Dear PSC,

I am writing in regards to your decision to restrict the amount of infrastructure improvement by Delmarva Power. I previously lived in Indianapolis Indiana before retiring and moving to Long Neck, Delaware. I worked for 30 years for Indianapolis Power and Light. I spent 13 years in power production and 17 years in distribution. I feel like I learned a lot about the electric industry during that time.

One of the many things I learned was the time to upgrade was before a major failure. I am not sure what all Delmarva Power has planned but in my past experience it seemed there was always more to do. While at my company we installed automatic-remote switching capabilities. We also made upgrades to the monitoring of our relay systems in substations. We also installed a modern outage management system that included computer based dispatching to field personnel.

Even with all of these upgrades there was still much more to be done. It was limited by our holding company that was more interested in profits then people. The city of Indianapolis still needs serious upgrading to its downtown network. It regularly experiences outages and fires in manholes.

Before you make any final decision I urge you to look at all of the improvements that they want to make. Reliability is more critical than ever in an area that is sensitive to hurricanes and severe oceanic storms. Customers are also more dependent on reliable electric service than anytime in human history. Delaware's growing population of senior's lives may be depending their on electric powered equipment.

Feel free to contact me if you would like to discuss this further.

Sincerely,

Mike Brown,

26240 Bayside Dr.

Long Neck, DE. 19966

Mike D Brown
mojomikebrown@aol.com

**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF DELAWARE**

| | | |
|---|---|---|
| IN THE MATTER OF THE INVESTIGATION INTO DELMARVA POWER & LIGHT COMPANY'S PLANNED DISTRIBUTION INFRASTRUCTURE INVESTMENT OVER THE NEXT SEVERAL YEARS (OPENED MAY 7, 2013) | ) ) ) ) ) ) | PSC DOCKET NO. 13-152 |

**CAESAR RODNEY INSTITUTE'S COMMENTS ON THE STAFF REVIEW OF DELMARVA POWER & LIGHT COMPANY'S 2013-2017 INFRASTRUCTURE INVESTMENT PLANS**

Since CRI has submitted a detailed analysis of Delmarva Power's Reliability Spending Plan, these comments will be brief. Staff has suggested a better understanding of the relative age of infrastructure compared to expected lifetime would be helpful and we agree. We also agree with Staff's suggestion a collaborative process is needed to revise Docket 50, and to work on the basis for going beyond just measuring SAIDI to determining how to measure hardening, and resiliency. Delmarva's customers certainly don't understand the difference between reliability, hardening, and resiliency. Delmarva needs to do a better job, perhaps in annual satisfaction surveys, in explaining these issues.

CRI takes issue with several fundamental precepts laid out in Staff's Consultant report. A concern was raised Delmarva "was leveraging the reliability problems of its affiliate in Maryland, Potomac Electric Power Company (Pepco), to accelerate reliability spending in Delaware" (page 1). It was further claimed Delmarva wants "to grow their distribution system rate base as a means to boost earnings" (page 10). We submit the different attitudes about spending on hardening and resiliency in Delaware compared to Maryland, and New Jersey, is we didn't have massive power outages from the derecho or super-storm Sandy. Shall we wait for a storm to knock out power to 95% of customers for up to a month to take action? Complaints were raised in the same paragraph Delmarva, and other utilities, were not spending enough on infrastructure in the past, but are spending too much now. Doesn't that suggest, on average, they are spending about the right amount?

CRI recognizes the potential investment might be increased to bump the rate base. However, we take the contrary view Delmarva has learned some important lessons from the major outages at sister companies in Maryland, and New Jersey, and is taking prudent steps to boost resiliency. The spending on substations, and feeders the Consultant recommends cutting are the very investments most needed to boost resiliency. It is feeder lines that are cut, and substations that flood in a major storm. Even with the increased spending on feeders it will take ten years to upgrade the entire distribution system. Spending cuts on URD's and metal clad switchgear experiencing premature failures also doesn't make sense. Delmarva has done a poor job laying out their case, partly because of a lack of an easy resiliency measuring tool. It may be impossible to find a proper measure but it is possible to agree on a plan in a collaborative manner.

CRI also takes issue with the Consultant claim being solidly in the third quartile of comparison utility reliability performance is satisfactory. Reliability is critical to industry and Delaware is competing globally for jobs. How is 200 minutes SAIDI performance OK when countries like Japan are hitting 4 minutes? The more basic problem is relying on a reliability index like SAIDI when most customers are really thinking resilience. At this point, if we invest in resilience and hardening we will get better SAIDI results as well.

