

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE INVESTIGATION INTO)
THE SEPTEMBER 2003 HURRICANE ISABEL)
SERVICE RESPONSE OF DELMARVA POWER &) PSC DOCKET NO. 03-517
LIGHT COMPANY, D/B/A/ CONECTIV POWER)
DELIVERY (OPENED DECEMBER 9, 2003))

ORDER NO. 6326

This 9th day of December, 2003, the Commission determines and Orders the following:

1. Under the Public Utilities Act of 1974, this Commission has exclusive original supervision and regulation over all jurisdictional public utilities. This regulatory authority encompasses not only the regulation of the rates to be charged by a utility, but supervision and regulation of the utility's property rights, equipment, facilities, and franchise. 26 Del. C. § 201(a). In conferring this oversight jurisdiction, the General Assembly intended that the Commission possess the necessary power to ensure that each public utility provides efficient, sufficient, and adequate services, products, and facilities. 26 Del. C. § 308(b). Consistent with this goal, the Commission, in exercising its regulatory authority, is empowered to consider the efficiency, sufficiency, and adequacy of the facilities of a public utility; the efficiency, sufficiency, and adequacy of the services provided by a public utility; and the ability of the public utility to improve its services, products, and facilities. 26 Del. C. § 308(a)(1). Thus, the Commission is

specifically authorized to require a public utility to furnish safe, adequate, and proper service, and keep and maintain its property and equipment in such condition as to be able to do so. 26 Del. C. § 209(a)(2).

2. Acting under these delegated powers, the Commission has long mandated, by regulatory rule, that electric utilities design, construct, maintain, and operate their transmission and distribution systems to enable the utility to supply customers with electric energy at a standard or nominal voltage. "Regulations Governing Service Supplied by Electrical Utilities," Reg. 11(b) (adopted by PSC Order No. 103 (Feb. 1, 1952)). Finally, those same rules direct that each utility make all reasonable efforts to avoid interruptions of service and, when such interruptions do occur, endeavor to reestablish service within the shortest time practicable with due regard to safety. Id., Reg. 14(a).

3. On September 18, 2003 Hurricane Isabel made landfall in South Carolina and proceeded to weaken to a Tropical Storm as it moved up through the mid-Atlantic area. Utilities in the Carolinas, Virginia, Maryland, the District of Columbia, Delaware, and Pennsylvania all suffered extensive damage with a large number of their customers out of service for extended periods of time. Both Delmarva Power & Light Company, d/b/a Conectiv Power Delivery ("Conectiv"), and the Delaware Electric Cooperative, Inc., provided an overview of the storm's impact on its customers and facilities and shared their approach to recovering from the event at the Commission meeting on Tuesday, September 23, 2003. During that review, the

Commissioners raised certain concerns with respect to Conectiv's overall preparedness and response to the storm and, specifically, with restoration resource allocations and customer service response. While recognizing that Conectiv was still heavily involved in restoration efforts, the Commissioners asked for additional information upon conclusion of the storm activities.

4. On September 30, 2003, a list of questions was forwarded to Conectiv that included a summary of the Commission's concerns as expressed during its September 23, 2003 meeting. In response to those questions posed to the company, Conectiv reported that they had 426,936 customers throughout the four-state service area that were impacted by the storm. Conectiv reported that 80% of those customers were restored in 48 hours with the remainder restored over the next 4 and one-half days. Conectiv reported that 108,793 Delaware customers experienced an outage during the storm; however, all customers were restored by September 24, 2003, 10:30 AM. In similar fashion to all of Conectiv's customers, approximately 81% of Delaware customers were restored in 48 hours. Conectiv reported Call Center staffing of 4 to 5 representatives in the early morning hours to between 130 and 152 representatives during heavy daily call hours.

5. During the restoration period, the Commissioners, legislators, and PSC Staff received numerous Conectiv customer calls expressing concern for the extended outages that they were experiencing and the lack of any reliable information upon which to base an expected restoration time frame. Customers also expressed concern over Conectiv's seemingly inability to provide any assistance

for special needs customers such as assisted living facilities or those with disabilities. The Legislative Housing and Community Affairs Committee conducted a public hearing on Tuesday, October 28, 2003 during which time eighteen citizens registered similar comment and concern with Conectiv's restoration effort.

