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 CHESAPEAKE UTILITIES CORPORATION FOR

APPROVAL OF A CHANGE IN ITS GAS SALES SERVICE RATES ("GSR") TO BE

EFFECTIVE NOVEMBER 1, 2012 (FILED SEPTEMBER 21, 2012)

PSC Docket No. 12-450F

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Table of Contents

INTRODUCTION: 3

II. BACKGROUND: 4

III. SCOPE OF WORK TO BE PERFORMED: 5

IV. DEADLINE FOR PROPOSALS: 10

V. PROPOSED PLANS AND TIMETABLES: 10

VI. SIGNATURE ON PROPOSALS AND NUMBER OF COPIES: 11

VII. PSC PROJECT COORDINATOR: 11

VIII. PSC PROJECT CASE MANAGER: 12

IX. PERSONNEL ASSIGNED: 12

X. RELATED PROJECTS: 13

XI. CONFLICTING INTERESTS OR EMPLOYMENT: 13

XII. FIRM OFFER: 14

XIII. PRICE: 14

XIV. ACCEPTANCE OF PROPOSAL: 16

XV. FACTORS WHICH MAY BE CONSIDERED BY PSC IN THE SELECTION PROCESS 18

XVI. ASSURANCES: 19

XVII. INDEPENDENT CAPACITY AND ASSIGNABILITY: 19

XVIII. INDEMNIFICATION: 20

XIX. ACCESS TO RECORDS AND RIGHT TO AUDIT: 20

XX. CONFIDENTIALITY OF PROPOSALS, WORK PAPERS AND MATERIALS 21

XXI. PAYMENT: 21

XXII. TERMS AND CONDITIONS: 22

XXIII. TERMINATION OF AGREEMENT FOR CAUSE: 22

XXIV. TERMINATION FOR CONVENIENCE OF PSC: 23

XXV. EFFECTIVE DATE AND TIME OF PERFORMANCE: 24

XXVI. ADDITIONAL WORK NOT CONTEMPLATED IN THE PROPOSAL: 24

A COPY OF THE ATTACHED REQUEST FOR CONSULTING SERVICES TO THE DELAWARE PUBLIC SERVICE COMMISSION CONCERNING **THE MATTER OF THE APPLICATION OF CHESAPEAKE UTILITIES CORPORATION FOR APPROVAL OF A CHANGE IN ITS GAS SALES SERVICE RATES ("GSR") TO BE EFFECTIVE NOVEMBER 1, 2012** WAS SENT TO**:**

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Mr. Ralph Smith
Larkin and Associates
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Livonia, MI 48154

Mr. David Peterson
Chesapeake Regulatory Consultants
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One Washington Mall, 9th Floor
Boston, MA 02108

INTRODUCTION:

You are hereby invited to submit a proposal to the Delaware Public Service Commission ("Commission" or "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 O'Brien
Executive Director
Public Service Commission of Delaware

II. BACKGROUND:

Chesapeake Utilities ("Chesapeake" or "the Company") is a natural gas distribution subsidiary of Chesapeake Utilities Corporation ("CUC"). Chesapeake is a Delaware public utility authorized to sell and distribute natural gas in portions of southern New Castle County and is the only natural gas distribution system serving Kent and Sussex County. Chesapeake serves approximately 41,500 residential, commercial, and industrial customers in Delaware. Chesapeake's distribution rates currently in effect were approved by the Commission in Order No. 7434 dated September 2, 2008 in PSC Docket No. 07-186.

On September 21, 2012, Chesapeake applied to the Commission for approval of changes to its Gas Sales Service Rates ("GSR") to become effective for gas service provided from November 1, 2012 through October 31, 2013. Chesapeake's Tariff No. 42 requires the Company to file an annual GSR application sixty (60) days prior to November 1st of each year. The GSR rates are the component of a customer's bill which reflects the costs the Company expects to incur to purchase the supply of natural gas needed to serve its customers.