The Consultant claims reducing Delmarva's infrastructure spending plan by $126.6 million over five years will save customers about 2% on their electric bills. A study by Edison Electric Institute suggests that is about the amount customers would willingly pay for better hardening and resiliency. Let's sit down and work together to determine the right amount of infrastructure needed after the merger docket is complete.

Entered in Delafile DK 13-152

Frank Czaijka
2117 Naamans Rd.
Wilmington, DE 19810

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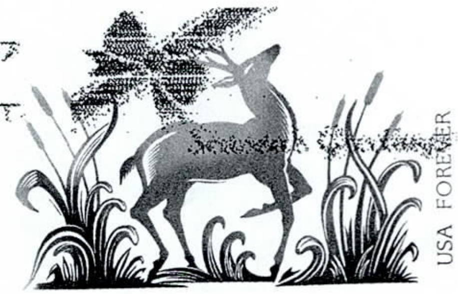


Kevin
Amy
Connie

Delaware Public Service Commission
861 Silver Lake Blvd.
Suite 100
Dover, De. 19904

The Comments should reference Docket Number 13-152

Dear Sir
gas + electric paid by 100% Disabled American Veterans should get 10%-off there bills for electric + gas.
Walgreens give 15% Discount.
Home Depot -10% Discount
Lowe's Home improvement 10% Dis.
for 100% DAV'S. Sincerely Yours
Frank Czajka

Return address
Mr. Frank Czajka
2117 Naamans Rd.
Wilmington, DE 19810

**BEFORE THE PUBLIC SERVICE COMMISSION**
**OF THE STATE OF DELAWARE**

| | | |
|---|---|---|
| IN THE MATTER OF THE INVESTIGATION INTO DELMARVA POWER & LIGHT COMPANY'S PLANNED DISTRIBUTION INFRASTRUCTURE INVESTMENT OVER THE NEXT SEVERAL YEARS (OPENED MAY 7, 2013) | ) ) ) ) ) ) | PSC DOCKET NO. 13-152 |

**THE DIVISION OF THE PUBLIC ADVOCATE'S COMMENTS ON THE STAFF REVIEW OF DELMARVA POWER & LIGHT COMPANY'S 2013-2017 INFRASTRUCTURE INVESTMENT PLANS**

On March 22, 2013, Delmarva Power and Light Company ("Delmarva" or the "Company") filed an application with the Delaware Public Service Commission (the "Commission") to increase distribution base rates by $42,044,000. In its supporting prefiled testimony, Delmarva witness Michael W. Maxwell stated that Delmarva planned to invest approximately $397 million over the next five years to replace infrastructure and enhance and maintain system reliability. (Docket No. 13-115, Direct Testimony of Michael W. Maxwell at 5). In its application, Delmarva also included approximately $66 million of investments in its rate base that it expected to make in 2013.

The Commission Staff was concerned about the extent of Delmarva's planned infrastructure improvements and the effect such investment would have on rates in the future. On April 16, 2013, the Staff filed a motion requesting the Commission to authorize an investigation of Delmarva's planned infrastructure improvements. The Commission granted Staff's motion and opened this docket to consider Delmarva's proposed infrastructure and reliability improvements over the next several years and to ascertain whether those expenditures would be consistent with Delmarva customers' needs and their ability to pay for such investments. (Order No. 8363 dated May 7, 2013).

The Division of the Public Advocate ("DPA") filed a statutory notice of intervention. The Caesar Rodney Institute moved for and was granted leave to intervene.

Staff issued a Request for Proposals and ultimately retained Silverpoint Consulting LLC ("Silverpoint") to conduct the investigation. On April 22, 2014, Silverpoint issued a report to Staff addressing its investigation and its proposed conclusions. On May 3, 2014, Staff issued a report (the "Report") that attached Silverpoint's report and made certain recommendations regarding Delmarva's proposed capital expenditures over the 2014-17 period. Comments on the Report are due on July 17, 2014.

On April 30, 2014 Pepco Holdings, Inc. ("PHI"), Delmarva's parent company, and Exelon Corporation ("Exelon") announced that they had agreed to a merger in which PHI would become an indirect wholly-owned subsidiary of Exelon. On July 8, 2014, the Commission opened Docket No. 14-193 to investigate the proposed merger, hold public hearings on it and to obtain public comment.

These are the DPA's comments on the Staff Report.

