



**STATE OF DELAWARE
PUBLIC SERVICE COMMISSION**

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MEMORANDUM

TO: The Members of the Commission

FROM: Tricia Gannon *TAG*
Public Utilities Analyst

DATE: January 10, 2012

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED DECEMBER 2, 2011) – PSC DOCKET NO. 11-528

Background:

On December 2, 2011, Delmarva Power & Light Company ("Delmarva") filed an application with the Delaware Public Service Commission requesting approval of a rate increase of \$31,790,741. This is a 4.97% increase on total revenue.

Invitations to Bid were published in "The News Journal" and the "Delaware State News" soliciting a "Request for proposal – Consulting Services to the Delaware Public Service Commission for the Application of Delmarva Power & Light Company to Increase Electric Base Rates – PSC Docket No. 11-528."

Staff sent proposals to the following fourteen consulting firms: Ariadair Economics Group, Blue Ridge Consulting Services, Inc., Chesapeake Regulatory Consultants, Excel Consulting, Exeter Associates, Inc., Henkes Consulting Group, J. Kennedy & Associates, Inc., Larkin and Associates, Nova Energy Consultants, Overland Consulting, Rothschild Financial Consulting, Russell Consulting, Snavely King Majoros O'Connor & Lee, and Technical Associates, Inc. and posted the request for proposal on the Public Service Commission website.

We received bids from eleven firms: Ariadair Economics Group; Blue Ridge Consulting Services, Inc.; Chesapeake Regulatory Consultants, Inc.; Habr Economics; Henkes Consulting; J. Kennedy and Associates, Inc.; J. Pollock Inc. & Nova Energy Consultants;

LaCapra Associates; Larkin & Associates; Rothschild Financial Consulting; and Snavelly, King, Majoros & O'Connor, Inc.

Staff requested that the consultants provide bids on four separate tasks: Task 1 – Cost of Service and Rate Design Study Evaluation; Task 2 – Rate Base, Revenue Requirement, Revenues, Expenses, and Other General Rate Case Issues Evaluation; Task 3 – Capital Structure, Cost of Capital, Cost of Equity, and Overall Rate of Return Issues Evaluation; and Task 4 – Inter-Company Allocations and Service Levels. The consultants could bid on any or all of these tasks.

Task 1: Cost of Service and Rate Design

• Snavelly, King, Majoros & O'Connor, Inc.	\$32,517
• Ariadair Economics Group	\$37,172
• Blue Ridge Consulting Services, Inc.	\$47,308
• J. Pollock Incorporated & Nova Energy Consultants, Inc.	\$55,000
• LaCapra Associates	\$66,590

Snavelly, King, Majoros & O'Connor, Inc. has provided consulting service to the Commission on previous PSC Dockets including 11-207 (Artesian) and 05-304 (Delmarva Power). The firm's proposal was the lowest received. Staff has been pleased with the quality of their work product, and therefore recommends that the Commission approve the bid of Snavelly, King, Majoros & O'Connor, Inc. for a total amount not to exceed \$32,517.

Task 2: Rate Base, Revenue Requirement, Revenues, Expenses and Other General Rate Case Issues

• Chesapeake Regulatory Consultants, Inc.	\$26,350
• Larkin & Associates	\$34,900
• Ariadair Economics Group	\$39,984
• Snavelly, King, Majoros & O'Connor, Inc.	\$42,647
• Henkes Consulting	\$42,350
• J. Kennedy and Associates, Inc	\$43,950
• Blue Ridge Consulting Services, Inc.	\$54,467

Staff recommends that the Commission approve the bid of Chesapeake Regulatory Consultants, Inc. for a total amount not to exceed \$26,350. Chesapeake has provided consulting service to the Commission on previous PSC Dockets including 06-145 (Tidewater Utilities, Inc.) and 05-304 (Delmarva Power). The bid listed a thorough work plan and the firm's proposal was the lowest received.

Task 3: Capital Structure, Cost of Capital, Cost of Equity, and Over Rate of Return

• Ariadair Economics Group	\$14,540
• Snavely, King, Majoros & O'Connor, Inc.	\$17,567
• Larkin & Associates	\$19,600
• J. Kennedy and Associates, Inc ³	\$19,730
• Rothschild Financial Consulting	\$22,870
• Blue Ridge Consulting Services, Inc.	\$23,153
• Habr Economics	\$23,220

Staff recommends that the Commission approve the bid of Larkin & Associates for a total amount not to exceed \$19,600. Larkin's proposal demonstrated a thorough review of the filing and a detailed workplan. Larkin has provided consulting service to the Commission on previous Delmarva Power PSC Dockets including 09-414 and 10-287. In the proposal, Larkin demonstrated a familiarity with the witnesses and the issues raised in the current Delmarva filing.

Task 4: Inter-Company Allocations and Service Levels

• Ariadair Economics Group	\$9,693
• Blue Ridge Consulting Services, Inc.	\$17,887
• J. Kennedy and Associates, Inc	\$21,120
• Snavely, King, Majoros & O'Connor, Inc.	\$30,456
• Larkin and Associates	\$41,500

Staff recommends that the Commission approve the bid of Blue Ridge Consulting Services, Inc. for a total amount not to exceed \$17,887. Blue Ridge has provided consulting service to the Commission on previous Delmarva Power PSC Dockets including 09-414. The firm is familiar with Delmarva Power and their proposal included a detailed work plan with a time commitment that is appropriate for the scope of this task. Blue Ridge also has a familiarity with the specific issues as the result of their participation in a similar case for the District of Columbia Staff involving Pepco.