

REQUEST FOR PROPOSALS

**THE PUBLIC SERVICE COMMISSION
STATE OF DELAWARE**

CONSULTING SERVICES TO THE DELAWARE PUBLIC SERVICE COMMISSION
IN THE MATTER OF THE APPLICATION OF
DELMARVA POWER & LIGHT COMPANY
FOR AN INCREASE IN ELECTRIC BASE RATES.

PSC DOCKET NO. 11-528

DATE OF ISSUE: December 9, 2011

INDEX

I.	INTRODUCTION:	1
II.	BACKGROUND:	2
III.	SCOPE OF WORK TO BE PERFORMED:	3
	TASK 1: COST OF SERVICE AND RATE DESIGN STUDY EVALUATION:	4
	TASK 2: RATE BASE, REVENUE REQUIREMENT, REVENUES, EXPENSES AND OTHER GENERAL RATE CASE ISSUES EVALUATION:	5
	TASK 3: CAPITAL STRUCTURE, COST OF CAPITAL, COST OF EQUITY AND OVERALL RATE OF RETURN ISSUES EVALUATION:	5
	TASK 4: INTER-COMPANY ALLOCATIONS AND SERVICE LEVELS:	6
IV.	DEADLINE FOR PROPOSALS:	8
V.	PROPOSED PLANS AND TIMETABLES:	8
VI.	SIGNATURE ON PROPOSALS AND NUMBER OF COPIES:	8
VII.	PSC PROJECT COORDINATOR:	9
IX.	PERSONNEL ASSIGNED:	10
X.	RELATED PROJECTS:	10
XII.	FIRM OFFER:	11
XIII.	PRICE:	12
XIV.	ACCEPTANCE OF PROPOSAL:	14
XV.	FACTORS WHICH MAY BE CONSIDERED BY PSC IN SELECTION PROCESS	16
XVI.	ASSURANCES:	17
XVII.	INDEPENDENT CAPACITY AND ASSIGNABILITY:	17
XVIII.	INDEMNIFICATION:	17
XIX.	ACCESS TO RECORDS AND RIGHT TO AUDIT:	18
XX.	CONFIDENTIALITY OF PROPOSALS, WORK PAPERS AND MATERIALS	18
XXI.	PAYMENT:	19

XXII. TERMS AND CONDITIONS:.....19

XXIII. TERMINATION OF AGREEMENT FOR CAUSE:20

XXIV. TERMINATION FOR CONVENIENCE OF PSC:21

XXV. EFFECTIVE DATE AND TIME OF PERFORMANCE:21

XXVI. ADDITIONAL WORK NOT CONTEMPLATED IN THE PROPOSAL:.....21

I. INTRODUCTION:

You are hereby invited to submit a proposal to the Delaware Public Service Commission ("Commission", "PSC") in accordance with the specifications and conditions contained in this Request for Proposal ("RFP"). Please submit your proposal in the format specified with appropriate data in each section. Offerors should submit an original and ten (10) copies of each proposal.

Signed: _____
William F. O'Brien
Executive Director
Public Service Commission
of Delaware

II. BACKGROUND:

Delmarva Power & Light Company provides standard offer electric service to approximately three hundred thousand (300,000) residential and commercial customers in Delaware. The utility is a wholly-owned subsidiary of PEPCO Holdings, Inc (PHI). The last general rate case for this utility was filed on September 18, 2009 – PSC Docket No. 09-414. A settlement has been reached in the matter and hearings were held on April 15, April 16, and May 26, 2010. Order No. 8011, the Final Findings and Opinion was signed by the Commission on August 11, 2011. As part of the prior base rate proceeding, Delmarva had requested to implement revenue decoupling using a modified fixed variable rate design. The mechanism was approved, but the implementation was not. The implementation details are being determined in a working group as directed by Order No. 8011. Details on the case can be found on the Commission’s website at: <http://depsec.delaware.gov/electric.shtml> under Important or Pending Cases and at <http://depsec.delaware.gov/electric/decoupling.shtml>.under Revenue Decoupling.

In the current filing, Delmarva is requesting an increase in its electric base rates of \$31,760,741 or 4.97% in total revenues. The Company states in its application that they are seeking recovery of a variety of costs including continued investment in reliability, customer service and new technology.