## 1. <u>The DPA Agrees With Staff that Delmarva's Proposed $397 Million Infrastructure Investment Is Excessive and Premature, But Disagrees That the Commission Should Pre-Approve *Any* Level of Capital Spending At This Time.</u>

Staff's first conclusion is that "[g]iven Delmarva's current reliability performance, its proposed infrastructure investment of $397 million over the next five (5) years appears to be excessive and premature." (Report, page 1). The DPA agrees: Delmarva's proposed level of spending to improve reliability is both excessive and premature. But Staff then goes on to recommend that "until such time as a collaborative approach is undertaken and completed," the Commission make clear to Delmarva that any investment it makes *beyond Silverpoint's recommended $200 million cap* may not be recovered from ratepayers until the Company has demonstrated sufficient benefits to ratepayers. (*Id.*, emphasis added). It is unclear whether Staff is really agreeing to a $200 million allowance given its later statement that it was not suggesting "that the Commission approve Delmarva's future infrastructure investment plans" (Report at 17), but if it is, the Commission should decline any invitation to pre-approve *any* amount of investment.

**a. Authorizing Any Amount of Spending Is Tantamount to Pre-Approving a $200 Million Investment Level.**

This Commission has been reluctant to pre-approve projects or spending levels in the past. But if Staff's recommendation to limit the Company's spending to $200 million is accepted, the Commission will essentially have authorized Delmarva to spend $200 million on unidentified projects based solely on a representation that they will improve reliability in some unspecified way. The DPA submits that doing so would establish a dangerous precedent, not just for this utility but for other utilities that the Commission regulates, and the Commission should exercise caution in traveling down the pre-approval road.

Should the Commission authorize $200 million (or *any* level of spending), there is no guarantee that Delmarva would actually spend that amount of money in any given year. Assuming that the PHI-Exelon merger is consummated, Exelon may have other ideas about what investments to make, and it may conclude that it does not need or want to make the investments that Delmarva has proposed. In that case, the Commission will have handed Delmarva a check for 200 million ratepayer dollars with no condition that it be spent on anything. As such, any approval would be premature. The DPA suggests that the wiser course of action would be for the Commission to do what it has done in the past: withhold approval of projects until they are included in a rate case.

**b. A Reduction of Four Minutes in the SAIDI[1] Is Not Worth $357 Million.**

Regulation Docket No. 50 established a target SAIDI of 295 minutes. Although Delmarva has comfortably exceeded that standard at least since 2008, it says that it wants to achieve a SAIDI of 142, and the $397 million of investment is necessary to do so. (Report at 9).

In 2012, the last year for which information was available during Delmarva's last rate case, the Company achieved a SAIDI of 146.

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| SAIDI | 213 | 190 | 199 | 192 | 146 |
| SAIFI[2] | 1.47 | 1.35 | 1.47 | 1.41 | 1.14 |

(Docket No. 13-115, Direct Testimony of David E. Dismukes, Ph.D., at Schedule DED-2, citing Delmarva's response to Data Request PSC-CP-6). And in its reliability report filed in March 2014, the Company reported that it had achieved a SAIDI of 139 in 2013. (Report at 10). While the DPA agrees with Staff that the SAIDI will fluctuate over the years, the DPA (like Staff) also questions whether customers would want or should have to pay an additional $357 million[3] to achieve a mere four-minute reduction in the average length of a blue-sky outage. Notably, none of the individual ratepayers that made comments at the public comment sessions suggested that they were currently receiving poor service, and even the commercial representatives who commented that reliability was important to them did not suggest that Delmarva was not providing reliable service. (Report at 10).

Staff calculated that a ratepayer using 1,000 kWh per month would pay an additional $108 per year by 2017 for that four-minute reduction in blue-sky outages. (*Id.* at 10, 16-17).

[1] "SAIDI" stands for System Average Interruption Duration Index. The SAIDI measures the duration of outages on blue-sky days, that is, on an average day with no severe weather. Outages caused by severe weather events are excluded from the SAIDI calculation.

[2] "SAIFI" stands for System Average Interruption Frequency index.

[3] $397 million minus the approximately $40 million of 2013 plant investment that the Commission approved in its deliberations in Docket No. 13-115.

The DPA does not consider that reduction significant enough to justify an additional $108 annual cost to ratepayers, and we doubt that ratepayers would consider that reduction significant enough to pay an additional $108 annually either, particularly when major events (severe storms) are excluded from that measure.

The DPA contended in Docket No. 13-115 that Delmarva's increased spending was attributable to the beating that its sister company Pepco took from the Maryland and the District of Columbia commissions for its failure to maintain its distribution system. Staff seems to believe that as well. (*Id.* at 12-13). And indeed, shortly after the Maryland Commission opened its investigation, PHI launched a corporate-wide program to increase reliability across all of its utility companies. (*Id.* at 9). But even before that initiative, Delmarva was performing well below the Regulation Docket No. 50 target, and since the corporate initiative began in 2011 it has achieved notable reductions in its SAIDI for substantially less money than it proposes to spend through 2017. In light of this, the DPA submits that there is no need to approve *any* spending level at this time, let alone one that would increase the average ratepayer's rates by $108 annually for only a four-minute reduction in outage duration on a blue-sky day.

