

## **Key Points of the Final Agreement between Delmarva Power and Babcock & Brown**

1. Delmarva Power will buy 200 megawatts of power from the Bluewater wind farm, which can be sized as large as 600 MW. Regardless of the wind farm's final size, Delmarva Power will purchase a proportion of power that will equal the amount generated by a 200 megawatt nameplate facility. Compared to the previous proposal, Delmarva Power's Delaware customers will now buy approximately half of the output they would have otherwise purchased under the contract that was negotiated in December 2007.
2. The overall price per megawatt hour for Delmarva's Delaware customers has also been decreased from the previous proposal, due to a negotiated decrease in the price of renewable energy credits. For instance under the previous proposal, the combined cost for energy and renewable energy credits (RECs) was \$121.64 per megawatt hours (in 2008 prices). Due to a negotiated 22 percent reduction in the price Delmarva's Delaware customers will pay for RECs, the combined price under the new agreement is \$117.10 per megawatt hour.
3. Delmarva Power and Babcock & Brown will work with the General Assembly to modify the state renewable portfolio standards (RPS) statute to provide that each REC generated by an off-shore wind farm in Delaware receives a 350 percent credit towards meeting the state's RPS requirements. This will allow Delmarva Power to buy fewer RECs for its Delaware customers from the offshore facility and will provide Babcock & Brown with additional RECs to sell in the market. This change will allow Delmarva's Delaware customers to save roughly an additional \$100 million over the life of the contract and provides Babcock & Brown with the opportunity to realize additional revenues that are critical to bring the offshore wind farm to fruition.
4. Delmarva Power will work with Babcock & Brown to establish an optional program whereby any Delmarva Power Delaware customer may choose to purchase more of his or her electricity supply from the wind farm. These optional purchases will enable Delmarva Power Delaware customers to provide additional support for efforts to address climate change and to further support the wind farm. Such a program would be subject to Commission approval.
5. Delmarva Power and Babcock & Brown will work with the General Assembly to implement a non-bypassable charge that spreads both the costs and the benefits of the wind farm to Delmarva Power's entire Delaware customer base.

## **Definition of Key Terms**

### **Renewable Energy Credits (RECs)**

- Renewable Energy Credits (or Certificates, RECs) are tradable environmental commodities in the United States that represent proof that one (1) megawatt-hour (MWh) of electricity was generated from an eligible renewable energy resource.
- RECs are used to fulfill state clean energy goals and in this way provide an incentive for the development of renewable energy resources.
- The RECs are separated from the other outputs of the wind farm because often times a buyer does not want to take delivery of the actual energy, but does want to support the cost for the development of renewable projects.

### **Non-Bypassable Surcharge**

- Non-bypassable surcharge is a commonly used utility term that describes a charge to customers on their monthly bills for a public benefit program (such as programs for renewable energy, low income energy assistance, and energy conservation and efficiency).
- Whether customers obtain their electricity supply from the utility or a third-party supplier, they would continue to pay the surcharge since the program the charge supports provides a public good for all customers.

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