



A PHI Company

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Gary R. Stockbridge
President

February 28, 2008

The Honorable Arnetta McRae
Commission Chair
Delaware Public Service Commission
Cannon Building, Suite 100
861 Silver Lake Blvd.
Dover, DE 19904

The Honorable John A. Hughes
Secretary
Department of Natural Resources and
Environmental Control
89 Kings Highway
Dover, DE 19901

The Honorable Jennifer W. Davis
Director
Office of Budget and Management
Haslet Armory
122 William Penn Street
Dover, DE 19901

The Honorable Russell T. Larson
Controller General
Office of the Controller General
Legislative Hall
411 Legislative Avenue
Dover, DE 19901

RE: Delmarva Power Competitive Wind Bids

Dear Chairwoman McRae, Director Davis, Controller General Larson, and Secretary Hughes:

As I had previously expressed to you, Delmarva Power is obtaining competitive wind bids for terms of 5 to 25 years to supply both renewable energy and renewable energy credits to our Delaware customers. I want to take this opportunity to update you on our progress.

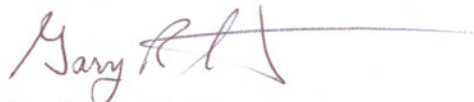
To date, we have completed a Request for Proposal and a Form Purchase Power Agreement (PPA) and have distributed them to more than 20 wind developers. I have attached a hard copy of each of these documents. Electronic versions also can be obtained by visiting our web site at www.delmarva.com. The PPA was developed in a manner that we are comfortable protects the long term interests of our customers. The Form PPA is a document we would sign with any of the developers who successfully complete this process and offer competitive prices to our customers.

We have been provided with formal notices of intent to bid from about a dozen developers identifying close to 20 wind farms with available nameplate capacity of over 2,000 MW of wind energy. We are very excited about the volume of interest we've received and we are confident that the competition will result in the best price for our customers. All of the projects designated by these developers are eligible sources, as defined by the new Delaware Renewable Portfolio Standards legislation signed into law by Governor Minner in 2007.

As you may be aware, based on data from various sources, including research conducted by Delmarva's consultant, ICF, and the Independent Consultant used by Commission Staff, offshore wind prices average approximately 45-50% more than the prices offered by onshore wind. Based upon this information, we expect that our customers could achieve savings in this process of more than \$50 million per year for every year of the contract when compared to the current offshore wind proposal. I believe that we all can agree that our fundamental obligation to our customers is to obtain all the benefits of renewable energy at the least possible cost. House Bill 6 itself requires that we obtain a solution that provides the stated benefits "in the most cost-effective manner".

Of course we will only know the actual level of the cost savings when the bidding process is complete. We expect to have our first indication of the results on March 10th, when preliminary bids are due. We look forward to bringing forward long- term contracts that make Delaware a leader in securing renewable energy, doing so as early as 2009, and assuring for our customers that it is done in a way that balances the need to move forward with renewable energy at rates that meet our responsibility to obtain renewable energy at the lowest cost possible. We will continue to keep you informed of our progress and results. Should you have any questions, please do not hesitate to call me to discuss them.

Sincerely,



Gary R. Stockbridge
President, Delmarva Power Region

Cc w/o attachments:

Commissioner Jaymes Lester
Commissioner Joann Conaway
Commissioner Dallas Winslow
Commissioner Jeffrey Clark
G. Arthur Padmore, DPA

Bruce Burcat
Michael Sheehy
Janis Dillard
Honorable Ruth Ann Price