**c. The Company Has Not Demonstrated Any Benefits from the Proposed $397 Million Investment.**

The DPA is particularly troubled by what appears to be Delmarva's inability or unwillingness to identify *any* enhanced degree of reliability or resilience that will inure to customers in exchange for this huge outlay of their money (other than the targeted four-minute reduction in SAIDI discussed above). The Report observes that "[w]hile the Company was able to document reliability indices through 2012, it indicated *it had not made any forecasts with respect to reliability indices*." (*Id.* at 5, emphasis added). Delmarva has provided no response to the core question of how much more reliable or resilient its distribution system will become: it has produced no *evidence* that its proposed infrastructure investments will result in any appreciable improvement in its reliability *in Delaware*, and has provided no quantification of the benefits of the proposed infrastructure improvements or reliability enhancements in terms of avoided outages or reduced outage minutes. Indeed, that was one of the reasons the DPA argued against including the 2013 out-of-test-period reliability plant investment from rate base in Docket No. 13-115.

As shown in the table on page 4 *supra*, the Company's 2012 SAIDI of 146 was 51% better than the 295-minute benchmark approved in Regulation Docket No. 50, and the 2013 SAIDI was even lower at 139. While the DPA understands that the Regulation Docket No. 50 standards are only a minimum, the DPA also believes that *at the very least* Delmarva should be able to provide the Commission and the Company's ratepayers with some estimate of how much it predicts the reliability and resiliency of its distribution system will improve as a result of this massive proposed capital outlay.

**d. The Company Has Not Established That Its Own Infrastructure Is So Aged That It Requires $397 Million of Proposed Investment.**

During the Staff investigation, Delmarva referred to various industry reports discussing the need for utilities nationwide to upgrade and modernize their grids. (*Id.* at 6). Delmarva cited to these same authorities in Docket No. 13-115 in justifying its proposed 2013 plant additions. The DPA agrees as a general matter that reliable electric power is vital to the nation as a whole and that infrastructure that has reached the end of its useful life should be considered for replacement. However, in Docket No. 13-115, the Company specifically rejected the suggestion that equipment age alone determines whether it should be replaced. (Docket No. 13-115 Transcript at 316).

Perhaps more important, the Company presented *no* facts to support a conclusion that its own aging distribution system was driving the need for investment. (Report at 6, 14-15). Staff states that despite repeated attempts during the discovery process to obtain data from Delmarva on the age of its distribution system, the only age information Delmarva provided was certain specific age information concerning substation switchgear, distribution transformers, breakers and poles; for all other plant Delmarva could only provide its 2004 depreciation study. (*Id.* at 14). And this is true despite the fact that Delmarva has added millions of dollars of plant in the almost ten years since that study was prepared. Staff expressed disbelief that the Company did not have age information for its infrastructure (*id.*), and the DPA is equally disbelieving. How can a functioning utility not have records showing how old its plant is?

In an attempt to obtain at least *some* understanding of the age of Delmarva's current distribution plant, Staff compared the level of accumulated depreciation reserve to the level of gross plant of the distribution system for the 2009-13 period. This comparison ranged from a low of 27.5% in 2011 and 2013 to a high of 29.9% in 2012. (*Id.* at 15).[4] As Staff noted, this comparison shows that the Delmarva system has "significantly more than half of its remaining life left." (*Id.*). Staff's review of the 2004 depreciation study led it to conclude that in 2004, Delmarva's plant was relatively new and had at least 55% of its life remaining. (*Id.*). Staff also examined documents produced during discovery in Docket No. 13-115 in response to data request AG-GEN-4, and observed that the historical ratios of depreciation reserve to plant showed that Delmarva's electric plant had grown even younger as a result of the substantial new investment: the average age of such plant in 2007 was 14 years, whereas the average age of such plant in 2012 was 12 years. (*Id.* at 15-16).

[4] Staff acknowledged that this comparison had weaknesses because the Delmarva values reflected both Delmarva-Delaware and Delmarva-Maryland, and the gross distribution plant included non-depreciable assets such as land and contributions from customers. (Report at 15).

As a regulated public utility responsible for the expenditure of funds supplied by captive ratepayers, Delmarva is obligated to justify its investments. *See* 26 *Del. C.* §§307(a), (b). Silverpoint's proposed $200 million spending cap was based on general trend analysis (*see* Report at 14), not on an engineering analysis of Delmarva's distribution system; as such, there is no way to confidently conclude whether its proposal is too much, too little, or just right. Staff's Report clearly demonstrates that Delmarva cannot support its assertion that its own aging infrastructure is driving its investment plans because even *it* does not know how old all of its distribution plant is. Thus, the DPA urges the Commission to reject this claimed justification.

