

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF DELAWARE

IN THE MATTER OF THE FILING OF)
DELMARVA POWER & LIGHT COMPANY’S) DOCKET NO. 23-0596
GAS 2022 INFRASTRUCTURE, SAFETY, AND)
RELIABILITY PLAN)
(Filed April 28, 2023))

**REPLY COMMENTS OF DELMARVA POWER & LIGHT COMPANY
TO THE DELAWARE DIVISION OF THE PUBLIC ADVOCATE AND
THE DELAWARE PUBLIC SERVICE COMMISSION STAFF ON
DELMARVA POWER & LIGHT COMPANY’S 2023-2027 NATURAL GAS
INFRASTRUCTURE, SAFETY AND RELIABILITY PLAN**

Delmarva Power & Light Company (“Delmarva Power” or “Company”) received joint comments (“Joint Comments”) from Staff and the Division of the Public Advocate (“DPA”) on August 22, 2023, regarding the Company’s 2023 Natural Gas Infrastructure, Safety, and Reliability (“2023 ISR Plan”). The Company offers the following comments pursuant to 26 *Del. Admin. C.* § 8003.7.4:

1. Under 26 *Del. Admin. C.* § 8003 *et seq.*, a gas distribution company, or GDC, must file an annual Infrastructure, Safety, and Reliability Plan,¹ an Infrastructure, Safety, and Reliability Plan Annual Report,² and an annual Reliability Performance Report.³ Of these three filings, *only* the Infrastructure, Safety, and Reliability Plan (Plan) is the subject of the carefully prescribed Review and Acknowledgment process established by 26 *Del. Admin. C.* § 8003.7. This process is wholly isolated to the Plan, with § 8003.7.5, specifically stating “[t]he Commission shall acknowledge that the Plan and any associated comments have been filed and that the Plan is consistent with the requirements of this regulation.” Consistent with its limited role at this point, neither this review nor the Commission’s acknowledgment that the Plan contains the necessary

¹ 26 *Del. Admin. C.* § 8003.6.0.

² 26 *Del. Admin. C.* § 8003.8.2.

³ 26 *Del. Admin. C.* § 8003.8.1.

content, will preclude any other party from later “challeng[ing] the GDC’s attempt to recover the amounts spent when the GDC seeks to include those amounts in rates.”⁴

2. The Company agrees with the Joint Comments that “DPL’s ISR Plan was complete and provided the necessary information to review the 2023 capital budget.” In Delmarva’s previous ISR Plan filings, the Joint Commenter’s consultant, Rod Walker & Associates (“RWA”), included a helpful table listing the requirements of 26 *Del. Admin. C.* § 8003.6 followed by a column stating whether the Company was in compliance.⁵ This year, however, RWA omitted this table and its findings instead delved into recommendations on Delmarva’s budgets, actual spends, and an accounting of the variance amongst these figures for each category identified in 26 *Del. Admin. C.* § 8003.6. To be clear, Delmarva Power is not dismissive of this effort nor is it dismissive of RWA’s recommendations, but as mentioned, present purposes require the Commission to review and acknowledge that the Plan contains the necessary content required by the regulation.

3. The 2023 ISR Plan is in full compliance with the procedural requirements set out in § 8003. The RWA report does not include any indications of disagreement with this statement. First, the Company submitted its 2023 ISR Plan to Staff and the DPA on April 27, 2023, prior to the annual April 30th deadline in compliance with 26 *Del. Admin. C.* §8003.6.1. Next, in compliance with 26 *Del. Admin. C.* §8003.7.1, the parties “cooperate[d] in good faith” to meet and exchange discovery. Finally, the Company filed its proposed 2023 ISR Plan with the Public Service Commission on August 4, 2023, which was within the 120 day period required by 26 *Del. Admin. C.* §8003.7.2.

A. The 2023 ISR Plan is structured in the same manner as the Company’s previously

⁴ 26 *Del. Admin. C.* §8003.7.5.

⁵ See Docket Nos. 18-0935 and 22-0348.

approved Plans. In Section **3.0 Annual Budget Support**, the 2023 ISR Plan describes the multilevel budget review process that capital projects undergo for approval. The first subsection, titled “Investment Plan Development Overview,” describes how Delmarva Power develops its budget for each category of mandatory and non-mandatory spending in compliance with 26 *Del. Admin. C.* § 8003.6.4.1. The second subsection, titled “Project Review, Justification, and Authorization Process,” describes a project’s multi-phase review process in compliance with 26 *Del. Admin. C.* § 8003.6.4.2. The final subsection, titled “Estimated Cost of Plant in Service and Cost of Removal,” addresses the Company’s treatment of the estimated cost of installation and the cost of removal in compliance with 26 *Del. Admin. C.* § 8003.6.5.

