Final Report

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

February 22, 2011

Vantage Energy Consulting, LLC
Management Consulting and Energy Services
21460 Overseas Highway, Cudjoe Key, FL 33042

Table of Contents

I. EXECUTIVE SUMMARY

Delmarva Power & Light Company ("Delmarva" or "the Company") procures full requirements supply for its Standard Offer Service ("SOS") customers using a Request for Proposal ("RFP") process. Standard Offer Service is used by customers who elect NOT to have a third-party supplier. Vantage Energy Consulting LLC ("Vantage") served as Technical Consultant for the 2010-11 Request for Proposal and related procurements. On October 6, 2010, Delmarva Power published a solicitation, (see Attachment 2), that requested the following.

Service Type	MW
Residential and Small Commercial & Industrial FP-SOS	270
Medium General Service-Secondary FP-SOS	160
Large General Service-Secondary FP-SOS	15
General Service-Primary FP-SOS	25
TOTAL MW	470

The contract year beginning June 1, 2011, for Delmarva's Delaware Residential and Small Commercial and Industrial ("RSCI") SOS customers will be served by eight suppliers. This number is indicative of a robust market and adequate supply diversity. This is an increase of one supplier from the seven suppliers for the contract year beginning June 1, 2010.

Overall, average winning bids for Residential, Small Commercial, Industrial ("RSCI") service type, for the two procurements, was $85.89, a price that is consistent with current market conditions within PJM. The winning bids were 4.5% lower than average winning bids during the 2009-10 procurements. When compared with the RSCI contracts being replaced, (procured in the 2007-08 RFP), the average winning bids are almost 22% lower. The resulting average cost of the RSCI portfolio for the contract year beginning June 1, 2011, is $93.53. This is approximately 7.5% lower than the average cost for the RSCI portfolio for the June 1, 2010-May 31, 2011, contract year. The price declines were consistent with our expectations for the 36-month supply period and softness in the energy prices was somewhat offset by higher future PJM capacity costs.

Overall, winning bids for Medium General Service ("MGS") markets were $72.30/MWh. The Large General Service ("LGS") winning bid was $68.41/MWh and the winning bid for General Service Primary ("GSP") service was $65.95/MWh. These one-year contracts also reflected declining market prices for power.

Over the course of the two procurement events, bids were submitted as follows.

RSCI: 7 suppliers offered 70 bids for 5 blocks (bid ratio of 14 to 1).
MGS: 5 suppliers offered 26 bids for 3 blocks (bid ratio of 8.7 to 1).
LGS: 4 suppliers offered 6 bids for 1 block (bid ratio of 6 to 1).
GSP: 4 suppliers offered 7 bids for 1 block (bid ratio of 7 to 1).

Upon completion of each of the two bid days (November 29, 2010 and January 24, 2011), Walter Drabinski, President of Vantage, appeared before the Delaware Public Service Commission ("Commission") and recommended that they accept the results. This recommendation was made because the results were consistent with the following Evaluative Criteria.

1. The process used for conducting the RFP should be well defined and used successfully.

2. All potential bidders should be invited to participate in all available formats.

3. Instructions on how to participate should be clear with opportunities for questions and timely responses.

4. A reasonable number of bidders should demonstrate interest in qualifying.

5. The actual RFP bid receipt and evaluation process should be monitored to ensure that all communications, access to data and evaluations are conducted without the possibility of collusion.

6. Evaluation of bids, ranking and impact on rates should be evaluated independently.

7. Enough bidders should qualify and actually bid to ensure robust competition and the number of successful bidders should be diverse.

8. Bid prices should reflect competitive market conditions absent of temporary pricing anomalies.

II. EVALUATIVE CRITERIA ASSESSMENT AND PROCUREMENT RESULTS

With respect to the first three criteria, this auction has been functioning well since 2006. The World Energy platform, in place since 2008, has been well-tested. No significant changes occurred since the 2009 auction. The dry-run conducted on November 23 went smoothly. Seven bidders were actively engaged in this demonstration. Two bidders participated during the January 20, 2011 dry run. There were adequate opportunities to ask questions either on the open telephone line or via email. World Energy and Company representatives were available to respond to any questions.

With regard to Criteria 4 and 7: There were a sufficient number of eligible bidders and actual bidders and bid activity to indicate a strongly competitive environment.

Table 1
Eligible and Actual Bidders by Procurement Year

Number of Bidders	2006-07	2007-08	2008-09	2009-10	2010-11
EOIs:	20	18	26	24	12
Eligible Bidders:	14	12	12	11	8
Actual Bidders:	11	11	9	9	8

Three eligible bidders from last year's procurements did not become eligible this year. However, one of these bidders had not submitted bids in the past. We understand that the remaining two bidders have been in the process of reorganizing and may return at some future time. There was one new eligible bidder who did not participate in last year's procurements.

The high level of competitiveness was also reflected in the average numbers of bids per block offered.

Table 2
Summary of Results

Product		Number of Blocks to Procure	Total MW Solicited/ Awarded	Number of Bidders		Total Number of Bids	Average Number of Bids Per Block	Average Winning Load Weighted Average Bid ($/MWh)
				Qualified	Actual			
Tranche 1	RSCI	3	162.9	8	7	46	15.3	$ 85.77
	MGS	2	103.0	8	5	18	9.0	$ 71.87
	LGS	1	16.3	8	4	6	6.0	$ 68.41
	GS-P	1	27.3	8	4	7	7.0	$ 65.95
Tranche 2	RSCI	2	108.4	8	5	24	12.0	$ 86.06
	MGS	1	50.4	8	4	8	8.0	$ 73.16
Total		10	468.3			109	10.9	

The following main points are reflected in Table 2.

- Winning bid prices increased slightly from Tranche 1 to Tranche 2, this was consistent with market conditions.
- In spite of fewer blocks to procure and smaller MWh to award, a reasonable amount of competition remains.