**e. Delmarva's Comparison of Its Distribution System Performance to That of Other Utilities Is Not Meaningful.**

Delmarva justifies its planned capital expenditures by comparing the position of its distribution system to that of other utilities. (*Id.* at 6). But such a comparison is not meaningful. First, there is no single standard that is used by most states to evaluate electric reliability; rather, states use a wide range of standards to assess electric distribution service quality. (*See id.* at 8). Thus, one cannot be sure that the comparison to other utilities is a true apples-to-apples comparison. Second, Delmarva's comparison of its current performance to other unidentified utilities is not evidence that its proposed plant additions will have any salutary effect on Delmarva's performance compared to its own previous performance, let alone its performance compared to other unidentified utilities. Third, the DPA submits that Delmarva's Delaware customers are more concerned with the electric system that serves them and spend little time pondering electric reliability in other states. Thus, Delmarva's position vis-à-vis other utilities does not justify its proposed capital spending.

**f. AMI Was Supposed to Improve Reliability and Potentially Delay or Obviate the Need to Improve the Distribution System.**

In 2007, the Commission authorized Delmarva to deploy advanced metering infrastructure (AMI) based in part on Delmarva's contention that AMI would improve reliability and potentially delay or obviate investment in its transmission and distribution system:

> Delmarva is deploying a number of innovative technologies. *Some, such as the automated distribution system, will help to improve reliability*... .
>
> * * *
>
> These savings estimates do not include potential additional customer benefits from reducing transmission losses, *improving reliability*, reducing rate volatility, enhancing market competitiveness, improving environmental quality, reducing energy prices by lowering the costs of environmental compliance, or *potentially obviating or delaying the need for investments in transmission and distribution* ... .

*In the Matter of the Filing By Delmarva Power & Light Company for a Blueprint for the Future Plan for Demand-Side Management, Advanced Metering, and Energy Efficiency,* Docket No. 07-28, Business Case at 2, 24 (emphasis added).

The Commission approved AMI implementation and also granted Delmarva regulatory asset treatment of the implementation costs. Delmarva began recovering the $39 million of AMI-related costs as a result of the settlement in Docket No. 11-528. Thus, Delmarva ratepayers are already paying $39 million for plant and other costs associated with AMI that was supposed to, among other things, improve reliability and potentially delay or obviate the need for distribution investments. Remember that in the time since AMI's deployment, Delmarva's SAIDI decreased from 192 in 2011 to 146 in 2012 to 139 in 2013. Some of that was likely related to the PHI corporate-wide initiative to improve reliability in its operating companies, but some of it was also likely related to AMI deployment. Now that AMI and associated technologies such as distribution automation have been fully deployed throughout Delmarva's service territory, their impact on reliability should be fully explored and fully explained to the Commission and to Delmarva's customers who have financed it.

**2. The DPA Disagrees With Staff's Recommendation to Approve a Public Review of Delmarva's Most Recent Reliability Plan and Require a Report to the Commission No Later Than September 2014.**

Staff recommends that the Commission order a public review of Delmarva's most recent reliability plan (filed on March 31, 2014), and that a report be provided to the Commission on that public review no later than September 2014. (Report at 1, 19). The DPA disagrees with this recommendation. First, as a practical matter, it is unlikely that such public review and report could be completed by the end of September, given that it is now almost the end of July. Second, the DPA does not understand what purpose would be served by such a review. The Commission's reliability rules (26 *Del. C.* §3007.9.1) already contain a requirement that Delmarva convene a public meeting for interested stakeholders to "discuss electric service reliability or quality concerns within Delaware." The 2014 meeting was publicly noticed and held on May 28, 2014. Representatives of the Commission, the DPA, Delmarva, and the Delaware Electric Cooperative showed up – but no members of the public did. Similarly, the Commission publicly noticed and held three public comment sessions in this docket – but as Staff's report notes, only a handful of people attended. (Report at 5-6). The DPA views this recommendation as unlikely to accomplish anything productive in the short term, especially considering the lack of public participation in the more widely-advertised workshops that were held relating to this docket. That said, the DPA fully supports providing opportunities for Delmarva's customers to review and provide input on Delmarva's reliability plans and metrics to measure its performance when Regulation Docket No. 50 is reopened.

## 3. The DPA Agrees With Staff's Recommendation that the Commission Require Delmarva to Incorporate Reasonable Justifications and Tangible Ratepayer Benefits Before Submitting Future Reliability Projects for Rate Recovery.

