Company's proposed rate changes on a temporary basis, with proration and subject to refund with interest effective with usage on and after June 1, 2011, and with the appropriate public notice.

3. In October 2005, this Commission approved a Request for Proposal ("RFP") process for DPL 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 (the "Act").¹ 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 DPL's overall SOS load.² After each of the first two SOS procurement years, the Commission reopened this docket and made certain changes to the procurement process and the framework for public disclosure of the results.³

4. On October 7, 2008, pursuant to 26 Del. C. §1007(c)(1) and the Commission's continuing jurisdiction in this docket, the Commission issued Order No. 7461 approving the Company's request to utilize a reverse auction process conducted by World Energy Solutions, Inc. in its upcoming annual SOS procurement process. Instead of the simple, one round, sealed bid RFP in which bidders would have a single chance to submit their bid for any or all of the blocks available,

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

²See 26 Del. C. §1007(c)(1)a, added by the "Electric Utility Retail Customer Supply Act of 2006," 75 Del. Laws ch. 242 (Apr. 6, 2006).

without knowledge of the actions of any other bidder, the 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.

5. In late 2010 and early 2011, DPL conducted its sixth annual SOS procurement bidding. The procurement, which was conducted in two "tranches," 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. Vantage Energy Consulting, LLC. ("Vantage"), the Commission's technical consultant, along with Staff, observed and evaluated each tranche procurement.

6. At the Commission's February 22, 2011 meeting, Vantage presented its Final Report dated February 22, 2011 discussing the details of each procurement and the successful bids for the 2010 - 2011 RFP. According to Vantage, the average winning price for three years of Residential and Small Commercial ("RSCI") service was \$85.89/MWh, a 4.5 percent decrease from the 2009-10 bid year. On the commercial side, the average winning bid price was \$72.30/MWh for MGS customers (a 17.25 percent decrease from the 2009-10 bid year), \$68.41/MWh for LGS customers (a 16.96 percent decrease from the 2009-10 bid year), and \$65.95/MWh for GS customers (an 18.01 percent decrease from the 2009-10 bid year)⁴. The solicitation produced five

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

⁴Vantage Final Report, February 22, 2011, Table Three, page 4.

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winning bidders: Shell Energy North America (US), LP; Constellation Energy Commodities Group; DTE Energy Trading, Inc.; Hess Corporation; and Next Era Energy Power Marketing, LLC.

7. In its 2011 SOS-PCS-RARM Filing, DPL submitted revised tariffs reflecting the new SOS rates resulting from the 2010 - 2011 RFP procurement process, its revised Procurement Cost Adjustment ("PCA"),⁵ and its Reasonable Allowance for a Retail Margin ("RARM") with a proposed effective date for the tariff changes of June 1, 2011. Staff reports that discovery will soon begin; however, based on its preliminary analysis, the tariff and rate changes proposed in DPL's application appear to be accurate and consistent with the dictates of this Commission's prior Orders. At this time, Staff recommends that the Commission allow the proposed rate and tariff changes to go into effect after public notice on June 1, 2011, with proration, on a temporary basis and subject to refund with interest.

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 2010-2011 Request For Proposals For Full Requirements Wholesale Electric Power Supply To Delaware's Standard Offer Service Customers For Delaware Public Service Commission By Vantage Energy*

⁵The 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. The PCA is calculated by customer class and any differences are subject to an interest charge.

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Consulting, LLC. (dated February 22, 2011) is hereby accepted. This Final Report ratifies the conclusions we reached when we reviewed the November 29th, 2010 Tranche 1 and January 24th, 2011 Tranche 2 bid results at our meetings on December 2, 2010 and January 27, 2011 (respectively).

2. That the minutes, transcripts, and exhibits related to the executive sessions held in this docket on December 2, 2010 and January 27, 2011, redacted consistent with the non-disclosure requirements set forth at ¶¶ 52-59 of Findings, Opinion, and Order No. 7053 (Oct. 17, 2006), are hereby released for public inspection under 29 *Del. C.* §10004(f. .

3. That, pursuant to 26 *Del. C.* §306(a) (1), the revised tariff sheets, including revised rates, filed by Delmarva Power & Light Company on April 1, 2011 pertaining to its Standard Offer Service offerings, Procurement Cost Adjustment, and Reasonable Allowance for a Retail Margin factors are approved to go into effect after public notice on a temporary basis on June 1, 2011, with proration. Such rates shall be subject to refund with interest if the Commission shall determine in a final Order 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:

Wednesday, May 11, 2011 (The News Journal)

Thursday, May 12, 2011 (Delaware State News)

Delmarva Power & Light Company shall cause the affidavits of publication of the above notices to be filed in this docket 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, 2011. If material comments or objections are filed, or if Staff recommends changes to rates or tariff revisions temporarily approved herein, 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 at a duly-noticed public hearing 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.

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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

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, 2011, 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;
- (b) revision of the "Procurement Cost Adjustment" factors applicable to both fixed price SOS and Hourly Prices (SOS and returning customer) services; and

- (c) revision of the Reasonable Allowance for a Retail Margin factor 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 effects of the proposed rate changes will be a decrease of \$2.79 (or 1.9%) in the annual average monthly bill. The Company's filing, however, also proposes to change the declining rate block for residential space heating kWh usage during the winter period which could result in different seasonal bill impacts by season compared to residential customers.

On April 19, 2011, in PSC Order No. 7947, the PSC allowed the proposed rate and tariff changes to go into effect, with proration, on a temporary basis, on June 1, 2011 but subject to refund with interest if the Commission should later determine in a final Order that such rates and charges are in whole or in part, 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 Wednesday, June 15, 2011. 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 a petition to intervene under Rule 21 of the PSC's Rules of Practice and Procedure on or before Wednesday, June 15, 2011.

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://depsec.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.