6. On November 19, 2003, Staff concluded its review of Conectiv's responses. Staff reported that it lacked sufficient information to make any but limited factual determinations and suggested three possible options for Commission consideration. Staff suggested that the Commission could accept the information as provided, request Staff to conduct further work sessions with Conectiv to investigate and clarify the necessary information, or open a docket to establish an evidentiary record of the facts surrounding Conectiv's restoration efforts. While concerned for the level of effort that formal hearings might require, Staff recommended that the Commission open a docket to provide all parties an opportunity to further review and comment on Conectiv's storm response and to provide a factual basis upon which to draw conclusions and recommendations.

7. At the Commission meeting held on November 25, 2003, Staff's report was discussed. Executive Director Burcat cautioned that a more formal review is not intended to focus on fault finding, but rather to develop a factual record to identify potential improvements to Conectiv's future storm response efforts. It was suggested that a more formal review process would be beneficial for all parties and would enable the Commission to develop a full record (including possibly testimony offered at evidentiary hearings on

disputed issues) concerning the effectiveness and adequacy of Conectiv's storm response. Conectiv agreed that such process would be beneficial and supported the recommendation. After review and discussion, the Commission, upon its own motion, determined that good cause existed, and that it would be in the public interest to initiate a formal proceeding to examine in more detail, the concerns raised by Staff in their preliminary review. The Commission directed Staff to develop a draft order for consideration and to include a suggested process that would permit a timely review and conclusion to the investigation.

8. The purpose of the formal proceedings will be to determine if Conectiv is presently fulfilling its obligations to provide adequate, safe, and proper service over a reliable transmission and distribution network during severe weather conditions, and whether it will do so in the future. The proceedings should address three issues: (a) storm restoration process (exploring whether the company has in place reasonable, adequate, and nondiscriminatory processes to restore customer service during severe storm conditions); (b) customer service response (exploring whether the company had sufficient resources and processes in place to meet customer needs); and (c) the adequacy of the system (exploring the condition of the system, the status of the company's maintenance programs, and the effectiveness of restoration support systems).

9. To provide the Commission with more details about Conectiv's storm restoration effort and to provide the information necessary to make a full assessment, the Commission directs that Staff

investigate all relevant matters related to Conectiv's preparedness and response to Hurricane Isabel during the period of September 18, 2003 through September 24, 2003. As part of such investigation, Staff shall examine all facts and issues relevant to Conectiv's obligation to provide adequate service, including (but not necessarily limited to) the following:

- (a) What electric service outages occurred in Conectiv's Delaware service territory during the period from September 18, 2003 through September 24, 2003, and what were the principle causes of such outages?
- (b) What was Conectiv's planned approach to managing this type of emergency, what was the level of repair response provided to customers experiencing a service outage, how effective were restoration resources in repairing services, and how did these results compare to the restoration efforts of other utilities?
- (c) What was Conectiv's planned approach to maintaining customer inquiry services during this type of emergency, what was the level of service provided by call center representatives, and how did Conectiv's service level compare with other utilities?
- (d) What was Conectiv's planned approach to special needs customers, what services were provided to these customers, how were 911 calls coordinated, and how did the service level compare with other utilities?
- (e) What was the status of Conectiv's transmission and delivery system prior to the storm, what were the planned and actual maintenance practices on the system, what was the level of workload and resources employed, and how did this compare to other utilities?
- (f) What was the status of restoration management systems, what limitations, if any, were encountered in the use of the systems, what plans did Conectiv have for using such systems, and how did their systems compare to other utilities?
- (g) What was the status of the vegetation management program, what was the workload and resources applied, and how did the approach compare to other utilities?

- (h) Did Conectiv respond to Hurricane Isabel in a reasonable manner, was their restoration approach efficient, sufficient and adequate, and did Conectiv maintain service in a reliable manner?
- (i) Are there any changes to or suggestions for the restoration effort that might enhance the process and provide an improved level of service to Delaware customers?

10. The Commission believes that an expedited review process would be beneficial and directs that a Hearing Examiner schedule, conduct, and report to the Commission concerning any evidentiary hearings or workshop that may be necessary to develop a full and complete evidentiary record concerning the efficiency, sufficiency, and adequacy of Conectiv's response to Hurricane Isabel outages. The Commission further directs Staff, in cooperation with the Hearing Examiner, to: (a) publish notice of formal discussion and hearing as attached (Exhibit "A"), (2) to obtain more complete restoration information as a basis for discussion, (c) to conduct public informational workshops designed to identify issues, concerns, and potential recommendation, and (d) to participate in an evidentiary hearing focused on unresolved issues or concerns.