III. SCOPE OF WORK TO BE PERFORMED:

The PSC seeks assistance from qualified firms and individuals to provide professional public utility consulting service to the PSC in regard to determining the justness and reasonableness of Delmarva Power & Light Company's filing for an increase in its Electric Base Rates for Distribution Delivery Service. The Commission's internal staff will be available to perform field examination tasks and will work with the consultant(s) in the preparation and presentation of testimony and exhibits. The Commission's internal staff may participate in certain areas of the case, which may be incorporated in the consultant's case presentation package.

The successful offeror(s) will be required to analyze the filing by the utility and to assist in the development of cross-examination of the utility's prefiled testimony and exhibits; to develop, present, and stand cross-examination on direct testimony of the utility's filing, and to assist Commission Rate Counsel, as needed, in the briefing and presentation of the Staff case to the Hearing Examiner and to the Commission. This may also include the preparation of rebuttal testimony and cross-examination of rebuttal testimony as may be deemed necessary by rate counsel. Professional assistance will also be required in the post-hearing phases of the proceedings which may include the preparation of explanations, summaries, schedules, and exhibits as required by the Hearing Examiner, Rate Counsel, or by the PSC.

In summary, the successful offeror(s) will be expected to provide the range of services in the areas specified which would normally be provided by the staff of a larger state utility regulatory commission in the processing of a similar matter to its conclusion. The Commission seeks from the bidder(s) a firm total not-to-exceed price for complete

performance of these tasks, a list of individuals and their qualifications who will be performing the tasks, and an estimate as to the time frame in which the work can be completed.

Please provide a separate priced quote for each task and estimated time schedule for the provision of professional consulting assistance. **A bidder may provide a quote on any or all of the following tasks:**

TASK 1: COST OF SERVICE AND RATE DESIGN STUDY EVALUATION:

- a) Analysis and evaluation of Delmarva's cost of service and rate design.
- b) Appropriate functionalization, classification, and allocation of distribution revenue requirements.
- c) Analysis and evaluation of alternative regulation remedies for regulatory lag as set forth in the filing including revenue decoupling, multi-year rate caps, targeted cost recovery mechanisms and fully forecasted test years.
- d) Analysis and evaluation of the Reliability Investment Recovery Mechanism, proposed by Delmarva, which seeks to correct under earning and mitigate regulatory lag.
- e) Potential transition from a volumetric rate design to a modified fixed variable rate design and implementation issues with such a transition.
- f) Prepare alternative rate design(s) for recovery of Delivery Service and other miscellaneous charges, if necessary.

TASK 2: RATE BASE, REVENUE REQUIREMENT, REVENUES, EXPENSES AND OTHER GENERAL RATE CASE ISSUES EVALUATION:

- a) Analysis and evaluation of Delmarva's rate base, revenue requirement, operations and maintenance expenses including depreciation, revenues and other general rate case issues as filed.
- b) Analysis and evaluation of appropriate adjustments to historical test year data including weather normalization.
- c) Analysis and evaluation of the appropriate level, recognition, and recovery of executive and employee compensation benefits, and uncollectible expenses.
- d) Analysis and evaluation of the depreciation rates contained in the filing.
- e) Assess Company compliance with the ring-fencing requirements approved in PSC Docket No. 09-414 and develop an annual reporting process.
- f) Prepare recommendations or alternative adjustments, as needed

TASK 3: CAPITAL STRUCTURE, COST OF CAPITAL, COST OF EQUITY AND OVERALL RATE OF RETURN ISSUES EVALUATION:

- a) Analysis and evaluation of Delmarva's capital structure, cost of capital, cost of equity, and overall rate of return as filed.
- b) Prepare recommendations or alternative adjustments, as needed, and address the impact of the implementation of a revenue decoupled rate design and/or alternative regulation remedies on the return on equity.
- c) Prepare recommendations or alternative adjustments, as needed.

TASK 4: INTER-COMPANY ALLOCATIONS AND SERVICE LEVELS:

- a) Identify issues and assess impact, if any, on the revenue requirement resulting from the sale of Conectiv Energy on the inter-company allocations, appropriateness of expenses allocated, as well as the level of service provided to Delmarva Power electric operations by various Pepco Holdings, Inc. service groups such as regulatory, legal, customer service, etc. More in depth review and development of recommendations if initial review warrants.