With regard to Criteria 5 and 6: Vantage representatives were present on Delmarva Power premises with Company and World Energy personnel and on-line monitoring of the bids by Commission staff. The bid receipt and evaluation processes were conducted appropriately. Room and system security were observed. Bids were evaluated strictly on the pricing criteria.

With regards to Criteria 8, Vantage observed competition and bidding consistent with current market conditions. As expected, the winning bids were lower than the opening prices. These opening prices reflect current and competitive market conditions for this auction. Current opening bid prices based on Vantage and World Energy modeling was approximately 10% lower than comparable prices a year ago.

Table 3
Winning Bids Comparisons

Product	Winning Bids Load Weighted Average $/MWh					Percent Change	
	2006-07	2007-08	2008-09	2009-10	2010-11- Tranche 1 & Tranche 2	From 2007-08	From 2009-10
RSCI 36-Month	$ 95.78	$ 109.90	$ 103.49	$ 89.95	$ 85.8900	-21.8%	-4.51%
MGS 12-Month	$ 92.90	$ 101.53	$ 98.95	$ 87.37	$ 72.3000		-17.25%
LGS 12-Month	$ 98.00	$ 97.23	$ 103.33	$ 82.38	$ 68.4100		-16.96%
GSP 12-Month	$ 92.15	$ 95.80	$ 101.97	$ 80.44	$ 65.9500		-18.01%

Noteworthy from above is that the winning bids for the RSCI market are about 4.5% lower than bids solicited last year and nearly 22% lower than winning bids procured in 2007-08. The supply from 2007-08 procurement will no longer be in the supply portfolio for the contract year beginning June 1, 2011. The current year procurement includes the lowest supply cost to date and will help mitigate the portfolio cost should future bids increase, which are the current market projections. The effect on the contract supply years are provided in Table Four below.

Table 4
Average Cost of Supply Procured for Supply Contract Years

Average Price	Supply Year 6/1/08-5/31/09	Supply Year 6/1/09-5/31/10	Supply Year 6/1/10-5/31/11	Supply Year 6/1/11-5/31/12	2011 vs 2010
RSCI	$ 103.17	$ 102.61	$ 101.109	$ 93.530	-7.50%
MGS	$ 101.53	$ 98.95	$ 87.368	$ 72.300	-17.25%
LGS	$ 97.23	$ 103.33	$ 82.380	$ 68.410	-16.96%
GSP	$ 95.80	$ 101.97	$ 80.440	$ 65.950	-18.01%

It is also very important to note that two-thirds of the 6/1/12 to 5/31/13 supply year has been purchased and the price for this portion is $88.10/MWh, and for the 6/1/13 to 5/31/14 supply year one-third of the supply has been purchased at a price of $85.89/MWh.

Because the RSCI service is contracted for a 36-month period, current market prices will provide some measure of price protection for the RSCI SOS customers in future years when price increases are currently forecast. The price reductions for the supply year are reflected in the estimated average bill comparison computations provided by the Company in Table 5.

Table 5
Estimated Average Bill Comparison

Bill Comparison				
Customer Type	Av. Monthly Bill 6/1/10	Av. Monthly Bill 6/1/11	$ Change per Bill	% Change per Bill
RS	$ 137.67	$ 131.79	$ (5.88)	-4.3%
SGS	$ 121.94	$ 116.43	$ (5.51)	-4.5%
MGS	$ 1,005.32	$ 880.41	$ (124.91)	-12.4%
LGS	$ 11,116.82	$ 9,724.10	$ (1,392.72)	-12.5%
GS-P	$ 31,952.90	$ 26,480.93	$ (5,471.97)	-17.1%

As calculated by Delmarva Rate Department

The supply for the upcoming contract year reflects strong supplier diversity. Table Six below provides the supply for all of Delmarva's service types procured for the upcoming contract year.

Table 6
SOS Suppliers and Percent of Total Procured Supply
Contract Year June 1, 2011-May 31, 2012

Supplier Name	Percentage of 2011-12 All Load Served	Percentage of Load by Supplier in Latest Procurement
Conectiv Energy Supply, Inc.	23.36%	0.00%
Constellation Energy Commodities Group	14.95%	34.01%
DTE Energy Trading, Inc.	13.59%	20.19%
Hess Corporation(W)	14.39%	11.61%
Macquarie Energy, LLC (power)	4.64%	0.00%
NextEra Energy Power Marketing, LLC	9.93%	22.59%
NRG Power Marketing, Inc.	9.42%	0.00%
PPL EnergyPlus, LLC	4.64%	0.00%
Shell Energy North America (US), L.P.	5.10%	11.59%
Total	100.00%	100.00%

A look at the breakdown of suppliers from 2010-11 versus 2011-12 supply year is valuable. Some observations show that American Electric Power Service Corporation will no longer be providing any service. Hess's portion of the supply is reduced from almost 39% to 18%. Finally, there are nine suppliers now versus 8 last year.

Table 7
Suppliers by Supply Year and Service Compared

Suppliers	2010-11 Supply Year				2011-12 Supply Year			
	RSCI	MGS	LGS	GS	RSCI	MGS	LGS	GS
American Electric Power Service Corp.		25.3%	100.0%					
Conectiv Energy Supply, Inc.	27.7%				28.6%			
Consolidated Edison Energy, Inc.								
Constellation Energy Commodities Group	5.6%	74.7%		100.0%	12.5%	32.3%		
DTE Energy Trading, Inc.	5.6%				12.0%		100.0%	100.0%
Hess Corporation(W)	38.9%				17.6%			
Macquarie Energy, LLC (power)	5.5%				5.7%			
NextEra Energy Power Marketing, LLC						67.7%		
NRG Power Marketing, Inc.	11.2%				11.6%			
PPL EnergyPlus, LLC	5.5%				5.7%			
Shell Energy Marketing					6.2%			
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

RSCI supply for the upcoming contract year reflects eight suppliers compared to seven suppliers for the contract year just ending. There is one new supplier and the overall share of the RSCI market is quite diversified.