11. While the formal proceedings may examine the past storm restoration events, the Commission's primary focus in this proceeding is to ensure that customers within this State have and will continue to have reliable and adequate electric service, not only during normal operations, but also during and after severe storm conditions. The Commission believes that now is an appropriate time to commence a formal proceeding to review Conectiv's response and to make a determination with respect to the adequacy of response. The Commission

encourages all participating parties to openly share the information needed to fully understand Conectiv's response to Hurricane Isabel's storm outages and to engage in a constructive debate that results in a thorough understanding of the issues and concerns surrounding emergency restoration efforts. If the Commission concludes, after constructing a record, that there are present deficiencies in the storm restoration process now being provided, it will enter such Orders to restore service to statutory-required levels. At the same time, the Commission's desire to act prospectively should not be taken as an indication that the Commission has abandoned any remedies available to it to ensure reliability.

Now, therefore, **IT IS ORDERED**, under the authority granted by 26 Del. C. §§ 210, 109, 308 and 1002:

1. That, pursuant to 26 Del. C. § 206, the Commission opens this docket to initiate an investigation (as more fully described in the body of this Order) into the Hurricane Isabel storm restoration response and the electric service outages suffered by customers of Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, during the period September 18 through September 24, 2003.

2. That the Commission hereby directs further proceedings in this matter, as more fully described above, to investigate and consider whether the September 18 through September 24, 2003 storm restoration response of Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, was efficient, sufficient, and adequate and, if not so found, what remedies should be imposed, or incentives offered, to restore such facilities or services to a state of efficiency,

sufficiency, and adequacy. As part of these further proceedings, the Staff, Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, and other parties shall examine:

- (a) Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, approach to managing and assessing their storm performance with respect to the restoration process and the adequacy of response in comparison to other utilities.
- (b) Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, resources, service levels, and response provided by the customer call-center to Delaware customers during the storm restoration.
- (c) Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, pre-storm condition of the delivery system and the effectiveness of electrical and vegetation maintenance programs in relation to the principal causes of the service outages.
- (d) Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, priority of storm outage restoration efforts and its impact on the level of service available to "special needs" customers.
- (e) Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, effectiveness of the storm management support systems and the level of restoration information available to customers in comparison to other utilities.

3. That pursuant to 26 Del. C. §502 and 29 Del. C. ch. 101, Robert P. Haynes is designated as Hearing Examiner for this matter, and is instructed to conduct such proceedings, including evidentiary hearings, as may be necessary to afford Staff, Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, and other parties a fair opportunity to present evidence concerning the issues described in the body and Ordering paragraph 2 of this Order. Hearing Examiner Haynes shall, on the basis of the evidence presented, recommend proposed findings and conclusions for consideration by the Commission,

concerning the sufficiency, efficiency, and adequacy of the storm restoration services, and, if insufficient or inadequate, what remedies (including penalties) the Commission should consider imposing to ensure such adequate and sufficient storm restoration service. During such proceedings, the Hearing Examiner may specifically consider any service complaints by Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, customers. Hearing Examiner Haynes is specifically delegated the authority to grant or deny petitions seeking leave to intervene and also to determine, under 26 Del. C. § 102A, the form and manner of public notice to be given concerning the further proceedings in this matter.

4. That, pursuant to and in satisfaction of the requirements of 26 Del. C. § 304, the Commission Staff, shall give public notice of the investigation into the September 2003 Hurricane Isabel service response of Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, by causing the publication of the notice hereto attached as Exhibit "A" in The News Journal and Delaware State News newspapers in two column format outlined in black on December 16, 2003, with proof of such publication to be filed with the Commission as soon thereafter as is reasonably practicable but prior to the date set for any evidentiary hearings in this docket.

5. That James McC. Geddes, Esquire, is designated as Rate Counsel for this matter. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, is hereby placed on notice that it will be liable for the costs of the investigation pursuant to 26 Del. C. § 114(b).

6. That any other interested governmental agencies are invited to participate in the further proceedings and to present for consideration by the Hearing Examiner and the Commission their views on the adequacy and sufficiency of Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, storm restoration response.

7. That this proceeding shall be conducted so as to be resolved by the Commission on or before June 30, 2004. The Hearing Examiner may, in his discretion, extend this deadline for an additional period of time not to exceed sixty (60) days.

8. That the Secretary of the Commission shall cause a copy of this Order to be served upon Delmarva Power & Light Company, d/b/a Conectiv Power Delivery.

9. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae
Chair

/s/ Joshua M. Twilley
Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Donald J. Puglisi
Commissioner

PSC Docket No. 03-517, Order No. 6326 Cont'd.

/s/ Jaymes B. Lester
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE INVESTIGATION INTO)
THE SEPTEMBER 2003 HURRICANE ISABEL)
SERVICE RESPONSE OF DELMARVA POWER &) PSC DOCKET NO. 03-517
LIGHT COMPANY, D/B/A/ CONECTIV POWER)
DELIVERY (OPENED DECEMBER 9, 2003))

P U B L I C N O T I C E

**TO: ALL ELECTRIC SERVICE CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY,
D/B/A CONECTIV POWER DELIVERY, WITHIN THE STATE OF DELAWARE**

Pursuant to 26 Del. C. §§ 209(a) and 1002(a)(1), the Delaware Public Service Commission (the "Commission") has opened this docket to investigate the response of Delmarva Power & Light Company, d/b/a Conectiv Power Delivery ("Conectiv"), to the service outages that resulted from Hurricane Isabel and to ensure that Conectiv is maintaining efficient, sufficient, and adequate service under emergency storm conditions. This Docket arose out of the Commission's need to establish a factual record with respect to Conectiv's response and restoration efforts.

This docket is specific, focusing on what level of restoration and response services is appropriate under emergency storm conditions and what enhancements, if implemented, could improve the level of service available to Delaware electric customers.

On September 18, 2003, Hurricane Isabel made landfall in South Carolina and proceeded to weaken to a Tropical Storm as it moved up

through the mid-Atlantic area. Utilities in the Carolinas, Virginia, Maryland, the District of Columbia, Delaware, and Pennsylvania, all suffered extensive damage with a large number of their customers out of service for extended periods of time. On September 23, 2003, Conectiv provided the Commission with an overview of the storm damage, customer outages, and their response activities. On September 30, 2003, the Commission and Staff submitted informal information requests to Conectiv, summarizing the Commission's concerns and identifying desired supplemental information. On October 16, 2003, Conectiv provided written response to the information request. On November 25, 2003, Commission Staff reviewed its findings with the Commissioners and recommended a more formal review to determine the factual record related to Conectiv's hurricane response. All parties agreed to proceed with a more formal review and the Commission, upon its own motion, directed the establishment of an investigatory docket to review Conectiv's response to Hurricane Isabel. On December 9, 2003, the Commission approved an Order for such review and directed publication of a formal notice.

The Commission has directed an expedited review and invites all interested parties to participate in scheduled public workshops and hearings. The Commission anticipates three (3) public workshops and an evidentiary hearing to complete the review process for determining the efficiency, sufficiency, and adequacy of Conectiv's restoration and response effort. All scheduled public meetings will be held at the Commission's office in Dover, at the address set forth below, starting at 10:00 AM. While expecting to adhere to this schedule,

additional informal workshops may be held as necessary to further discuss and resolve pending issues or concerns.

The Commission now solicits from any person or entity written notice of intervention, comment, suggestions, data compilations, briefs or other written materials concerning the Conectiv response to Hurricane Isabel service outages. Ten (10) copies of such materials shall be filed with the Commission at the following address:

Public Service Commission
Attention: Hurricane Isabel Docket 03-517
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

All such materials must be filed with the Commission on or before January 15, 2004. Direct notice of further proceedings will only be sent to current participants, persons, or entities who now file comment and non-commenting persons or entities who file a notice of intent to participate. All materials submitted in this proceeding are available for inspection and copying during normal business hours at the Commission's Dover office. The fee for copying is \$0.25 per page.

The Commission welcomes and encourages comments related to Conectiv's Hurricane restoration response at any of the proceedings. Any person or entity wishing to make any comment concerning this matter, either in person or through counsel, will be afforded a reasonable opportunity to do so at either the workshops or hearing. Any individual with disabilities who wishes to participate in these proceedings should contact the Commission to discuss any auxiliary aids or services needed to facilitate such participation. Such contact may be in person, by writing, telephonically, by use of the

Telecommunications Relay Service, internet e-mail or otherwise. Persons with questions concerning this matter or persons wishing to review submitted materials may call the Commission by using its toll-free telephone number (in Delaware) 1-800-282-8574. You may also call the Commission at (302) 739-4247 or by Text Telephone at (302) 739-4333. You may also send inquiries by Internet e-mail addressed to robert.howatt@state.de.us.