Staff recommends that the Commission instruct Delmarva to include reasonable justifications and tangible ratepayer benefits for all planned reliability projects before they are submitted in any future planning scenarios. (*Id.* at 1). The DPA wholeheartedly agrees. In fact, in Docket No. 13-115 the DPA noted that the Maryland Commission had recently directed all of the electric utilities subject to its jurisdiction to perform cost-benefit analyses to support their planned reliability infrastructure expenditures, and the DPA recommended that the Commission reject the Company's post-test period plant additions because (among other reasons) the Company had failed to prove that they were either necessary or cost-effective. The DPA continues to believe that cost-benefit evaluations are necessary to provide the Commission with a full understanding of whether the Company is making the best use of its ratepayers' monies. Requiring Delmarva to demonstrate the need for and the cost-effectiveness of its infrastructure projects removes any temptation that a utility may have to select a more costly alternative because of its impact on rate base. .

## 4. The DPA Agrees With Staff's Recommendation that the Company Update Its 2004 Depreciation Study or Propose Some Other Approach That Will Provide Updated Information About the Age of Its Distribution Plant in Service.

As discussed previously, the most recent depreciation study conducted on the Company's plant was performed in 2004. Since then, the Company has added and retired a significant amount of plant. Staff recommends that the Company "consider" updating its 2004 depreciation study, or, alternatively, propose an approach that will allow the Commission to determine the age of the distribution plant that serves customers. (*Id.* at 1). The DPA agrees, but would take this a step further: rather than giving the Company the option to decline the invitation implicit in the use of the word "consider," we ask the Commission to *order* the Company to either submit an updated depreciation study or propose an approach that enables the Commission (and Staff and the DPA) to ascertain how old the Company's plant actually is. Ten years is far too long to be relying on a study that has clearly become outdated due to substantial additions and retirements.

The DPA is stunned that the Company is either unwilling or unable to provide age information on what appears to be a significant portion of its plant in service. If it doesn't know how old a particular piece of plant is, how does it know (in the absence of an obvious failure or degradation) when to look at that plant to determine whether it requires replacement, refurbishment or upgrading? The DPA surmises that the Company probably does have information on the age of its plant (for example, purchase orders and payments made), but combing through these records would be time-consuming. While the Company is free to maintain its records as it wishes, it is essential that it also provide meaningful data, such as the age of its distribution plant, to the Commission.

**5. The DPA Agrees With Staff's Recommendation that Delmarva Consider Re-Categorizing and Reporting Its Proposed Infrastructure Investment, But Not Necessarily With the Particular Categories Staff Identified.**

In its direct testimony in Docket No. 13-115, Delmarva identified three categories for its distribution construction budget: Customer-Driven, Reliability; and Load Growth. (*See* Direct Testimony of Michael W. Maxwell at 3). The "Reliability" category includes construction of assets designed to maintain and enhance distribution system reliability, such as upgrading feeders, replacing and upgrading URD cable installations, substation improvements, and installing new technology and equipment like Distribution Automation. (*Id.*). Staff recommends that Delmarva consider re-categorizing and reporting its proposed infrastructure improvements to include: (1) New Customer Service; (2) Load Transfer and System Continuity Requirements; (3)

Short-Tern Sustaining Reliability; (4) Grid Modernization; and (5) Long-Term Sustaining Reliability/Resiliency. (Report at 1-2).

While the DPA agrees that additional classifications for infrastructure investment would be helpful in narrowing down what plant was attributable to a particular need, Staff's Report does not explain why these particular categories, as opposed to some other unidentified categories, are appropriate. The DPA respectfully suggests that there ought to be input from other stakeholders about the information that is needed and the form in which the information would be most useful.

**6. The DPA Agrees With Staff that Regulation Docket No. 50 Should Be Reopened To Consider New Reliability Metrics.**

The DPA supports reconsideration of the Commission's Electric Service Reliability and Quality Standards promulgated in Regulation Docket No. 50 to examine the areas suggested by Staff in its report: appropriate reliability metrics; revisions to the reliability planning process; incorporation of a public review process; addition of resiliency planning; and elimination or modification of unnecessary regulations. The reliability standards have not been reviewed since their adoption in 2006. Much has changed in the electric industry since these regulations were initially adopted (for example, AMI has now been fully deployed throughout Delmarva's service territory), and more will change in the coming years (for example, the proposed merger between PHI and Exelon), making a comprehensive review of the existing reliability standards essential. Despite the pending merger application, the DPA believes that the Commission can and should proceed with reconsidering its current reliability standards, as they will exist and will be an issue regardless of whether the merger takes place or not.

