

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. 6467

AND NOW, this 31st day of August, A.D., 2004, the Commission finds, determines and holds the following:

A. Procedural Background

1. The Commission in Order No. 6326 established Docket No. 03-517 to determine if Delmarva Power & Light Company, d/b/a Conectiv Power Delivery ("Conectiv" or the "Company"), 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.

2. In that Order, the Commission further directed that 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).

3. The Commission noted that the proceeding was 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.

4. The Commission assigned this proceeding to Hearing Examiner Robert P. Haynes in order to preside over the development of the record and to prepare findings and recommendations. The Division of the Public Advocate filed its notice of intervention, and the International Brotherhood of Electrical Workers Local Union 1238 "IBEW"), the Long-Term Care Ombudsman of the Delaware Department of Health and Social Services ("LTCO"), and the Delaware State Forestry Office within the Department of Agriculture filed petitions to intervene, and these petitions were granted allowing party status.

5. The parties held workshops to further discuss Hurricane Isabel issues with Conectiv and other parties. The schedule also provided for duly noticed public workshops and public comment hearings to be conducted on February 25 and March 10, 2004 at the University of Delaware's Goodstay Center on Route 52 in northern Wilmington and at the Hockessin Memorial Fire Hall in Hockessin, both of which were located near areas in which the outages were the most severe. The Hearing Examiner directed that in addition to the statutory notice requirements, notice of the scheduled proceedings be disseminated through press releases and mailing letters to contacts on a Staff-prepared mailing list. Staff and Conectiv filed direct testimony on March 17, 2004, and rebuttal testimony on April 7, 2004, which were admitted into the record and subject to cross-examination at duly

noticed technical evidentiary hearings held in Dover on April 21-22, 2004. The record was kept open pending the submission of late-filed information, including Conectiv's scheduled updates under its "Lesson Learned" internal review.

6. The Commission considered the entire record of this proceeding, including the briefs/comments filed by Conectiv, (dated May 13, 2004; May 26, 2004; July 19, 2004), the exceptions filed by the Public Advocate (dated July 19, 2004), the comments filed by the Delaware Department of Health and Social Services (dated March 12, 2004), the comments filed by the Delaware Department of Agriculture (undated), and the investigation report and briefs/comments filed by Staff (dated March 17, 2004; May 14, 2004; May 26, 2004; July 19, 2004).

7. The Commission also received and considered the Findings and Recommendations of the Hearing Examiner dated July 2, 2004, which was submitted upon completion of the investigation, public comment sessions, and public evidentiary hearings.

B. Commission Findings

8. The Commission determined that, as an investigation, Order No. 6326 requested the participating parties to review Conectiv's response to Hurricane Isabel and to make forward-looking recommendations for improvements where needed. Further, the Commission believes that it is not required, nor was it the intention in its prior Order opening the investigation, to make statutory findings with respect to efficiency, sufficiency, or adequacy of service or to consider the imposition of penalties.

9. The Commission, therefore, declines to consider the Hearing Examiner's conclusion that Conectiv had adequate pre-storm planning and preparations in place for Hurricane Isabel and that Conectiv adequately implemented its plan and restoration service to all of its Delaware customers in an adequate and reasonable manner under the extraordinary emergency conditions caused by Hurricane Isabel.

10. The Commission also rejects the Hearing Examiner's recommendations to adopt as advisory good business practices certain recommendations made by the Staff. (Attached hereto as Exhibit "A"). Instead, the Commission orders Conectiv to comply with those recommendations as set forth below. In addition, the Commission reserves the discretion to order a performance audit of the enhancements Conectiv has made to its major event planning and restoration efforts.

Now, therefore, **IT IS ORDERED:**

1. The Commission finds that Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, has, subsequent to September 23, 2003, taken a number of actions consistent with both the Hearing Examiner's Report and Staff's recommendations that will enable it to better meet its public obligation to provide adequate utility service to all of its customers in the future.

2. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall continue to work to improve its storm planning and future enhancements to those efforts without the requirement of Staff participation. However, such enhancements shall be reviewed periodically with Commission Staff.

3. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, accelerate its planning and restoration process improvements in preparation for the coming hurricane season.

4. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, re-establish its medical alert program.

