

**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. 8144**

This 15<sup>th</sup> day of May 2012, the Commission determines and orders the following:

**WHEREAS**, on April 3, 2012, Delmarva Power & Light Company ("DPL" or the "Company") filed a Request for Approval of 2012 Standard Offer Service Rates, Procurement Cost Adjustment, Reasonable Allowance for a Retail Margin, and Renewable Energy Portfolio Standard compliance (the "2012 SOS - PCA - RARM - RPS Filing"). The 2012 SOS - PCA - RARM - RPS Filing included revised tariff leafs 39 - 47; 50; 112; and 114. After Commission Staff ("Staff") discovered a significant calculation error and because other corrections were needed, DPL amended its filing on May 10, 2012. Additionally, the Company filed workpapers supporting the proposed tariff changes as well as bill impact information that showed a proposed monthly reduction of \$6.10<sup>1</sup> (or a decrease of 4.1%) for a "typical residential customer" using 1000 kWh per month on an annual average basis; and

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<sup>1</sup> This does not include the Qualified Fuel Cell Provider-Renewable Charge. ("QFCP-RC")

**WHEREAS**, as discussed further below, Staff has begun its review of the 2012 SOS - PCA - RARM - RPS Filing. At this time, pending further review of the 2012 SOS - PCA - RARM - RPS 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, 2012, and with the appropriate public notice; and

**WHEREAS**, 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").<sup>2</sup> 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.<sup>3</sup> 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;<sup>4</sup> and

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<sup>2</sup>See PSC Order No. 6746 (Oct. 11, 2005).

<sup>3</sup>See 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).

<sup>4</sup>See PSC Order Nos. 7053 (Oct. 17, 2006) and 7284 (Sept. 18, 2007).

**WHEREAS**, on October 7, 2008, pursuant to 26 Del. C. §1007(c)(1) and the Commission's continuing jurisdiction in this docket, the Commission issued PSC Order No. 7461 which approved 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, 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; and

**WHEREAS**, in late 2011 and early 2012, DPL conducted its seventh 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; and

**WHEREAS**, at the Commission's March 6, 2012 meeting, Vantage presented its Final report dated March 6, 2012, which discussed the details of each procurement and the successful bids for the 2011 -

2012 RFP. According to Vantage, the average winning price for three years of Residential and Small Commercial ("RSCI") service was \$83.02/MWh, a 3.3 percent decrease from the 2010-11 bid year. On the commercial side, the average winning bid price was \$72.94/MWh for MGS customers (an 0.9 percent increase from the 2010-11 bid year), \$71.97/MWh for LGS customers (a 5.2 percent increase from the 2010-2011 bid year), and \$70.62/MWh for GS customers (an 7.1 percent increase from the 2010-11 bid year).<sup>5</sup> The solicitation produced three winning bidders: Constellation Energy Commodities Group; DTE Energy Trading, Inc.; and HESS Corporation; and

**WHEREAS**, in its 2012 SOS - PCS - RARM - RPS Filing, DPL submitted revised tariffs reflecting the new SOS rates resulting from the 2011 - 2012 RFP procurement process, its revised Procurement Cost Adjustment ("PCA"),<sup>6</sup> its Reasonable Allowance for a Retail Margin ("RARM"), and its Renewable Energy Portfolio Standard Act compliance ("RPS") with a proposed effective date for the tariff changes of June 1, 2012. Staff reports that discovery will soon begin; however, based on its preliminary analysis, the tariff and rate changes proposed in DPL's

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<sup>5</sup> Vantage Final Report, March 6, 2012, Table Three, page 4.

<sup>6</sup>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 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.

application appear to be consistent with the dictates of the Commission's prior orders. At this time, Staff recommends that the Commission allow the proposed rate and tariff changes as per the May 10, 2012 filing to go into effect after public notice on June 1, 2012, with proration, on a temporary basis and subject to refund with interest. According to Staff, this procedure will allow interested persons to comment upon or object to the proposed changes while Staff continues its review of the Company's SOS - PCA - RARM - RPS Filing before the Commission makes a final determination; and

**WHEREAS**, as an additional matter, on December 27, 2011, NRG Energy, Inc. ("NRG") provided notice to DPL that it was terminating the Bluewater Wind Power Purchase Agreement ("PPA") between DPL and Bluewater Wind Delaware, LLC ("Bluewater").<sup>7</sup> As part of the PPA, DPL had negotiated certain payment amounts that Bluewater would owe to DPL if Bluewater terminated the PPA ("Termination Payment"). Pursuant to the terms of the PPA, NRG's decision to terminate the PPA entitled DPL to a Termination Payment in the amount of two million dollars (\$2,000,000.00). Thus, on May 1, 2012, DPL filed with the Commission a refund plan for the Termination Payment the Company received. DPL will return the Termination Payment to customers, with interest at the approved interest rate for customer deposits (0.11%), through