The successful offeror(s) are expected to use professional expertise in projecting a reasonable work plan for this engagement which will result in the completion of the engagement for the fixed price. The Commission recognizes that there are limited circumstances where, for unforeseeable reasons, the scope of work will necessarily expand beyond that reasonably contemplated in the original proposal and, therefore, the Commission will consider timely filed requests for supplemental compensation. A timely filed request is one filed with the Executive Director in sufficient time prior to the consultant commencing the work for which the additional payment is sought as to enable the Commission to consider the request (normally not less than two weeks). ALL OFFERORS ARE HEREBY SPECIFICALLY ADVISED THAT PRIOR TO ANY PAYMENT FOR SUCH ADDITIONAL COST, THE CONSULTANT WILL BE REQUIRED TO PROVIDE DETAILED WRITTEN SUPPORT FOR ANY SUPPLEMENTAL FUNDING DEMONSTRATING THAT THE WORK INVOLVED IN BRINGING THE MATTER TO CONCLUSION WAS NOT AND COULD NOT HAVE BEEN REASONABLY CONTEMPLATED AS BEING WITHIN THE ORIGINAL PROPOSAL. The consultant

may, in addition, be required to appear before the full Commission in open public session to explain any such request for compensation over and above the firm price established to complete this engagement.

Also, in Delaware, by statute (29 Del. C. §8642), the Public Advocate may request assistance from the Staff and experts retained by the PSC. The right of the Public Advocate to request assistance from the Staff or experts is limited (without prior Commission approval) to assistance which will not increase the overall billable cost to the Commission. Any requests for assistance by the Public Advocate which fall outside the scope of this Request for Proposal or which would require the consultant to perform additional work not included in the consultant's contract price must be brought to the attention of the Commission's Executive Director for approval before any such work or assistance is provided. The Office of the Public Advocate is also empowered to independently retain consulting or other expert assistance as deemed necessary.

IV. **DEADLINE FOR PROPOSALS:**

All proposals must be received not later than NOON on Friday, December 30, 2011 in a sealed envelope marked BID PROPOSAL ENCLOSED. Proposals received thereafter will not be considered by the PSC. To be received, the proposals must be physically present, by mail or by delivery at the PSC office, 861 Silver Lake Blvd, Cannon Building, Suite 100, Dover, Delaware 19904, by the time specified hereinabove.

V. **PROPOSED PLANS AND TIMETABLES:**

The offeror's proposal must clearly state all plans for the performance of the proposed review, together with a preliminary discussion of each major element of review proposed. The timetable must estimate the calendar time required, and the proposed elements of the review, including the development of proposed report, cross-examination and preparation of affirmative testimony.

VI. **SIGNATURE ON PROPOSALS AND NUMBER OF COPIES:**

The proposals and all copies must be signed by an officer or partner authorized to bind the offeror contractually. The name, title, address, and telephone number of the officer or partner (if different from above) who may be contacted during the period of proposal evaluation. An original plus ten (10) copies are required. By obtaining prior approval of the PSC Data Processing manager as to diskette and program format one electronic copy may be substituted for the last four (4) physical copies.

VII. PSC PROJECT COORDINATOR:

The following individual is designated as the PSC Project Coordinator:

William F. O'Brien

Executive Director

Delaware Public Service Commission

861 Silver Lake Blvd.

Cannon Building, Suite 100

Dover, Delaware 19904

Mr. O'Brien will act as the point of contact and coordinator for the entire project. He will represent the PSC in all aspects of this project and will receive all proposals, invoices, reports, and other correspondence relating to the project. Contact with other members of the PSC Staff or Commissioners is not appropriate prior to the selection of the Consultant.

VIII. PSC PROJECT CASE MANAGER:

Staff will have a designated Case Manager who will oversee scheduling and procedural concerns as well as serve as the principal contact for the technical tasks associated with this review. Periodic updates will be provided to the Case Manager as the review progresses, at least on a bi-weekly basis.