Non-RSCI supplies will be provided by three suppliers in this year's procurements, compared with two for the contract year just ending. It is also noteworthy that two of this year's suppliers are different than last years.

Diversity in winners is positive because it encourages continued participation in future RFPs, reduces supply risk and stimulates competition.

III. MARKET CONDITIONS

Vantage analyzed prices to derive the starting prices for the procurements. Vantage also monitored prices throughout the procurement period in order to conclude that the winning bids were consistent with market expectations.

Our market models compared prices for relevant energy products during the supply contract years. Vantage also used their knowledge in other procurements and considered the impact of PJM capacity prices and ancillary services.

Overall, market prices for energy commodity prices during the procurement period were lower than in prior years. However, the overall outlook is for generally rising prices marked by price volatility.

The following graph illustrates the PJM Western Hub peak futures prices for the period of February 2011 until December 2013. It shows an overall upward trend in prices for both summer and non-summer months.

Table 8
PJM Western Hub Pricing

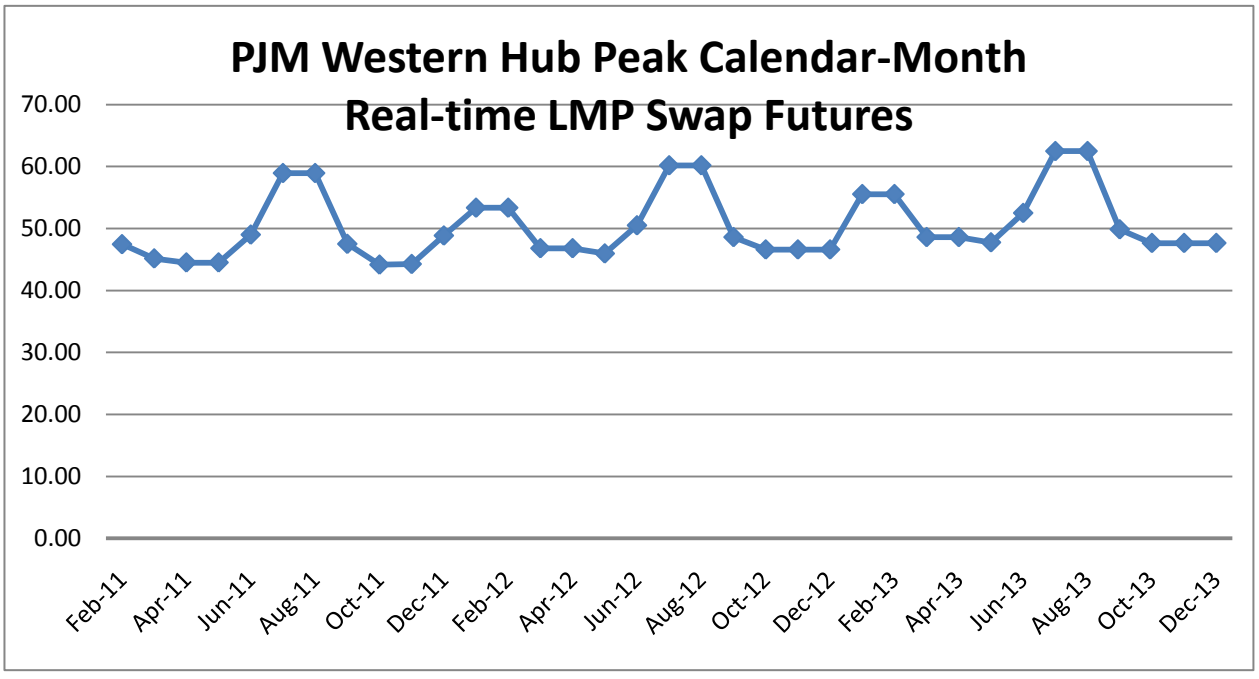


Table 9 below portrays the average PJM Western Hub Peak prices for different periods for the prior procurements. It should be noted that while energy prices have dropped in 2010 tranche, PJM capacity prices for 2012-14 increase, mitigating some of the drop.

Table 9
Average PJM Western Hub Peak Futures Prices ($/MWh)

Service Year	2005-2006 Solicitation (First Tranche Dec. 12, 2005)	2006-2007 Solicitation (First Tranche Nov. 27, 2006)	2007-2008 Solicitation (First Tranche Nov 26, 2007)	2008-2009 Solicitation (First Tranche Nov 17, 2008)	11/6/2009 Note 1	11/14/2010 Note 2	1/23/2011 Note 3
June 2006-May 07	$ 93.96						
June 2007-May 08	$ 81.96	$ 77.32					
June 2008-May 09	$ 75.51	$ 74.62	$ 82.74				
June 2009-May 10		$ 69.78	$ 83.94	$ 71.54			
June 2010-May 11			$ 81.81	$ 75.92	$ 56.61		
June 2011-May 12				$ 74.75	$ 60.96	$ 49.42	$ 52.54
June 2012-May 13					$ 63.05	$ 53.05	$ 52.90
June 2013-May 14						$ 54.94	$ 53.81
Average	$ 83.81	$ 73.91	$ 82.83	$ 74.07	$ 60.21	$ 52.47	$ 53.08

Note 1: Source Boston Pacific Memo dated November 13, 2009
Note 2: Source: INO.com Chart for PJM Western Hub Peak CAL-Mo RT LMP 1 year
http://quotes.ino.com/exchanges/contracts.html?r=NYMEX_L1
Note 3: Source: INO.com Chart for PJM Western Hub Peak CAL-Mo RT LMP 1 year

TOTAL PRICE OF WHOLESALE POWER

The total price of wholesale power is the total price per MWh of purchasing wholesale electricity from PJM markets. The total price is an average price and actual prices vary by location. The total price includes the price of energy, capacity, ancillary services, transmission service, administrative fees, regulatory support fees and uplift charges billed through PJM systems. Table 1-7, from the State of the Market Report for PJM published in 11/15/10, provides the average price and total revenues paid by component, for calendar year 2009 and for January through September 2010.