A reexamination of the reliability standards should also carefully consider the addition of resiliency planning. As discussed in the Staff Report, resiliency is not the same as reliability, and it means different things to different interests. Reliability investments may help to improve resiliency; however, any investment in making distribution system infrastructure more 'resilient' must be thoroughly investigated, and the costs and benefits must be fully understood. Furthermore, it may be appropriate to consider alternatives to the traditional utility model such as microgrids and distributed generation in assessing resiliency concerns.

**CONCLUSION**

The DPA thanks Staff for its thoughtful evaluation of Silverpoint's report and for making its own investigation into areas to which Silverpoint seemed to give short shrift. Staff's Report raises significant questions about Delmarva's planned reliability spending program. In light of these concerns, the Commission should decline any suggestion that it pre-approve any reliability spending. Delmarva is currently blowing away the Commission's reliability standards; Delmarva has not established that its plant is so old that it requires its proposed level of replacement/improvement/enhancement; and Delmarva has not provided any analyses of the cost-effectiveness of the planned projects. Quite simply, there are currently too many unknowns, and things could change drastically if the merger between PHI and Exelon is consummated.

Respectfully submitted,

*Regina A. Iorii*
Regina A. Iorii (#2600)
Deputy Attorney General
Delaware Department of Justice
820 N. French Street, 6th Floor
Wilmington, DE 19801
(302) 577-8159
regina.iorii@state.de.us

Counsel for the Division of the
Public Advocate

Dated: July 17, 2014

**From:** Ron Niblett [mailto:rjniblett@hotmail.com]
**Sent:** Monday, June 23, 2014 12:07 PM
**To:** PSC (MailBox Resources)
**Subject:** Doctek 13-152

Thank you Public Service Commission for standing up to Delmarva Power and not giving them what they want this time. After reading the article in todays paper I was glad to see the PSC was finally looking out for the customer and not giving them what they ask for in money. They are always looking for handouts to take care of there stock holders and the heck with us the customers. Thanks Again PSC.

Ron Niblett

**NRG Energy, Inc.**
211 Carnegie Center
Princeton, NJ 08540

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2014 JUL 18 AM 9 48
DELAWARE P.S.C.

July 17, 2014

**VIA ELECTRONIC MAIL & OVERNIGHT DELIVERY**

Alisa C. Bentley, Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

DR
Kevin
Amy
Jbelle
Alisa

**Re: PSC Docket No. 13-152 In the Matter of the Investigation Into Delmarva Power & Light Company's Planned Distribution Infrastructure Investments Over the Next Five Years (Opened April 16, 2013)**

Dear Ms. Bentley:

Attached please find an original of NRG Energy, Inc.'s comments on Staff Review of Delmarva Power & Light Company's 2013-2017 Infrastructure Investment Plans.

Please do not hesitate to contact me at the number above if you have any questions.

Respectfully submitted,

Abraham H. Silverman (KBW)

Abraham H. Silverman
Assistant General Counsel, Regulatory
NRG Energy, Inc.

| | | |
|---|---|---|
| IN THE MATTER OF THE | ) | RECEIVED |
| INVESTIGATION INTO DELMARVA | ) | 2014 JUL 18 AM 9 48 |
| POWER & LIGHT COMPANY'S | ) | |
| PLANNED DISTRIBUTION | ) | DOCKET NO. 13-152 DELAWARE P.S.C. |
| INFRASTRUCTURE INVESTMENTS | ) | |
| OVER THE NEXT FIVE YEARS | ) | |
| (OPENED APRIL 16, 2013) | ) | |

**COMMENTS OF NRG ENERGY, INC.**

NRG Energy, Inc. ("NRG") appreciates the opportunity to address the distribution planning issues raised by the Delaware PSC Staff in its June 20, 2014 Report regarding Delmarva Power and Light Company's ("DPL") 2013-2017 infrastructure investment plan.[1] Among other things, the Staff report recommends:

- Given DPL's current reliability performance, its proposed infrastructure investment of $397 million over the next five (5) years appears to be excessive and premature.
- The Commission should approve a public review of DPL's most recent reliability plan as filed with the Commission on March 31, 2014, with a report back to the Commission on that public review due no later than September 2014.
- The Commission should instruct DPL that all planned reliability projects are required to incorporate reasonable justifications and tangible identified benefits for ratepayers before being submitted in any future planning scenarios.

NRG supports Staff's recognition that distribution and transmission planning by public utilities must take into account a broader range of options and objectives, including distributed generation, demand response, and micro-grid applications that will lower consumer costs and improve system reliability and resiliency.