IX. PERSONNEL ASSIGNED:

Your proposal must include an organizational chart listing each person to be assigned to the project. Please include each person's position within the firm, billing rate, experience, specific contribution to be made to the project, and other pertinent information. In addition, list the names of both the partner or officer in charge or the project manager, and give an estimate of their billable time for the project. List the estimated hours to be applied by all other persons to be assigned to this project. No persons other than those listed in the offeror's original proposal will be permitted to work on the project without the prior express approval of the PSC Project Coordinator.

Provide a résumé for each person who will be assigned to the project indicating the individual's knowledge of the subject areas for this project and the qualifications applicable to the performance of the project. In addition, please list in your proposal three (3) current references for each person, along with addresses and current telephone numbers of the reference. These references will be contacted by Commission personnel in the evaluation of the proposals received.

X. RELATED PROJECTS:

Each proposal must list projects currently in progress or completed within the last two (2) years, which the offeror considers to be similar to this project. Each project should be described in sufficient detail to permit comparison with the subject matter of this RFP. Please place this information in an appendix to your proposal.

XI. CONFLICTING INTERESTS OR EMPLOYMENT:

Any individual or firm submitting a proposal is required to review its prior and existing employment, and that of its personnel, to insure that there are no interests which could reasonably be deemed to conflict with the work which is the subject matter of this RFP. The PSC is interested in avoiding even the appearance of impropriety and, therefore, any doubts in this regard should be resolved in favor of full disclosure. The successful offeror, and the personnel employed on the project, must have no financial or business interest directly or indirectly with PSC regulated companies or their competitors doing business within the State of Delaware which would or could be reasonably thought to affect the exercise of independent professional judgment throughout the proceedings contemplated by this RFP. Even though not state employees, the offeror should read and be familiar with the terms of 29 Del. C. Ch. 58 - "Laws Regulating the Conduct of Officers and Employees of the State" so as to assist them in avoiding any improper conduct. In addition, 26 Del. C. §109 provides:

No person shall be eligible for appointment to or shall hold the office of Commissioner, or be appointed by the Commission to hold any office or position under it, who is a director, officer or employee of any public utility or owns or directly or indirectly controls any stock of any public utility entitled to vote for election of directors. No Commissioner, and no employee, appointee or official engaged in the service of or in any manner connected with the Commission shall hold any office or position, or be engaged in any business, employment or vocation, the duties of which are incompatible with the duties of his office as Commissioner, or his employment in the service or in connection with the work of the Commission.

XII. FIRM OFFER:

All proposals must contain a statement that the proposal is a firm offer for a period of not less than six (6) weeks from the deadline for proposals. Please provide such a statement **conspicuously** in your proposal.

XIII. PRICE:

It is intended that the contract resulting from the formal acceptance of the Proposal will be on a "NOT TO EXCEED" basis. You are requested to submit a proposal which is realistic for the approach you propose and which will enable you to give the PSC the full benefit of your best professional judgment and efforts.

Using the format below, provide a breakdown of the price of the proposal by hourly rates for every professional individual. Charges for non-professionals such as secretarial and typing support may be aggregated under "other fees or expenses".

<u>NAME</u>	<u>BILLING RATE</u>	<u>HOURS</u>	<u>EXPENSES</u>	<u>TOTAL</u>
Partner				
Project Manager				
All Others (by name)				
All Other Fees or Expenses				

Flexibility between classes and among members of the project team is permissible if the maximum price is not exceeded.

In addition to the above format, each proposal must contain the following statement:

The PSC shall pay (offeror) as full compensation for all authorized work performed and accepted including all costs, fees, and expenses, an amount not to exceed \$_____.

All price information shall be placed in your proposal.

Only reasonable expenses shall be charged. The Commission reserves the right to disallow expenses charged for the engagement for which the Commission determines are not reasonable. Insomuch as the proposed services will be for a state agency, the successful offeror shall make every effort to keep costs of hotels, meals and transportation to a minimum. When considering future proposals from a successful offeror, the Commission will consider the successful offeror's record in this regard.

XIV. ACCEPTANCE OF PROPOSAL:

The original and copies of your proposal may be used as the contract. Therefore, each proposal must include an acceptance paragraph for the PSC to sign. Until a formal notice of acceptance is issued, however, no communication either written or oral, by any member of the Commission or Commission employee, shall constitute or be interpreted as a promise of or actual acceptance of any proposal.