"Table 1-7 shows that Energy, Capacity and Transmission Service Charges represent the three largest components of the total price per MWh of wholesale power, contributing 96.7 percent of the total price per MWh for the January through September 2010 period. The cost of energy was the most important componant, making up 73.6 percent of the total price per MWh for the January through September 2010 period. The cost of capacity contributed 17.3 percent and the cost of transmission service contributed 5.8 percent of the total price per MWh for the January through September 2010 period.

Each of the components is defined in PJM's Open Access Transmission Tariff (OATT) and PJM Operating Agreement and each is collected through PJM's billing system.

Components of Total Price

- *The Load Weighted Energy component is the real time load weighted average PJM Locational Marginal Price (LMP).*
- *The Capacity component is the average price per MWh of Reliability Pricing Model (RPM) payments in the first nine months of 2010.*
- *The Transmission Service Charge component is the average price per MWh of network integration charges and firm and non firm point to point transmission service.*
- *The Operating Reserve (Uplift) component is the average price per MWh of day ahead and real time operating reserve charges.*
- *The Reactive component is the average cost per MWh of reactive supply and voltage control from generation and other sources.*
- *The Regulation component is the average cost per MWh of regulation procured through the Regulation Market.*
- *The PJM Administrative Fees component is the average cost per MWh of PJM's monthly expenses for a number of administrative services, including Advanced Control Center (AC2) and OATT Schedule 9 funding of FERC, OPSI and the MMU.*
- *The Transmission Enhancement Cost Recovery component is the average cost per MWh of PJM billed (not otherwise collected utility rates) costs for transmission upgrades and projects, including annual recovery for the TrAILCo and PATH projects.*
- *The Transmission Owner (Schedule 1A) component is the average cost per MWh of transmission owner scheduling, system control and dispatch services charged to transmission customers.*
- *The Synchronized Reserve component is the average cost per MWh of synchronized reserve procured through the Synchronized Reserve Market.*
- *The Black Start component is the average cost per MWh of black start service.*
- *The RTO Startup and Expansion component is the average cost per MWh of charges to recover AEP, ComEd and DAY's integration expenses.*
- *The NERC/RFC component is the average cost per MWh of NERC and RFC charges, plus any reconciliation charges.*
- *The Load Response component is the average cost per MWh of day-ahead and real-time load response program charges to LSEs.*
- *The Transmission Facility Charges component is the average cost per MWh of Ramapo Phase Angle Regulators charges allocated to PJM Mid-Atlantic transmission owners."*

Table 1-7 Total price per MWh by Category and Total Revenues by Category: January through December 2009 and January through September 2010 (See 2009 SOM, Table 1-1)

Category	Totals ($ Millions) Jan-Dec 2009	Totals ($ Millions) Jan-Sep 2010	Jan-Dec 2009 $/MWh	Jan-Sep 2010 $/MWh	Jan-Dec 2009 Percent	Jan-Sep 2010 Percent
Energy	$26,008.22	$26,508.11	$39.05	$49.91	70.2%	73.6%
Capacity	$7,162.71	$6,220.22	$10.75	$11.71	19.3%	17.3%
Transmission Service Charges	$2,664.73	$2,088.31	$4.00	$3.93	7.2%	5.8%
Operating Reserves (Uplift)	$324.15	$406.88	$0.49	$0.77	0.9%	1.1%
Regulation	$203.49	$199.13	$0.31	$0.37	0.5%	0.6%
PJM Administrative Fees	$242.32	$199.05	$0.36	$0.37	0.7%	0.6%
Reactive	$228.18	$189.47	$0.34	$0.36	0.6%	0.5%
Transmission Enhancement Cost Recovery	$63.21	$90.76	$0.09	$0.17	0.2%	0.3%
Transmssion Owner (Schedule 1A)	$56.47	$47.09	$0.08	$0.09	0.2%	0.1%
Synchronized Reserves	$34.27	$31.30	$0.05	$0.06	0.1%	0.1%
NERC/RFC	$8.86	$10.70	$0.01	$0.02	0.0%	0.0%
Black Start	$14.27	$8.40	$0.02	$0.02	0.0%	0.0%
RTO Startup and Expansion	$9.12	$6.84	$0.01	$0.01	0.0%	0.0%
Load Response	$1.62	$3.79	$0.00	$0.01	0.0%	0.0%
Transmission Facility Charges	$1.39	$1.02	$0.00	$0.00	0.0%	0.0%
Total	$37,023.01	$36,011.07	$55.58	$67.81	100.0%	100.0%