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<sup>7</sup> Due to company reorganization, NRG holds the rights to the PPA.

distribution bill credits over a two month period beginning June 2012 and concluding in July 2012;

**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 2011-2012 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 Vantage Energy Consulting, LLC* (dated March 6, 2012) is hereby accepted. This Final Report ratifies the conclusions we reached when we reviewed the November 28, 2011 Tranche 1 and February 6, 2012 Tranche 2 bid results at our meetings on December 1, 2011, and February 9, 2012 (respectively).

2. That the minutes, transcripts, and exhibits related to the executive sessions held in this docket on December 1, 2011, and February 9, 2012, which are 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 May 10, 2012, pertaining to its Standard Offer Service offerings, Procurement Cost Adjustment, and Reasonable Allowance for a

Retail Margin and Renewable Energy Portfolio Standard factors are approved to go into effect after public notice on a temporary basis on June 1, 2012, with proration. Such rates shall be subject to refund, with interest, if the Commission shall determine in a final order that such rates are, in whole or in part, unjust or unreasonable.

4. That Delmarva Power & Light Company shall publish the form of notice, attached as Exhibit "A," in the following newspapers, on the designated dates, in two-column format outlined in black:

Thursday, May 17, 2012 - (The News Journal)

Friday, May 18, 2012 - (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 interested persons may file comments or objections to the proposed rate and tariff changes on or before July 16, 2012. If material comments or objections are filed, or if Staff recommends changes to rates or tariff revisions temporarily approved herein, the Commission will determine, by further Order, the course of further proceedings. If material comments or objections are not filed, and Staff recommends final approval of the rates and revised tariff leafs, then the Commission may enter a final order at a duly-noticed public hearing without further proceedings.

6. That the refund of the Termination Payment in the amount of Two Million Dollars (\$2,000,000) which is due under the terms of the Bluewater Wind Power Purchase Agreement between Delmarva Power & Light Company and Bluewater Wind Delaware, LLC be returned to Delmarva Power & Light Company's customers, with interest at the rate of 0.11%, through distribution bill credits over a two month period beginning June and concluding in July 2012.

7. That Delmarva Power & Light Company be required to file a report to the Commission detailing a cost reconciliation of the distribution credits from the Termination Payment (equal to \$2,000,000 plus interest) within 90 days of the conclusion of the refund period. Any over-or under-collected amounts shall be incorporated into Delmarva Power & Light Company's 2013 RPS costs.

8. 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).

9. 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:

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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

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**PUBLIC NOTICE OF CHANGES TO  
FIXED PRICE STANDARD OFFER SERVICE RATES  
AND PROCUREMENT COST ADJUSTMENT RATE FACTORS**

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**TO: ALL CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY TAKING STANDARD  
OFFER SUPPLY**

On April 3, 2012, Delmarva Power & Light Company ("DPL" or the "Company") filed with the Delaware Public Service Commission (the "PSC") an application and subsequently revised its application on May 10, 2012, 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;
- (c) revision of the Reasonable Allowance for a Retail Margin factor to both fixed price SOS and Hourly Prices (SOS and returning customer) services; and

- (d) revision of the Renewable Energy Portfolio Standard compliance costs 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 winter month, the effects of the proposed rate changes will be a decrease of \$6.10<sup>8</sup> (or 4.1%) in the annual average monthly bill.

On May 15, 2012, in PSC Order No. 8144, the PSC allowed the proposed rate and tariff changes to go into effect, with proration, on a temporary basis, on June 1, 2012, but subject to refund with interest if the Commission should later determine in a final order that such rates and charges are incorrect, 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 Dkt. No. 04-391

You must file such comments or objections on or before Monday, July 16, 2012. 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](mailto:pamela.knotts@state.de.us). If you file an objection or

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<sup>8</sup> Does not included the Qualified Fuel Cell Provider Renewable Capable Power Production charge ("QFCP-RC").

wish to participate as a party in this proceeding, you should also file a petition to intervene under the PSC's Rules of Practice and Procedure, 26 Del. Admin. C. §1001-2.9, on or before Monday, July 16, 2012.

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](mailto:pamela.knotts@state.de.us).