A formal notice of acceptance will be issued in writing to the successful offeror upon receipt by the PSC of approval of a validly executed purchase order for the proposal from the Office of the Secretary of Finance of the State of Delaware. Such formal notice of acceptance is required prior to the creation of a contractual relationship between the successful offeror and the PSC. By submitting a proposal, an offeror specifically agrees to perform no services chargeable to the PSC or the State of Delaware under or in connection with this RFP or the subject thereof until receipt of formal notice of acceptance.

To facilitate the processing of the proposal of the successful offeror, the following tentative acceptance paragraph should be provided at the end of your proposal:

If this proposal meets with PSC approval and we are selected as the successful offeror, you will so indicate by signing the acceptance provided below and we will consider the RFP and this proposal as our agreement on this matter. We understand that this acceptance is tentative and conditioned upon approval by the Office of the Secretary of Finance of the State of Delaware of a validly executed purchase order for the work to be performed in connection therewith. We will perform no services under this proposal to be charged to the PSC or to the State of Delaware and will not consider a binding contractual arrangement to have been entered into until the issuance by the PSC of a formal notice of acceptance stating that a validly executed purchase order for services to be performed in accordance with this proposal has been approved by the Office of the Secretary of Finance of the State of Delaware. We acknowledge that all terms, conditions, and assurances contained in the RFP to which this proposal responds are accepted and incorporated by this proposal.

Accepted this _____ day of
_____, 2011.

Public Service Commission
of Delaware

By:

XV. FACTORS WHICH MAY BE CONSIDERED BY PSC IN SELECTION PROCESS

The PSC will normally evaluate the proposals that meet the specifications of this RFP on the basis of its consideration of the following factors:

1. Demonstrated ability to understand and perform the assignment in an expeditious and professional manner.
2. Innovative suggestions for making the required review and analysis.
3. Description of the work product to be produced.
4. Demonstrated knowledge and understanding of public utility regulatory proceedings of a similar nature.
5. The quality of the staffing plan and qualifications and past experience of the personnel assigned to work on the project.
6. The specific approach proposed for the project, including the time requirements for different phases of the project, if any, and the presence or absence of briefing of PSC permanent staff at the conclusion of the proceedings.
7. Prior experience of the Commission with the offeror's work product.
8. Responses and recommendations of listed references.
9. Existence of conflicting or potentially conflicting interest or employment of the appearance of such conflicts.
10. Total price of proposal and the components thereof.
11. Overall impression of the offeror from the form of the proposal and from services previously performed for the Commission, if any.

XVI. ASSURANCES:

By submitting a proposal in response to this RFP, the offeror assures the PSC that he, she, or it has or will, prior to performing any work to be billed to the PSC in connection with the project which is the subject matter of this RFP, secure all necessary licenses or permits required by the Division of Revenue and other appropriate agencies and departments of the State of Delaware to perform work of the nature contemplated by this RFP.

XVII. INDEPENDENT CAPACITY AND ASSIGNABILITY:

The successful offeror and any agents and employees thereof shall, in the performance of work under the proposal and this RFP, act in an independent capacity and not as officers or employees of the State. The successful offeror shall not assign nor transfer any interest under the contract resulting from this RFP without the prior written consent of the PSC.

XVIII. INDEMNIFICATION:

The successful offeror agrees to indemnify, defend, and save harmless the State of Delaware, its officers, Commissioners, employees, and agents from any and all claims and/or losses accruing or resulting to persons, firms, or corporations who may be injured or damaged by the successful offeror in the performance of its duties and responsibilities under the proposal accepted by the Commission and also from and against any liability, including costs and expenses, for violation of proprietary rights, copyrights, or rights of privacy or

confidentiality arising out of the publication, translation, reproduction, delivery, performance, use or disposition of any data furnished pursuant to this engagement or based on any libelous or otherwise unlawful matter contained in such data.

The successful offerer agrees that it will also provide or cause to be provided, at no further cost to the Commission, such additional professional consulting services as may be necessary to rectify or otherwise correct the effects of any errors or omissions resulting from the negligent performance or non-performance by the successful offeror, its employees, agents, or assigns of its reasonable duties and responsibilities in connection with the subject matter of this RFP.