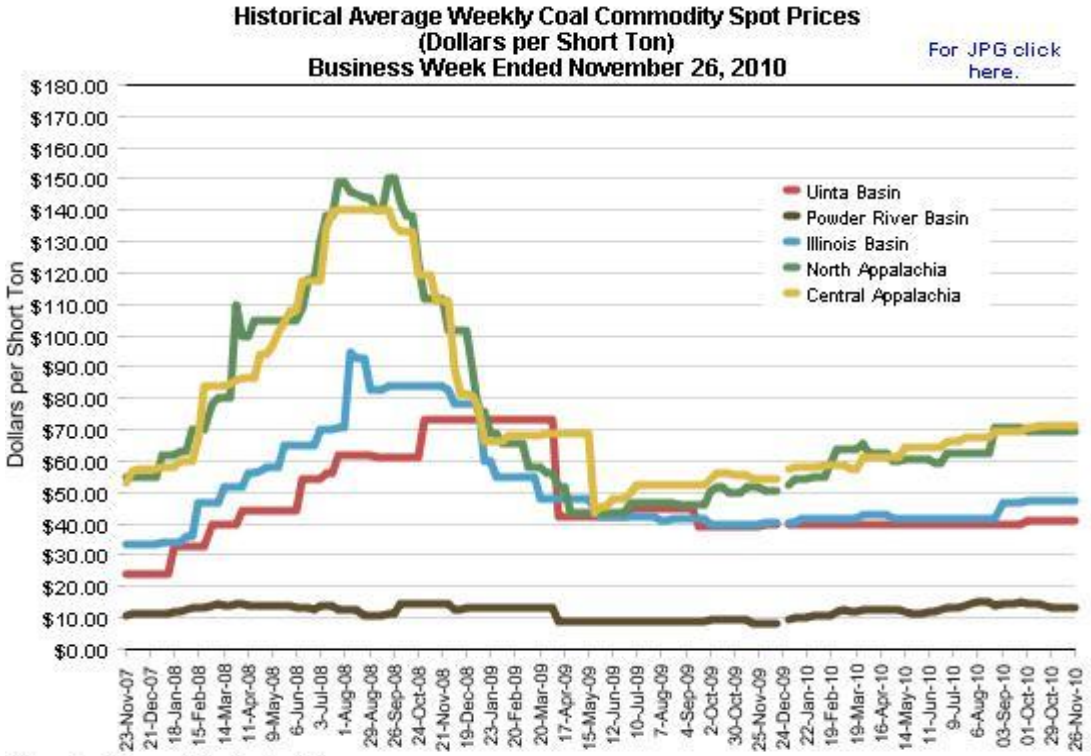
The outlook for PJM's RPM Capacity prices is provided below in Table 10. These capacity prices primarily affect the outlook for the RSCI service in the latter years and are likely to be a contributing factor to the supplier bids

Table 10
PJM Capacity Prices

		2011-2012	2012-2013	2013-2014
DPL Capacity Prices	$/MW/Day	$ 110.00	$ 169.63	$ 245.09

Table 11 provides historical spot prices for coal which provides almost 50% of the PJM energy. The Central and Northern Appalachia regions are the predominant coal source for PJM. The set of graphs in Table 11 illustrate the changes in the coal market in recent years. These are the two top curves. The peak in pricing during 2008 was due to significant purchases by China.

Table 11 – Historical Spot Coal Prices



Key to Coal Commodities by Region'
Central Appalachia: Big Sandy/Kanawha 12,500 Btu, 1.2 lb SO2/mm Btu
Northern Appalachia: Pittsburgh Seam 13,000 Btu, <3.0 lb SO2/mm Btu
Illinois Basin: 11,800 Btu, 5.0 lb SO2/mm Btu
Powder River Basin: 8,800 Btu, 0.8 lb SO2/mm Btu
Uinta Basin in Colo.: 11,700 Btu, 0.8 lb SO2/mm Btu

1 Coal prices shown are for a relatively high-Btu coal selected in each region, for delivery in the "prompt quarter." The prompt quarter is the quarter following the current quarter. For example, from January through March, the 2nd quarter is the prompt quarter. Starting on April 1, July through September define the prompt quarter.
Source: With permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey."
Note: The historical data file of spot prices is proprietary and cannot be released by EIA; see Coal News and Prices.

Table 12 provides an analysis of natural gas prices by comparing Henry Hub futures prices for different periods for recent solicitations. Please note that the current prices for natural gas are at the lowest since 2006, but contain expectations of future price increases.

Table 12
Natural Gas Prices during Procurement Periods

Service Year	2005-2006 Solicitation (First Tranche Dec. 12, 2005)	2006-2007 Solicitation (First Tranche Nov. 27, 2006)	2007-2008 Solicitation (First Tranche Nov 26, 2007)	July 1, 2008	2008-2009 Solicitation (First Tranche Nov 17, 2008)	11/6/2009 Note 1	11/14/2010 Note 2	1/23/2011 Note 2
June 2006-May 07	$ 11.08							
June 2007-May 08	$ 9.56	$ 8.59						
June 2008-May 09	$ 8.43	$ 8.31	$ 8.37					
June 2009-May 10		$ 7.88	$ 8.46	$ 12.00	$ 7.51			
June 2010-May 11			$ 8.31	$ 10.99	$ 8.00	$ 5.94		
June 2011-May 12				$ 10.73	$ 8.08	$ 6.55	$ 4.53	$ 5.01
June 2012-May 13						$ 6.79	$ 5.07	$ 5.18
June 2013-May 14							$ 5.37	$ 5.33
Average	$ 9.69	$ 8.26	$ 8.38	$ 11.24	$ 7.86	$ 6.43	$ 4.99	$ 5.17

Another reasonableness check is the result of procurements in other jurisdictions in the PJM region. Maryland provides a more directly relevant checkpoint. Maryland does not disclose prices, but does provide estimated changes in customer bills. Following the October 2010 procurement, Staff's estimate of reductions in residential customer average bills ranged from 4.8% to 15%. This residential procurement is 24-month procurement and therefore reflects different supply vintage, differing transition plans and different capacity costs. However, this comparison provides a rough measure of a consistent market direction.

IV. COMPLIANCE WITH COMMISSION PROCESS

As the Commission's Technical Consultant, Vantage is also responsible for monitoring implementation of Delmarva's RFP. This process has been well established and time-tested. Company personnel were competent and highly professional throughout the process. The World Energy platform has been used by the suppliers and the dry-run process offers a sufficient 'refresher' course to those who use it less frequently. The following is our assessment of the process.

1. RFP INITIATION – ADVERTISING AND WEB SITE

The Company solicits broadly to attract credible suppliers. The press release announcing the RFP was issued October 6, 2010. The RFP web site went active with relevant information, including the RFP and schedule, related Commission Orders, Bid Plan, Application Materials and Load Data. Twelve entities expressed interest by completing an Expression of Interest. This compares with 24 entities last year and represents the fewest suppliers submitting EOI's to-date.