## I. Introduction

NRG's experience with planning in the organized markets is that transmission projects are often built to resolve reliability concerns without regard to whether a generation or a

[1] Delaware Public Service Commission, *Staff Review of Delmarva Power & Light's 2013-2017 Infrastructure Investment Plans*, Docket No. 13-152 Reliability Investigation (June 20, 2014).

demand-side management ("DSM") solution would resolve the same reliability concern at lower cost, without the need for incentive rates, and at less risk to ratepayers. The instant proceeding before the DE PSC appears to represent the same trend, and likely has the same root causes. Too often, tariff rules prohibit planners from even considering generation or DSM solutions. Effective regional or state planning processes must consider generation, DSM *and* traditional distribution infrastructure alternatives when solving reliability challenges or addressing economic constraints.

While understandable, the DPL infrastructure plan unfortunately demonstrates the old adage 'if the only tool you have is a hammer, every problem looks like a nail.' The DPL plan appears to inappropriately have only traditional 'poles and wires' solutions to identified reliability concerns, which may end up costing consumers far more, and delivering far less reliable and resilient outcomes, than a more inclusive plan that allows for competitive delivery of distributed generation, demand response and micro-grid solutions. The Commission should mandate that DPL planners explore multiple options – including generation and DSM solutions – to preserve reliability and meet growing consumer needs.

*Second*, an effective planning process should provide the PSC with real options when evaluating whether to permit a new transmission or distribution project. The current plan appears to provide a binary choice: approve the single project developed in the DPL planning process, or face imminent reliability problems. To ensure consumers get the best overall outcomes, there must be public involvement in evaluating the primary alternatives, as Staff recommends.

*Third*, current policy unreasonably favors transmission and distribution projects by socializing these expansion costs, and by providing guaranteed cost recovery. These incentives and risk-reduction mechanisms are not available to innovative alternatives such as distributed generation and micro-grids. The utility planning process should acknowledge that these approaches to system reliability and resiliency provide other benefits, and should be afforded equal consideration in the planning process.

NRG recommends specific enhancements to the utility planning processes in Delaware to ensure that all potential solutions are considered in a coordinated approach to meet identified system needs:

1) Reliability planning by utilities should begin with assessing system needs in neutral terms, without assuming the form of the solutions.

2) Reliability planning by utilities should consider *all* resource solutions when evaluating and recommending future improvements to the system.

3) Reliability planners should provide the State with multiple solutions to each identified planning need, including recommending:

    a. At least one transmission and/or distribution alternative;

    b. A plan for deploying distributed generation technology as an alternative, including microgrids;

    c. A plan for deploying DSM technologies as an alternative; and

    d. A mix of appropriate transmission/distribution upgrades, generation and demand-side resources.

4) The Commission should require a competitive solicitation for third parties to develop and deliver the distributed generation, micro-grid and DSM technologies prior to finalizing any infrastructure investment plan.

5) The Commission's pricing and cost allocation policies should ensure that alternatives to traditional transmission and distribution infrastructure are eligible for appropriate cost recovery, up to the level needed to attract private investment to meet system needs.

NRG appreciates the ability to provide these comments on how to enhance the regional planning process.

## II. About NRG

A Fortune 250 company, NRG is at the forefront of changing how people think about and use energy. Whether as the largest solar power developer in the country, by building the nation's first privately funded electric vehicle charging infrastructure, or by giving customers the latest smart energy solutions to better manage their energy use, NRG is a pioneer in developing cleaner and smarter energy choices for our customers.

NRG's diverse power generating facilities have a capacity of about 53,000 megawatts, capable of supporting almost 42 million homes. Our retail electricity providers — Reliant and Energy Plus — and thermal energy division serve approximately three million residential, business, commercial and industrial customers in 47 states.

In Delaware, NRG owns the Indian River Generating Station and the Dover Energy Center, and is an active participant in the state's retail electric market.

NRG supports clean energy resources and technologies critical to our transition to a sustainable, low carbon society. NRG and its affiliates are pioneering new DSM resources as well as customer-sited renewable generation and combined heat and power applications, and is committed to building a modern smart-grid for its customers.

## III. Communications

Communications in connection with this filing should be addressed to:


Steven Arabia
NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540
Telephone: (240) 620-4441
steven.arabia@nrgenergy.com

Abraham Silverman
NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540
Telephone: (609) 524-4696
abe.silverman@nrgenergy.com

WHEREFORE, NRG Energy, Inc. respectfully requests that the Commission accept these Comments to the above captioned proceeding.

Dated: July17, 2014

Respectfully submitted,

NRG ENERGY, INC.

By: _______*/s/*_______________

Abraham H. Silverman
Assistant General Counsel, Regulatory