More information regarding this filing, including a link to the Company's application, and the current Tariff for the Delaware Division of Chesapeake, can be found on the Commission's website by visiting http://depsc.delaware.gov/naturalgas.shtml.

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 Chesapeake's annual GSR filing. The Commission's internal staff will be available to perform field examination tasks and work with or, if needed, on behalf of the consultant(s) in the preparation and presentation of testimony and exhibits. Additionally, 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 Staff case to the Hearing Examiner and the Commission. This may also include the preparation and assisting rate counsel in cross-examination of rebuttal testimony as may be deemed necessary. 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 a range of services in the areas specified which would normally be provided by the staff of a larger state utility regulatory commission in the proceeding 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. The intent of this RFP is to award a contract to that responsible bidder whose proposals, conforming to the RFP are most advantageous to the State, price and other factors considered.

The following tasks appear to be the most significant areas for review and investigation regarding Chesapeake's GSR filing. These identified tasks do not constitute an exhaustive listing; additional tasks or issues may be identified and investigated as the proceeding progresses. **A bidder shall provide a quote and estimated time schedule for all of the following tasks:**

Task 1:

Analysis of the Company's procedures for forecasting demand requirements. This will involve the review of Company's specification of heating design day levels, regression models, and evaluation of usage per customer levels and customer growth as they affect firm supply requirements.

Task 2:

A review of the seasonal and design day capacity in order to ensure that any capacity reserve is appropriate and that both pipeline storage and transportation resources are properly matched to demand requirements.

Task 3:

Analysis of the Company's evaluation of capacity options concerning the mix of storage, transportation, and peaking supplies from a policy perspective. Likewise, capacity configuration concerning market area vs. production area storage, and the diversification of supply and sourcing will need to be evaluated to ensure system reliability and reasonable cost.

Task 4:

An overview concerning requirements and costs of the Company's use of propane supplies, specifically among affiliate transactions, along with the use of any bundled or delivered supply.

Task 5:

Analysis of the Company's utilization of capacity release transactions whether done in-house or by the Company's capacity manager. This may also include a review of FERC compliance as well as the levels of margins or credits that are obtained from excess or seasonal capacity resources if issues are identified.

Task 6:

A review of the levels of Lost and Unaccounted For Gas along with Company Use and gas losses associated with mains and services breaks caused by third parties. This analysis will also review volume and revenue accounting associated with gas supply.

Task 7:

Evaluation of the Company's overall gas procurement and hedging activities in regards to guidelines, procedures, structure, and implementation. This evaluation

would also include a review of cost recovery relating to any supply planning tools or use of outside services. Recent trends in natural gas prices, along with greater price volatility, warrant review of overall objectives and the effectiveness of hedging activities.

Task 8:

An analysis of paper-transactions tracking the dollar-cost averaging approach to the hedging program to determine if dollar-cost averaging will provide a greater benefit to customers versus the Company's current hedging plan.

Task 9:

A review of upstream capacity assets to ensure that sufficient upstream capacity exists and is dedicated to meet the firm customers' requirements or a design day forecast.

Task 10:

A review of the Company's utilization of its storage inventories to ensure that injection practices, fill targets, and withdrawals ensure supply reliability and minimize overall gas costs.

Task 11:

Analysis of any internal or external audits of the Company's accounting for gas costs and revenues. Any recent audits should be reviewed in order to identify accounting deficiencies or material adjustments to reported gas costs or recoveries.

Task 12:

Review of procedures for imposing penalties for imbalances, cash out provisions, and non-deliveries in order to ensure that the penalties are sufficient to deter imbalances and are reasonable in light of recent gas price levels.

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, October 19, 2012 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 (if applicable), 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 from the PSC Project Coordinator 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 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".

NAME	BILLING RATE	HOURS	EXPENSES	TOTAL
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
_____. 2012.

Public Service Commission of Delaware

By:

XV. FACTORS WHICH MAY BE CONSIDERED BY PSC IN THE 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, the Commission, 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 presentation of the report to 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, reports, 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.