XIX. ACCESS TO RECORDS AND RIGHT TO AUDIT:

The successful offeror agrees that the PSC, through its duly authorized agents or employees, shall have the right to audit and examine such books, records, time cards, and other material in possession or control of the offeror as may be deemed necessary to verify fees, charges, or expenses billed to the PSC in regard to the project which is the subject of this RFP.

XX. CONFIDENTIALITY OF PROPOSALS, WORK PAPERS AND MATERIALS

The proposal filed in response to this RFP will be considered a public document and will be available for public inspection upon filing with the PSC.

The successful offeror agrees that the PSC shall own and have unlimited right to all interim and final written testimony, exhibits, or reports, and that the offeror shall not assert any rights or establish any claim under existing copyright, patent, or data law as to such material or processes. Further, the offeror agrees that upon request it will turn over to the PSC within thirty (30) days following the deliberation and decision by the Commission on the subject matter of this RFP, original or legible copies of all work papers created by offeror in support of its testimony, exhibits, or reports during the course of this engagement.

XXI. PAYMENT:

The successful offeror shall submit a monthly detailed bill for services performed to that point in time. Subject to review and audit by the PSC, such invoice will be promptly processed and paid.

XXII. TERMS AND CONDITIONS:

The RFP does not commit the PSC to enter into a contract nor to pay any cost incurred in the preparation of a proposal in response to this request. The PSC reserves the right to accept or reject any or all proposals received, to negotiate with all qualified sources, or to cancel or modify this RFP in whole or in part. The PSC reserves the right to request additional written data, information, oral discussion, or presentations in support of any written proposal or portion thereof which is deemed necessary to clarify any aspect of the proposal.

The PSC reserves the right to enter into negotiations with one or more offerors concerning the subject matter of this RFP independent from the proposals which may be submitted in response to the RFP, and the PSC may accept any proposal with or without modifications acceptable to the offeror without conducting further written or oral discussions with any offeror, and the PSC shall be under no obligation to explain to any offeror whose proposal is not accepted, the reasons for such non-acceptance. By submitting a proposal, the offeror agrees that it will not seek such explanation for non-acceptance of its proposal.

XXIII. TERMINATION OF AGREEMENT FOR CAUSE:

It is understood and agreed that if, through any cause or for any reason, the successful offeror shall fail to fulfill in a timely and proper professional manner the obligations under the successful proposal, or shall violate any of the terms and conditions of this RFP, the PSC shall have the right to terminate the agreement by giving written notice of such termination to the successful offeror specifying the effective date of such termination, which shall be not earlier than the mailing of such notice. In the event of such termination, all finished or unfinished documents, data, studies, testimony, exhibits, or other material prepared or being prepared pursuant to the project shall, at the option of the PSC, become its property and the successful offeror shall be entitled to receive just and equitable compensation for any reasonably satisfactory work performed.

XXIV. TERMINATION FOR CONVENIENCE OF PSC:

The PSC reserves the right to terminate this project at any time, either before or after acceptance of the proposal. Such termination, when made prior to the issuance of formal notice of acceptance of a proposal, may be accomplished by telephone or mail. Such termination, when made after issuance of formal notice of acceptance of the proposal, shall be accomplished by notice of termination which shall be made in writing and which shall be effective upon receipt by the successful offeror.

XXV. EFFECTIVE DATE AND TIME OF PERFORMANCE:

The rights and obligations of the successful offeror and the PSC shall not be effective, nor shall either the successful offeror nor the PSC be bound by the terms of a tentatively accepted proposal unless and until the verification committee on "consultant contracts with individuals" (where relevant) has approved the proposal accepted by the Commission, and a validly executed purchase order has been approved by the Office of the Secretary of Finance of the State of Delaware. Performance of services contemplated by this RFP shall not begin prior to the issuance of a formal notice of acceptance by the PSC after approval of a validly executed purchase order.

XXVI. ADDITIONAL WORK NOT CONTEMPLATED IN THE PROPOSAL:

In the event that it becomes necessary or desirable during the course of the project for the successful offeror to perform additional work not reasonably contemplated within the

proposed firm price, it is understood and agreed that **NO** compensation will be paid for such work commenced or undertaken at the direction of Commission Rate Counsel, the Public Advocate, any individual Commissioner, or Commission employee without the **prior** approval of the Commission.