



Executive Order Number Eighty-Two; Implementing Strategies To Address Energy Restructuring

WHEREAS, the Delaware Public Service Commission previously had regulatory authority over the electric generation business of Delmarva Power & Light Company ("Delmarva") and the Delaware Electric Cooperative ("DEC") in Delaware; and WHEREAS, the Electric Utility Restructuring Act of 1999 (the "Act") deregulated the generation, supply and sale of electricity, including all related facilities and assets; and WHEREAS, to help ease the transition to a competitive retail electric supply market, the Act provided for rate caps to be instituted, which included a rate decrease of 7.5 percent for Delmarva residential customers; and

WHEREAS, the rate caps provided by the Act were originally scheduled to be lifted on October 1, 2002 for Delmarva's commercial and industrial customers, October 1, 2003 for Delmarva's residential customers and April 1, 2005 for all DEC customers; and WHEREAS, in accordance with a settlement agreement in the proceeding to review the merger of PEPSCO Holdings, Inc. and Delmarva, the Public Service Commission extended the rate caps for all Delmarva customers until May 1, 2006; and

WHEREAS, the lifting of rate caps for Delmarva customers on May 1, 2006 could lead to a rate increase of greater than 50 percent for residential customers; increase electric rates for small and mid-sized commercial customers by up to 67 percent; and increase electric rates for large commercial and industrial customers by as much as 118 percent that do not choose alternative suppliers; and

WHEREAS, the regional wholesale electric supply market prices are at historic highs, experiencing substantial volatility and appear to be adversely affected by natural gas price fluctuations, lack of sufficient regional fuel diversity, significant weather events, and world political situations; and

WHEREAS, it is vital that the State of Delaware undertake aggressive efforts to promote energy efficiency, whether through the Green Energy Fund or other incentives; and WHEREAS, retail electricity markets in restructured states have not developed in any meaningful way to date, except for the largest industrial companies,

NOW, THEREFORE, I, RUTH ANN MINNER, by virtue of the authority vested in me as Governor of the State of Delaware, do hereby declare and order the following:

1. The Public Service Commission shall examine the feasibility of (a) deferring, for a fixed or a phased-in period, pending electricity rate increases; (b) requiring Delmarva to build generation, or enter into long term supply contracts, to meet up to 100 percent of supply options under traditional rate base, rate of return regulation; (c) requiring Delmarva to conduct integrated resource planning to ensure fuel diversity and least cost supply alternatives; and (d) requiring Delmarva to implement demand side management, conservation and efficiency programs. The examination by the Public Service Commission shall also include its assessment of the need for legislation to accomplish any of these potential options. The results of this analysis shall be submitted to the Office of the Governor no later than March 8, 2006.

2. The Department of Natural Resources and Environmental Control, the Public Service Commission and the Public Advocate shall launch a consumer education program designed to educate citizens on the pending rate increases as well as energy conservation techniques. This education program shall be coordinated concurrently with the Public Service Commission's Consumer Energy Education Group.

3. The Department of Natural Resources and Environmental Control shall develop policies and programs that promote clean distributed generation technologies, coal gasification, combined heat and power applications and other steps toward reducing overall energy costs and/or enhancing energy efficiency in Delaware. The Department shall report on the development of such policies and programs to the Office of the Governor no later than March 8, 2006.

4. The Delaware Economic Development Office shall coordinate with the various Chambers of Commerce and other business organizations in Delaware to ensure that small and medium size businesses have access to programs that ease the transition and access to deregulated energy markets and aggregate the electric use of commercial customers to strengthen their competitive positions and help defray costs.

5. The Office of Management and Budget and the Department of Natural Resources and Environmental Control, Energy Office shall develop a strategy to implement procedures to enable the State to purchase electricity on the deregulated energy market to coincide with the lifting of electricity rate caps on May 1, 2006. Included in this strategy shall be recommendations for legislation to enable any of these options to be accomplished including enabling the State to purchase a portion of its electricity from "Green" energy sources as well as the Energy Office completing the State's energy consumption profile. The strategy and recommendations shall be submitted to the Office of the Governor not later than March 8, 2006.

6. The Office of Management and Budget shall work with reorganized school districts, vocational-technical school districts, charter schools, and institutions of higher education to develop the means and methods to aggregate electricity consumption for the purpose of executing unified energy supply contracts on the deregulated market. The Office of Management and Budget shall also explore cooperation with Delaware's counties and municipalities in an effort to identify cost-effective ways to aggregate consumption among governmental facilities.

7. The Office of Management and Budget and the Department of Natural Resources and Environmental Control, Energy Office shall develop the strategy and procedures to implement energy savings and conservation techniques including the use of performance contracting and demand-side management. The Office of Management and Budget and Energy Office shall report on its progress on a quarterly basis beginning on April 1, 2006.

8. The Department of Finance and the Department of Natural Resources and Environmental Control, Energy Office shall develop proposals for the enactment of tax credits, rebates, low-interest loans and other direct economic incentives to foster the adoption of energy efficiency technologies by the State's residential and commercial consumers of electricity. Such proposals shall be presented to the Office of the Governor not later than March 8, 2006.

9. The Public Service Commission and DNREC shall investigate modifications to the Public Benefit Charge on various classes of electricity bills to fund a portion of the

economic incentives identified by the Department of Finance and the Energy Office to foster the adoption of energy efficiency technologies.

Approved and adopted this 6th day of February, 2006.