2. PRE-BID CONFERENCE AND FOLLOW-UP

The pre-bid conference was held in Delmarva's Newark, Delaware office on October 20, 2010. Walt Drabinski of Vantage was present. Eight bidders participated via WebEx/on the telephone.

Delmarva's presentation was well prepared and the overview of the World Energy platform was also provided. The bidders appeared to be sufficiently familiar with the process and platform.

3. BIDDER PRE-QUALIFICATION

Eight bidders submitted complete eligibility documentation and were declared eligible to participate in the procurement.

4. TESTING PRIOR TO BID DAY

World Energy conducted two dry-runs of the bid system. Vantage was online during each dry run and monitored test bids and the open telephone line. These dry runs provided sufficient opportunity for bidders to practice prior to the actual bid day. Seven bidders participated during the November 23rd dry run with and two bidders participated during the January 20, 2011 dry run.

5. BID DAY

On November 29, 2010 and January 24, 2011, Delmarva conducted Tranche 1 and Tranche 2 respectively, in Baltimore, Maryland. Company personnel, World Energy representative, and

Vantage were present on-site. Commission Staff were present via the open phone line. During each day Vantage was present from 9 a.m. through the final ranking of bids.

World Energy's reverse auction system worked as intended. After a bidder places an initial bid (typically at the established Opening Price), they are able to view the current lowest offer. This provides direct knowledge of the 'price to beat' in order to secure the winning bid.

A separate auction is conducted for each block. All auctions open at the same initial time. Bidding for the first block closes 30 minutes after opening and subsequent blocks close every 15 minutes until the procurement is complete. All bidders who have participated see the winning price and know immediately upon closing whether they have won or not.

The expectation is that competition will increase as bidding progresses in the hope of winning. Often the winning bid was submitted in the closing seconds of the auction.

Following the verification of winning bids amongst the Company, World Energy and Vantage, Delmarva representatives confirmed the winning bids and processed the required contracts.

6. FOLLOW-UP TO BID DAY

Vantage provided briefings to the Commission both public and confidential on the results of each solicitation. By the close of business on Thursday of each bid week, the Commission voted to approve the results consistent with the RFP and as recommended by Vantage.

V. RECOMMENDATIONS & CONCLUSIONS

Delaware's SOS RFP continues to function well and continues to attract sufficient suppliers who compete to serve this market. Vantage recommends that the process continue as currently implemented.

Vantage notes the reduction in suppliers who completed the EOI and also notes that two established suppliers were not represented in this procurement. It is also noteworthy that a potential bidder who registered for the pre-bid conference did not choose to become an eligible bidder. Since it benefits consumers when qualified, credible suppliers participate in a competitive process, it may be useful to survey suppliers to determine what their current concerns with respect to the Delaware procurement are. If their reasons for non-participation can be addressed either by the Company, World Energy or the Commission in a way that does not impair participation by others, it might be worthwhile to consider.

Vantage believes that Delaware's 2010-2011 RFP process, as executed by Delmarva and World Energy, has achieved the Commission's objective of providing competitively priced electricity to those customers who choose SOS service.

VI. ATTACHMENTS

Attachment 1 - Delmarva Bid Plan

Attachment 2 - Delmarva Announcement of RFP October 6, 2010

Attachment 3 - Delmarva Press Release October 6, 2010

Attachment 4 - Delmarva Bid Plan October 6, 2010

Attachment 5 - Delmarva Bid Plan Tranche 1 – November 22, 2010

Attachment 6 - FAQ's 2010-2011 Procurements

Attachment 1 - Delmarva Bid Plan

DELMARVA POWER & LIGHT COMPANY,
REQUEST FOR PROPOSALS FOR
STANDARD OFFER SERVICE WHOLESALE ELECTRIC POWER SUPPLY

Posted by Delmarva as of 10/6/10

Service Type	Approximate Total SOS PLC (MW) per RFP 10/6/10	Eligible Bid Out	Total Eligible SOS Load	Percent of Eligible Load Bid Out	Dates of Service
Residential & Small Commercial & Industrial	271.4	281.3	814.1	33%	June 1, 2011-May 31, 2014
Medium General Service-Secondary	158.4	277.7	277.7	100%	June 1, 2011-May 31, 2012
Large General Service - Secondary	16.2	111.9	111.9	100%	June 1, 2011-May 31, 2012
General Service-Primary	24	413.4	413.4	100%	June 1, 2011-May 31, 2012
Delmarva Total	470	1084.3	1617.1	67%	-

October 6, 2010

DELMARVA POWER & LIGHT COMPANY,
REQUEST FOR PROPOSALS FOR
STANDARD OFFER SERVICE WHOLESALE ELECTRIC POWER SUPPLY

Ladies and Gentlemen:

Delmarva Power & Light Company (Delmarva) provided electric supply service to Delaware customers through fixed price power supply tariffs offered by Delmarva pursuant to orders issued by the Delaware Public Service Commission ("Commission") in Docket No. 99-163 and Docket No. 01-194. These offers expired as of April 30, 2006. Since May 1, 2006, Delmarva has provided generation supply for specified periods, procured through a competitive wholesale bidding process and pursuant to procedures that are set forth in Commission Docket 04-391. Delmarva has conducted a multi-tranche (multi-round) bidding process to solicit proposals from suppliers interested in providing Fixed Price Standard Offer Service ("FP-SOS") to Delmarva for its Delaware customer service classifications.

Delmarva is soliciting competitive bids for full requirements wholesale supply service, excluding the provision of Renewable Energy Credits ("RECs"). The supply will be procured using the World Energy reverse auction process as is more fully described in the Request for Proposals ("RFP") documents. The solicitation is for supply agreements for varying terms up to three years. Auction dates and auction rounds for this multi-tranche solicitation can be found in the RFP documents which are provided on the RFP website as noted below.

