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 TERITORY OF DELMARVA POWER & LIGHT COMPANY AFTER MAY 1, 2006 (OPENED OCTOBER 19, 2004)	)	PSC DOCKET NO. 04-391

ORDER NO. 8111

AND NOW, this 9th day of February 2012:

WHEREAS, on April 4, 2011, Delmarva Power & Light Company (the "Company") filed with the Delaware Public Service Commission (the "Commission") revised tariffs reflecting new Standard Offer Service ("SOS") rates, its new Procurement Cost Adjustment (the "PCA"),[1] and its new Reasonable Allowance for Retail Margin ("RARM") with an effective date of June 1, 2011 (the "Application"), which proposed tariff and rate changes would result in a proposed monthly reduction to a 1000 kWh "typical residential customer's" average annual bill of $2.79 or a decrease of 1.9%; and

WHEREAS, the Application includes work papers supporting the RARM for the year ending May 31, 2011 as well as the calculation of the RARM for the year beginning June 1, 2011 that result in a RARM factor falling outside of the 5.25% threshold for which a change in the RARM

[1]The 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.

factor is required pursuant to a Settlement Agreement previously approved by the Commission;[2] and

WHEREAS, the Application proposes a decrease in the RARM rate for fixed price customers; and

WHEREAS, the Application also proposes to move the second block for residential space heating customers from 750 kWh to 1200 kWh during the winter billing period, which further encourages conservation; 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

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

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

[4] *See* 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).

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

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

WHEREAS, in late 2010 and early 2011, the Company conducted its sixth annual SOS procurement, using the reverse auction, for supply contracts commencing on June 1, 2011;[7] and

WHEREAS, as noted above, on April 4, 2011, the Company filed revised tariffs reflecting the new SOS rates resulting from the 2010-2011 RFP results, its revised PCA and its revised RARM, with a proposed effective date for the tariff changes of June 1, 2011,

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[6] The 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 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. Vantage Energy Consulting, along with Staff, observed and evaluated each tranche procurement.

pursuant to Order No. 7947,[8] allowing the proposed rates to go into effect on a temporary basis subject to refund; and

WHEREAS, the Company published notice of the filing of its Application and the Commission-ordered deadline of June 15, 2011 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 Vantage Energy Consulting's Final Report, and reflect the total supply costs for which the Company requested recovery; and

WHEREAS, Staff has reviewed the Company's work papers supporting the RARM for the year beginning June 1, 2011 and concurs with the Company to adjust the RARM factor for the non-HPS customers; and

WHEREAS, Staff further concurs with the Company that minor adjustments to the RARM costs for non-HPS customers and HPS customers will be carried through to the 2012 filing (see Attachment A for such issues and corrections to the RARM); 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 substantive 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;

[8] Issued April 19, 2011 in Docket No. 04-391.

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 April 4, 2011, for approval of revised tariffs reflecting new Standard Offer Service ("SOS") rates, its new Procurement Cost Adjustment (the "PCA"),[9] and its new Reasonable Allowance for Retail Margin rate ("RARM"), with an effective date of June 1, 2011 (the "Application"), which rates were placed into effect on a temporary basis and subject to refund effective with service on and after June 1, 2011, are approved..

2. That the Company is directed to implement the adjustments identified in Attachment A hereto in its next SOS/PCA/RARM filing.

3. That the Company is directed to file revised tariff leafs reflecting the rates and charges approved in this Order no later than March 9, 2011.

4. 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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[9]The 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.

BY ORDER OF THE COMMISSION:

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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

ATTACHMENT A

Staff identified the following enhancements, issues, changes and that should be adjusted in the PCA and RARM true-up in the SOS-PCA-RARM filing for 2012.

- Workshop convened by March 9, 2012 to discuss the presentation and formats of worksheets pertaining to RPS programs, including but not limited to the Wind Farms, Dover Sun Park, SREC Pilot Program and the Qualified Fuel Cell Provider Projects.

- Worksheets including live spreadsheets with calculations should be supplied supporting rate change calculations

- The Procurement Cost for the *estimated* monthly deferral amount for the month of May should be calculated using the prior three year average of May actuals until otherwise changed.

- On the worksheets labeled DE SOS Energy Procurement Expenses Allocation by Group the true-up amounts from the PJM bill amounts by customer group were incorrect. The totals were correct. The effect of this correction on the Procurement balances for the period January 2010 – March 2011 is as follows:
    - Group R/RSH under recovered by $66.97
    - Group SGS under recovered by $15.85
    - Group MGS,LGS under recovered by $99,029.91
    - Group GSP under recovered by $82,154.85
    - Group HPS over recovered by $181,267.58

Staff also pursued formal discovery to determine the appropriate level of RARM costs to be recovered. As a result of Staff's review, the following issues were identified:

- RARM corrections from 2010 for HPS customers that were omitted from the 2011 filing should be accounted for in 2012 filing with interest. This is reflected in response to Discovery PSC-01 RARM.
    - interest rate for the Year 2 under collected amortization schedule (5 yrs) should be changed from 10.49% to 6.40%
    - Year 4 under collection amortization schedule should be changed from 5 years to 1 year.

  This would result in:

    - GSP customers should receive a credit of $14.65 per month and a credit of $(.001557)/kw of Capacity PLC until corrections are made.

    - GST customers should receive a credit of $14.65 per month and a credit of $(.001557)/kw of Capacity PLC until the correction is made.

- Corrections to the amortization of Yr 3 costs of $922,871 (June 2010) memorialized in Order No. 7754 should be subtracted from the total collected amount without interest in the next filing. This was reflected in attachment to emailed from G. Simpson dated 1/13/12.

- The settlement agreement included a provision to recover monthly interest based on the difference in the actual RARM costs collected and the total RARM cost previously approved divided by 12. The interest calculation of $41,152 is due the ratepayers. This was reflected in attachment to email from G. Simpson dated 1/13/12.

- For all future SOS-PCA-RARM filings the Company will use a three year average for allowed uncollectibles net of late payment revenues (per the 2009 Settlement Agreement) based on the most recent 36 month period ending February for the average so that all amounts will be actuals.

- New revised Attachment A should be provided by the Company prior to March 9, 2011 that concur with the changes in this attachment. The RARM rate put into effect is $0.0036149 and the revised RARM would have been $0.0037658.