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October 3, 2007

Senator Harris B. McDowell
Chairman, Senate Energy and Transit Committee
Legislative Hall
P.O. Box 1401
Dover, DE 19903

Dear Senator McDowell and Committee Members:

In light of recent developments and the subsequent widespread media discussion of long-term energy contracts and the implementation of the recently enacted, Energy Utility Retail Customer Supply Act, ("EURSCA"), I feel compelled to submit this preliminary response regarding the proposed Power Purchase Agreement ("PPA") of Bluewater Wind and Delmarva Power.

My office has done a preliminary review of the proposed PPA and has found it to contain several shortcomings with respect to consumer risk. As an active participant in the proceeding now before the Public Service Commission of Delaware ("PSC"), my office will be filing a formal response to the Public Service Commission **after** the release of the scheduled Staff report. At this point in time, I believe that the PPA should contain "most favored customer" and "competitive pricing" clauses. Historically, Delmarva SOS customers have been subject only to a "full service requirements" contract for wholesale electric supply. I strongly believe and support the proposition that market risks should be borne by the **supplier** and not the customers. Moreover, I am of the view that these issues should be fully litigated before the legally designated authority, the PSC and the state and federal courts, and not in the media.

Nonetheless, let me state to you emphatically that with regard to renewable energy for Delaware customers, the Division of the Public Advocate supports affordable, cost-effective energy options for consumers, including energy conservation, energy efficiency, and renewable energy. Delaware **must** consider policies, regulations and

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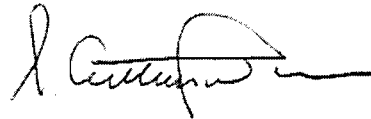
energy purchases that promote cost effective and efficient renewable energy purchases that will afford Delaware consumers the opportunity to lower their energy bills.

I have not lost sight of the fact that the prime directive to the Public Advocate from the legislature is “[t]o advocate the lowest reasonable rates for consumers consistent with the maintenance of adequate utility service and consistent with an equitable distribution of rates among all classes of consumers.”¹

My office will continue its detailed review of the proposed PPA and will file an appropriate formal response to the scheduled Staff report by the November 12, 2007 filing deadline. Within that response will be recommendations for other options to meet the foregoing stated principles if it is determined that the Bluewater Wind proposal does not do so.

Thank you for your continued support.

Very truly yours,



G. Arthur Padmore
Public Advocate

cc: Members of the Senate Energy and Transit Committee,
Senator Catherine L. Cloutier
Senator Charles L. Copeland
Senator Robert I. Marshall
Senator Karen E. Peterson
Senator Robert L. Venables

Harriet Smith Windsor, Cabinet Secretary
Department of State

¹ 29 Del. C. § 8716(d)(2)