5. That all interested parties discuss and consider the appropriateness of potential major event improvement standards, guidelines, or measures as part of final Regulation Docket No. 50 regulations and, to the extent such standards, guidelines, or measures are proposed, urges Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, to participate in a good faith effort to develop meaningful measures of performance to be expected during major events.

6. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, include contingency plans in their "Electric Incident Response Plan" for each critical operation or information system, including OMS, that is normally required during a major event.

7. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, improve its capabilities to have adequate trained staff available to supplement critical work tasks during major events via a comprehensive second job initiative or alternative approach.

8. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, in cooperation with community groups, review its customer prioritization plans to incorporate assisted living facilities, nursing homes, and further examine the potential to improve communications and services to individual special needs' customers.

9. That Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, improve its capabilities to provide "Estimated Restoration Times" for customers experiencing service outages during major events.

10. That Staff and other interested parties review Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, "Electric Incident Response Plan" and provide feedback to Delmarva Power & Light Company, d/b/a Conectiv Power Delivery.

11. 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/ Donald J. Puglisi
Commissioner

/s/ Jaymes B. Lester
Commissioner

/s/ Joann T. Conaway
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

RECOMMENDATION 4

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall continue the development of its revised communication plan for outages that include a reasonable level of detail with respect to major event communications and attempt to meet customer expectations for accurate information or reasonable estimates. Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, plan shall provide a process by which customers can be provided realistic estimated restoration times.

RECOMMENDATION 5

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall continue with the planned enhancements to the OMS. It shall also conduct a technical/operational review of all critical outage/restoration information systems to ensure their ability to function effectively during major events or disasters. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall develop contingency plans around each key system.

RECOMMENDATION 9

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall broaden its communication efforts with respect to its vegetation management program to enhance its opportunities to expand its program on private lands that may have vegetation that may intrude into Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, lines. Customers should be made aware of possible alternative solutions to and the related costs to address their concerns. Periodic meetings with the various state/county and civic associations and landowners shall be used to discuss the merits of the IVM program and other alternatives, coupled with Memoranda of Agreement to gain access to maintain private property that may interfere with Delmarva Power & Light Company's, d/b/a Conectiv Power Delivery, lines. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall

identify alternatives available to customers, and develop standard appropriate cost sharing agreements and informational packets with educational materials and sample MOAs.

RECOMMENDATION 20

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall expand its restoration plan or establish separate but integrated plans to more adequately develop its plans/direction for the preparation and assessment phases of response to major events. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall better define second job roles for employees and provide related training and drill participation. As part of the preparation process, Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, needs to practice/drill both the typical second job work and the organizational transition that is required for major event response. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, should clarify and educate all employees as to what is expected in the transition process when moving from normal operations to a major event response. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall clearly identify normal work processes that must be continued and those to which all second job responders must report. While this may be different, depending on the extent of the major event, it is important that Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, fully train its employees and that they understand the expectations.

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall develop comprehensive preparation and assessment plans, revise the restoration plan based on post-storm evaluations, and provide the Commission with any revisions.

RECOMMENDATION 21

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall revise/update its restoration plan to provide more detail for front line organizations and to establish an improved, more consistent approach to the restoration effort. As part of the Corporate Communication

plan, Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall tone down its pre-storm assurances of preparedness and replace it with educational information to customers on its restoration approach to help create expectations that are more realistic.

RECOMMENDATION 23

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall establish and practice a standard dispatch and management approach that is capable of centrally managing a slow onset event with significant infrastructure damage or remotely managing a fast paced catastrophic event. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall recognize the potential for these scenarios and include this type of detail within its preparation, assessment, and restoration plans.

RECOMMENDATION 28

Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, in cooperation with local communities, shall consider revising its priority schedule so that customers could register any special life threatening conditions. Customers shall be informed that they should undertake responsibility for planning for an outage for an extended length of time up to the time period Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, determines, which may be unavoidable under adequate planning and preparations. The information of providing Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, with any life threatening medical conditions from an outage could be developed in community forums or special meetings and shared via educational website pages and billing inserts. Delmarva Power & Light Company, d/b/a Conectiv Power Delivery, shall incorporate an improved educational program in its communications plan for customers that address the local concerns.