



A PHI Company

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BLUEPRINT FOR THE FUTURE FREQUENTLY ASKED QUESTIONS

1. WILL MY RATES GO UP AS A RESULT OF THESE NEW PROGRAMS?

The Company would seek to recover the costs for implementing these programs. The Public Service Commission would determine whether that is done through increasing rates or through other means. We believe, however, that these programs, when fully implemented, will provide customers with benefits that greatly exceed their costs.

2. WHEN CAN I GET MY NEW METER?

Delmarva expects to begin installing state-of-the-art meters to Delaware residents and businesses in the latter part of 2008. The technology will enable customers to reduce the amount of energy they consume, particularly during expensive, peak usage times. The advanced meter technology also will enable the company to remotely detect outages, resulting in quicker restoration times. It will take about three years, from start to finish, before all 288,000 of Delmarva's electricity and gas customers in Delaware have the new, state-of-the-art meters. The proposed energy efficiency programs, such as giving customers rebates for upgrading their appliances, and the proposed state-of-the-art thermostats are subject to the approval of the Delaware Public Service Commission.

3. HOW MUCH WILL THESE NEW PROGRAMS COST?

Cost estimates are difficult to project because we have not selected a vendor for some aspects of the plan. We anticipate the cost of implementing the energy efficiency programs across residential and commercial customers over a three-year period to be approximately \$26 million. In addition, there are benefits that are not easily quantified, such as a reduction in greenhouse gases caused by power plants and enhanced reliability.

4. WHAT IS THE TIMELINE FOR IMPLEMENTING THESE PROGRAMS?

Delmarva is prepared to begin implementing each of the proposed programs this year, pending the Commission's approval. Once approved, the Company will develop a detailed program implementation plan. We anticipate actual energy-efficiency program operations to be phased in over a six- to nine-month period, after receiving approval from the Commission. The installation of the state-of-the-art meters is not subject to Commission approval. We will begin installing the new meters in the latter part of 2008. It will take the company about three years to completely install the meters in Delaware.

- 5. WHY DOES DELMARVA POWER WANT TO HELP ME SAVE ENERGY AND MONEY?**
Given the rising cost of energy, Delmarva Power recognizes the need to help its customers save energy and money. Our business is a *service*, first and foremost. Thus, we are more than willing to give our customers the necessary tools to encourage them to use energy more wisely to control their energy costs.
- 6. DOESN'T THE COMPANY PROFIT FROM HOW MUCH I USE OF THEIR PRODUCT?**
Yes, a portion of Delmarva's revenues are driven by how much electricity customers are using. Still, the Company recognizes the hardship that rising energy prices has created for many of its customers. Delmarva Power is committed to striking a fair balance between its financial needs and the impact of rising energy prices on the customer.
- 7. HOW WILL THESE PROGRAMS KEEP MY RATES FROM GOING UP?**
These programs will empower the customer to reduce the amount of energy they use and they will encourage the customer to upgrade to energy efficient appliances. In doing so, the individual customer will save money on their monthly energy bill. In addition, we believe all customers will benefit by reduced electricity supply prices.
- 8. WHAT'S THE DIFFERENCE BETWEEN A "SMART" METER AND THE ONE I CURRENTLY HAVE?**
"Smart meters" can measure electricity use by the hour, which enables Delmarva Power to charge customers a lower rate if they cut back on usage during peak demand times when the price of electricity is high. The new meters will also enable Delmarva to remotely detect a power outage at your house, which would lead to getting your lights back on more quickly. It also allows us to remotely read your meter, thereby eliminating the need for estimated bills. In the future, we propose linking our smart meter program to a smart thermostat program. Combined, they would allow for the Company to remotely set back your thermostat during those expensive, peak times to save you money.
- 9. ARE YOU OFFERING ME MONEY TO BUY ENERGY EFFICIENT APPLIANCES?**
Yes, we are proposing to offer customers rebates for upgrading the appliances that use the most energy, such as their heat pump, air conditioning equipment and lighting. Again, these programs are subject to the approval of the Public Service Commission. Once approved, we will provide the customers with more details for receiving such rebates.
- 10. IF FULL IMPLEMENTATION OF THESE PROGRAMS IS YEARS AWAY, WHAT IS BEING DONE IN THE NEAR-TERM TO STABILIZE ELECTRICITY PRICES IN DELAWARE?**
The rebate programs will take less than a year to implement, if approved by the Commission. In the meantime, we believe the competitive wholesale markets will provide customers with stable electricity prices in the near-term.
- 11. WHAT'S THE RELATIONSHIP BETWEEN THESE PROGRAMS AND THE WIND FARM PROPOSAL THAT I'VE BEEN READING ABOUT?**
Both proposals seek to stabilize electricity prices for Delmarva Power customers in Delaware. We believe the quickest – and least costly – way to do that is through these energy efficiency programs and the use of renewable generating resources.

12. WHAT EXACTLY IS THE BILL STABILIZATION ADJUSTMENT?

As part of this filing, Delmarva Power has proposed a Bill Stabilization Adjustment designed to help lessen the impact of colder-than-normal and warmer-than-normal weather on customer bills. The Bill Stabilization Adjustment is subject to commission approval. The BSA impacts the delivery portion of a customer's bill.

13. WHAT IS THE PURPOSE OF THIS ADJUSTMENT?

The electric **delivery rates** on your bill are designed to recover the appropriate costs to operate the business during normal weather conditions. Normal weather is based on a 30-year average of area temperatures. During any given year, customer usage varies depending upon the actual weather. For example, in the winter during colder-than-normal weather, our customers' bills more than cover our operating costs. If the weather is warmer-than-normal, we do not collect enough to cover our operating costs. The Bill Stabilization Adjustment enable the customer's bill to more accurately reflect actual operating costs during colder- and warmer-than-normal weather conditions and effectively adjusts for all factors that impact customer usage, including conservation.

14. WHAT IS THE DIFFERENCE BETWEEN THE BILL STABILIZATION ADJUSTMENT AND BUDGET BILLING?

Budget Billing is when your **total bill** is averaged over a 12-month period and you are billed according to that average. Whereas, the Bill Stabilization Adjustment stabilizes your charges only on the **delivery portion** of your bill. If you would like your total bill to be about the same each month, we would strongly encourage you to enroll in our budget billing program.

15. HOW EXACTLY WILL THE BILL STABILIZATION ADJUSTMENT WORK?

In the winter, during colder-than-normal weather, a customer would receive a credit on their bill. Conversely, during warmer-than-normal winter conditions, a customer would receive an additional charge on their bill. Based on the history of weather patterns, these adjustments balance each other out.

16. WHO BENEFITS FROM THE BILL STABILIZATION ADJUSTMENT?

Both the customer and the utility benefit from the Bill Stabilization Adjustment. In the winter, during colder- than-normal weather, customers will not pay more than needed for our operating costs. Conversely, during warmer-than-normal winter weather, Delmarva Power will be able to collect enough from customers to cover our operating costs.

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