B. Next, Section **4.0 Mandatory 6.1.1** and Section **5.0 Non-Mandatory 6.1.2** are “structured under the following major spending categories” in compliance with 26 *Del. Admin. C.* § 8003.6.1:

6.1.1 Mandatory

- 6.1.1.1 New business - Customer requirements
- 6.1.1.2 Facility Relocations
- 6.1.1.3 Required Statutory and Regulatory Requirements
- 6.1.1.4 Reliability - Emergency Failures/System Improvements
- 6.1.1.5 Infrastructure Replacement Programs

6.1.2 Non-Mandatory

- 6.1.2.1 Supply/Capacity/Load/System Pressure
- 6.1.2.2 Asset Condition
- 6.1.2.3 Other Reliability (LNG, regulator station upgrades)

These Sections describe the various investments and programs that Delmarva Power is undertaking between 2023-2027, in compliance with 26 *Del. Admin. C.* § 8003.6.2 and 26 *Del. Admin. C.* § 8003.6.3 respectively. It is followed by an appendix that describes the estimated cost for each planned project of \$1,000,000 or more in compliance with 26 *Del. Admin. C.* § 8003.6.4.3.

4. As mentioned above, the Joint Comments contain five recommendations that are not within the Review and Acknowledgment process set out in *26 Del. Admin. C. § 8003.7.5*, but which the Company has carefully considered. The recommendations are listed below followed by the Company's response:

Recommendation 1: For large blanket project budgets, future variance analysis would benefit from understanding the units of work forecast and actual achieved in addition to the cost variance already provided.

Delmarva Power Response: Delmarva Power will include this data in future Gas Plans.

Recommendation 2: For infrastructure replacement projects, consider including the following information for each project exceeding \$1M for future reports.

- Footage of Main;
- Pipe size and type; and
- Count of Services.

Delmarva Power Response: Delmarva Power will include this data in future Gas Plans.

Recommendation 3: "Asset Condition" budget is very small, but large variances could be reduced by following DPL's stated budgeting process.

Delmarva Power Response: Delmarva Power has carefully considered this recommendation but does not believe the very small size of this budget and the small amount of any variances justifies the additional expenditure of labor and resources.

Recommendation 4: Ongoing cost control measures should be monitored as the Wilmington LNG project proceeds – not just overall variance to budget.

Delmarva Power Response: Delmarva Power is amenable to convening a meeting with Staff and DPA to discuss this topic.

Recommendation 5: Staff and the DPA to work with DPL to better understand the following:

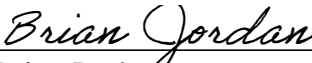
- a. Capital reforecasting process as the year goes on and how projects are reforecast / added / removed;
- b. The closed loop analysis process where budget estimates and actual expenditures are analyzed to determine variance drivers to improve budgeting accuracy; and

- c. The use of blanket accounts and budgeting processes to improve the accuracy of evaluating performance against plan. To do this, it may help to better understand forecast work quantities (i.e. miles of pipe or customer connections) to help with variance analysis within large blanket Investment Tracking Numbers and shifting funds.

Delmarva Power Response: Delmarva Power is amenable to convening a meeting with Staff and DPA to discuss these topics.

5. Finally, although *26 Del. Admin. C. § 8003.7.5* is specifically limited to the review and acknowledgment of a GDC's Plan, the Joint Comments identified an inconsistency with the Company's reporting of planned and unplanned outages in the Reliability Performance Report that it files under *26 Del. Admin. C. § 8003.8*. Although not part of the Commission's review and acknowledgment process, this report is critical to establishment of the annual outage rate ("AOR") and average outage duration ("AOD") under *26 Del. Admin. C. § 8003.4* and the Company requested Staff and DPA to review this year's submission to ensure consistency amongst the gas utilities in the state. The Company has discussed the topic and will follow the reasoning set out in the Joint Comments that "[i]f an outage's root cause is from an unplanned event, the outage is unplanned." In other words, the focus will be on whether the underlying event is unplanned and not whether the Company followed a plan of action when reacting to an underlying event. The Company will review its 2021 and 2022 annual reliability performance reports, and by September 30, 2023, will refile those reports as needed.

BASED ON THE ABOVE, Delmarva Power respectfully requests the Public Service Commission enter an order pursuant to *26 Del. Admin. C. §8003.7.5* acknowledging the Company's Gas ISR Plan is consistent with the requirements of this regulation.



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