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DELAWARE P.S.C.

Before The Public Service Commission
Of the State of Delaware

IN THE MATTER OF THE DELMARVA POWER & LIGHT 2012 INTEGRATED RESOURCE PLAN
PSC DOCKET 12-544
Caesar Rodney Institute Intervenor Comments 9/12/13

We commend DP&L for its efforts to reduce the cost of the 2012 IRP and for the open and helpful workshop process. The IRP, as presented, is satisfactory with just a few suggestions:

Plan to Miss Energy Efficiency Goals

The company only controls a fifth of the steps needed to meet the energy efficiency goal of reducing demand by 15% by 2015. The other 79% is the purview of the Sustainable Energy Utility (SEU). In a workshop meeting SEU Executive Director, Tony DePrima, stated the SEU had inadequate funding and did not accept responsibility to meet the 15% goal. Further, energy efficiency projects the SEU is pursuing may not be verifiable to the level required to count toward the goal. Ideally, the efficiency projects will be verifiable to a level the savings can be sold into the PJM Capacity Market but the SEU has no plans to meet this standard. There are no specific penalties for missing the goal.

The company estimates missing the energy efficiency goal will add 941 gigawatt-hours to the demand load by 2022/23. The added cost of additional power and Renewable Energy Credits will be $117 million a year, or $20/month for an average residential customer. Legislation giving DP&L the ability to act on its own to meet the goals has been delayed for two years over turf wars with the SEU. There is no guarantee the legislation will ever pass.

DP&L should adjust the demand forecast upward and take steps to increase power procurement at the lowest cost to meet the higher demand. DP&L has a successful Energy Efficiency program in Maryland where it has invested $43 million to save 117 gigawatt-hours a year of electricity. We can project an investment of about $350 million would be needed to meet the energy efficiency goal. This is about the investment needed to build a 300 megawatt combined cycle natural gas generating plant. The IRP includes a scenario for such a plant and it is projected to save residential ratepayers about $21/month, just balancing the estimated cost of missing the energy efficiency goal. DP&L should consider building such a facility to maintain price stability for its customers. Reliability would also improve with local generation plus the lower transmission losses from local generation should count toward the energy efficiency goal.

The higher demand load will increase the need for Renewable Energy Credits by 140,000 by 2015. There is no guarantee federal 30% Production Tax Credits will continue to be extended. Wind power contracts are lower cost now than previous DP&L wind contracts but are likely to increase significantly in the future. We recommend an onshore wind contract be pursued by the company in the fourth quarter of 2013. There should be adequate spot market supply to meet near term SREC needs.

Finally, we note expected demand load for residential customers will drop 14% by 2022 from 1060 kilowatt-hours/ month to 908, without additional energy efficiency programs. This is in line with historic data going back to 1949 showing the US economy becoming about 1.8% more efficient every year. In the past efficiency improvements have been offset by new electric applications such as air conditioning and home computing along with population growth. No such potential offsets are on the horizon. In fact, the company reports residential demand fell to 900 kilowatt-hours a month in 2012. The company has no control over population growth. For example, US Census data suggests as much as half the total US population growth over the past few decades may be related to illegal immigration. Alternatively, Delaware has one of the slowest growing economies in the country which could result in net out migration of job seekers. DNREC is in the midst of establishing rules for measuring energy efficiency gains. The rules could focus on gains per customer rather than total demand. Such a change would capture the benefits of upgraded lighting, appliance, and building standards, along with contributions from the low income Weatherization Assistance Program and the SEU. The end result would be a better measure of progress on energy efficiency without penalizing the company or ratepayers for population changes.

Abandon The IRP Process

We strongly suggest the entire IRP process be abandoned. The process has cost Delmarva Power customers as much as $1 million a year. CRI has participated in depth in two IRP's and frankly does not see any benefit to the process. We encourage the commission to recommend a legislative change ending the IRP process and offer our assistance in meeting this goal. There are several systemic problems:

- Assumptions and forecasts for the 2012 IRP were locked in by March 2012 to give adequate time for consultants to prepare their input and for the company to draft the plan. This information will be two years old by the time the docket is closed. In one example, future electric prices were expected to increase 5.5% a year based on the assumptions. More current assumptions have dropped the forecast by two thirds to about 1.8% a year but the IRP cannot be updated. Estimates of renewable energy credit requirements have changed repeatedly by large amounts in just the last twelve months.
- The Externality Study for the 2010 IRP cost $700,000. Some money was saved for the 2012 IRP by doing minor updates of the 2010 study. Undoubtedly, a more thorough, and expensive, study will be required in future IRP's. The study offered no useable results in comparing a 150 MW wind farm and a 135 MW conventional natural gas fired combined cycle plant with both coming back showing a negligible impact on externalities. The 2012 IRP reported a potential $1 to 2 billion savings in avoided health costs in Delaware using EPA modeling comparing 2012 to 2022 expected total emissions. However, the savings were almost entirely from changes other than changes to electric generating units (EGU). It turns out EGU's now account for only 3% of the air pollution in Delaware including in-state and out-of-state generation. ICF international reports negligible externality savings potential in the PJM market even with rather substantial reductions in pollution from coal fired plants. Coal plants will see lower market share from fuel switching to natural gas. Older, dirtier plants are being closed with many plants receiving upgraded air pollution controls such as were used at the Indian River Power Plant. With EGU's representing such a small percentage of air pollution we see no potential value in future Externality studies.

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