The load to be bid upon in the RFP is divided into four service types. An approximation of that portion of the load (stated in megawatts) associated with customers currently receiving supply service for each service type and for whom wholesale supply will be solicited is indicated in the following table. The load figures will be updated prior to the auction dates.

Service Type	Delmarva
Residential and Small Commercial & Industrial FP-SOS	270
Medium General Service-Secondary FP-SOS	160
Large General Service-Secondary FP-SOS	15
General Service-Primary FP-SOS	25
TOTAL	470 MW

If you are interested in participating in the RFP, you must submit an Expression of Interest Form. The Expression of Interest Form is provided, electronically, for submission on the RFP website. The RFP website which became active on October 6, 2010 is as follows:

Delmarva: www.delmarva.com/derfp

Prospective bidders who have submitted the Expression of Interest Form will be given access to password protected RFP material.

Additionally, Delmarva will be holding a pre-bid conference in late October to review the general RFP structure and process, the bid plan, and the Full Requirements Service Agreement (the contract that will be used to purchase generation supply under the RFP). We encourage your review of such documents (as posted on the website) prior to the conference to enhance the question and answer session. Please visit the RFP website in the coming days for additional details on the pre-bid conference, including registration information.

All questions related to this RFP should be submitted through the RFP website.

Sincerely,

Robert M Collacchi Jr.

Robert M. Collacchi Jr.
Director, Supply Customer Energy
Delmarva Power & Light Company

delmarva power

A PHI Company

NEWS RELEASE

401 Eagle Run Road
Newark , DE 19702
delmarva.com
NYSE: POM

FOR IMMEDIATE RELEASE
October 6, 2010

Media Contact: Bridget Shelton
302-283-5808 (office)
866-655-2237 (pager)
Bridget.shelton@pepcoholdings.com

Delmarva Power Issues RFP for Wholesale Electric Power for Delaware Customers

Pre-Bid Conference to be held Oct. 20

WILMINGTON, Del. - Delmarva Power today announced a Request for Proposals (RFP) for wholesale electric power supplies to meet its Standard Offer Service (SOS) obligation in the state of Delaware. Standard Offer Service is the market-based, fixed-price electricity Delmarva Power buys on behalf of its customers who do not purchase their electricity from competing retail suppliers and who do not choose the option of hourly-priced service.

Delmarva Power is requesting proposals to supply some 470 megawatts (MW) of electricity. Peak load contributions by customer class include approximately 270 MW for the combined Residential, Small Commercial and Industrial customers; 160 MW for the Medium General Service-Secondary (MGS-S) customers; 15 MW for the Large General Service-Secondary (LGS-S) customers; and 25 MW for the General Service-Primary (GS-P) customers.

A pre-bid conference for prospective bidders will be held on Oct. 20, 2010. The conference will review the general RFP structure, process improvements, the Delmarva Power bid plan for its Delaware customers and the power supply contract.

The RFP is being issued in accordance with the Delaware Public Service Commission (DPSC) terms and conditions established in Docket No. 04-391 for the competitive provision of electric service beginning on and after June 1, 2011. It is structured as a multi-phase bidding process with pre-bid preparation activities which started on Oct. 6, 2010. The first round of bidding will begin on Nov. 29, 2010 and the final round will conclude in late January 2011. The winning bidders will be awarded service contracts to supply electricity for Delmarva Power customers beginning on June 1, 2011. Further details regarding the RFP or the pre-bid conference can be found by visiting the RFP website: www.delmarva.com/derfp. The website will provide interested parties with additional contact information.

Delmarva Power, a public utility owned by Pepco Holdings, Inc. (NYSE: POM), provides safe and reliable energy to nearly 500,000 electric delivery customers in Delaware and Maryland and over 123,000 natural gas delivery customers in northern Delaware.

Request for Proposals For
Full Requirements Wholesale Electric Power Supply
Excerpt from RFP October 6, 2010

	Contract Term		
	12-Month	36-Month	Total
Residential and Small Commercial & Industrial FP-SOS	**33.3333**%	33.3%	
Approximate Total PLC, MW	271.4	814.1	
Block Size, %	6.6667%		
Approximate Block Size, MW	54.3		
Total # of Blocks	5	5	
Tranche 1 Blocks	3	3	
Tranche 2 Blocks	2	2	
Medium General Service-Secondary FP-SOS	100.0%	100%	
Approximate Total PLC, MW	158.4	158.4	
Block Size, %	33.3333%		
Approximate Block Size, MW	52.8		
Total # of Blocks	3	3	
Tranche 1 Blocks	2	2	
Tranche 2 Blocks	1	1	
Large General Service-Secondary FP-SOS	100.0%	100%	
Approximate Total PLC, MW	16.2	16.2	
Block Size, %	100.0%		
Approximate Block Size, MW	16.2		
Total # of Blocks	1	1	
Tranche 1 Blocks	1	1	
General Service-Primary FP-SOS	100.0%	100%	
Approximate Total PLC, MW	24.0	24.0	
Block Size, %	100.0%		
Approximate Block Size, MW	24.0		
Total # of Blocks	1	1	
Tranche 1 Blocks	1	1	

Delmarva DE SOS RFP 2011
Final - Tranche 1

	as of:	11/22/2010
	SOS	Eligible
Service Type	PLC (MW)	PLC (MW)
Residential and Small Commercial & Industrial	271.5	281.7
Medium General Service -Secondary	154.6	277.5
Large General Service -Secondary	16.3	113.6
General Service - Primary	27.3	427.3
Total	**469.7**	**1100.1**

	Contract Term		
Service Type	**12 Month**	**36 Month**	**Total**
	6/1/11-5/31/12	**6/1/11 - 5/31/14**	
Residential and Small Commercial & Industrial		100.0000%	100.0%
Service Classifications: R, R-TOU, R-TOU-ND, R-TOU-SOP			
SGS-ND, SGS-SH, SGS-WH, OL, ORL, X.			
Approximate Total PLC		271.5	271.5
Block Size %		6.6667%	
Approximate Block Size (MW)		54.3	
Total Number of Blocks		5	5
Tranche 1 blocks		3	3
Tranche 2 blocks		2	2
Medium General Service - Secondary	100.0%		100.0%
Service Classifications: MGS-S			
Approximate Total PLC	154.6		154.6
Block Size %	33.3333%		
Approximate Block Size (MW)	51.5		
Total Number of Blocks	3		
Tranche 1 blocks	2		
Tranche 2 blocks	1		
Large General Service - Secondary	100.0%		100.0%
Service Classifications: LGS-S			
Approximate Total PLC	16.3		16.3
Block Size %	100.0%		
Approximate Block Size (MW)	16.3		
Total Number of Blocks	1		
Tranche 1 blocks	1		
General Service - Primary	100.0%		100.0%
Service Classifications: GS-P			
Approximate Total PLC	27.3		27.3
Block Size %	100.0%		
Approximate Block Size (MW)	27.3		
Total Number of Blocks	1		
Tranche 1 blocks	1		

Frequently Asked Questions – DPL DE SOS 2010-2011

Answers to Frequently Asked Questions (FAQs) are provided here. General Questions have been categorized into three Areas:

I. Request for Proposals Questions
II. Full Services Agreement Questions
III. Pre Bid Conference Questionshttp://pep-wbtest31.pepco.com:6410/secure/rsec/dc-rfp-sec_faq.aspx - top#top

I. Request for Proposals Questions

Q1. Which firm was hired to be the Delaware Public Service Commission's Consultant and how can I reach them?

A. The Commission chose Vantage Energy Consulting LLC to be its monitoring consultant. Contact information for Vantage is as follows:

Name, Title: Walter Drabinski, President
e-mail: wdrabinski@vantageconsulting.com
phone: 305-744-3440

Q2. Who do I contact at World Energy Solutions if I have a question?

A. Please see the contact information below.

Name: Elisabeth Charnley
Title: Wholesale Market Director
e-mail: echarnley@worldenergy.com
phone: 508-459-8145 o
508-612-1788 c

Name: Courtney Koehler
Title: Market Analyst
e-mail: ckoehler@worldenergy.com
phone: 508-459-8146 w
508-713-7224 c

Q3. I see reading the RFP again I should have uploaded proposed changes to the Performance Assurance LOC and Form of Guaranty along with the credit application. Having already submitted the package of credit docs, can you facilitate another upload? I can easily add the redline docs to the financial package zip file and resubmit.

A. There is a separate task for submitting your proposed changes to the Performance Assurance LOC, you need not include it as part of your Credit Application upload. For DE SOS, the Form of Guaranty approved by the PSC is non-negotiable and is the only Guaranty that Delmarva will be accepting. Suppliers wanting to make changes can make their suggestions for future year solicitations during the Process Improvement Process.

Q4. The Summer months are defined as May through August in the DPL DE RFP, however the electric tariff defines summer as June through September. Does the rate design spreadsheet translate the auction prices, which are based on the RFP Summer/Winter definition, into the electric tariff Summer/Winter definition? If not, how does Delmarva calculate its seasonal rates

A. The same four month period is referred to in each case. The RFP refers to the ***calendar*** months of May through August whereas the tariff refers to the ***billing*** months of June

through September. During the biliing month of June, for example, customers receive their June bill for electric consumption during May.

Q5. Page 7 of the DPL DE 2011 SOS RFP October 6 2010 - Final.doc lists the RSCI block size as 6.6667%, while page 18 of the DE SOS 2011 Pre-Bid Conference Presentation-102010.ppt lists the RSCI block size at 5.5556%. Which is correct?

A. The RSCI block size percentage is 6.6667%. The Pre-Bid Conference presentation listing the block size percentage as 5.5556% is a typo and will be corrected.

Q6. Will the load data set be updated soon for Delaware?

A. MWh data through July 2010 is currently on the website. August 2010 data is under review now and will be posted within the next couple of days and, on Monday Nov 22, 2010 I will post day-after estimates for the period Sep 1, 2010 through the present.

II. Full Services Agreement Questions

III. Pre Bid Conference Questions

Disclaimer

The information provided in the Frequently Asked Questions document (FAQ's) has been prepared by Delmarva on the basis of a.) Specific sections contained in Request for Proposals for Wholesale Full Requirements Electric Power Supply, and b.) Interpretation of the Request for Proposals for Wholesale Full Requirements Electric Power Supply, including Appendices and Attachments The information presented and distributed here may be subject to modifications and/or amendments as a consequence of the Delaware Public Service Commission Orders or for other reasons. These changes would be announced as appropriate through this SOS RFP web site.

The material presented and distributed here is for informational purposes only and is made available with the understanding that any recipient will use it for the sole purpose of assisting in the participation in the aforementioned SOS RFP Process. The information is not intended to form any part of the basis of any investment decision or valuation. The information presented is not a recommendation by Delmarva, the Commission or their advisors to any recipient of the information to participate in the RFP Process, and should not be considered as such. Each recipient acknowledged by reviewing the information that it will make its own independent assessment of the potential value to supply the SOS load after making all investigations it deems necessary.

The information presented here should not be considered to be a contract of any kind between Delmarva or its representatives and the recipient(s). Likewise, Delmarva or its representatives should not consider the information presented any form of guaranty. Before deciding on its level of participation, each recipient should consult with legal, economic, technical and financial advisors. The statements herein describing documents and agreements are summaries only and are qualified in their entirety by reference to such document and agreements.

Delivery of this information shall not create any implication that there has not been since the date hereof a change with respect to the facts and circumstances herein described or that the information is correct as of any time subsequent to the date hereof. Other than as expressly set forth in the second paragraph of this section, none of Delmarva's, the Commission or their representatives intends to update any matter herein described.