

Regulatory Assistance Project Electric Resource Long-range Planning Survey
Transmission and Distribution Planning Version

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Policies

1. *Is any form of transmission and/or distribution planning required?* Yes No

Yes. Electric Distribution Companies (EDCs) do planning for reliability and load requirements.

2. *If yes, what planning process/es is/are required? Who requires it and who must conduct the planning?*

EDCs are required to prepare distribution reliability and load plans ("Five Year Plans"). While not mandated, PJM provides reliability/load/economic planning for transmission.

New legislation will also require EDCs to provide Integrated Resource Plans every two years for PSC approval. The legislation arose in response to high electricity prices. The rate freeze that was instated as part of deregulation had been set to expire on May 1, 2006, at which time the majority of Delaware customers would have faced rate hikes of 50-60%. The new legislation is the legislature's response to the situation. The IRP process will be an integrated process that governs how the IOU will meet their standard offer service obligations and meet their load requirements. Rules may be forthcoming by spring of 2007.

(The new legislation – House Bill 6 of Session GA143 -- can be accessed by using the Bill Search function at <http://www.legis.state.de.us/LEGISLATURE.NSF>.)

3. *Please describe the process. (What agencies or parties are involved? Who is the decision maker? Who coordinates the process? Who collects data? How is future*

need determined? Who files what, when, how often? Who analyzes filings? Is there a formal docket/proceeding? Who responds? How transparent is the process? How is the plan used?)

EDCs are required to submit Five Year Plans annually to the PSC for review under the Docket 50 Reliability Regulation. The PSC provides oversight and review, with no formal approval or monitoring. Plans are generally followed at EDC discretion.

4. *Describe the analysis used by decision makers. (What is compared to what to make decisions? Are historical congestion costs the basis for investment decisions? How are the following issues taken into account: reliability vs. commercial expansion, generation and load alternatives, economies of scale, technology advances, environmental issues, etc.?)*

Typical analysis relies on the lowest cost solution to meet load/reliability requirements. Historical congestion is not necessarily a trigger, unless mutually agreed to. Most EDCs are able to hedge the majority of their congestion.

5. *Please describe the relationship between this process and other decisions (e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments, siting approval).*

There is no relationship. The process doesn't guarantee pre-approval, permitting, or eminent domain for projects.

6. *Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)?* Yes No
If so, how?

Generation is deregulated as of today. It may be re-regulated in the future, depending on final outcome of legislation. But as of today, the EDCs rely primarily on wires solutions, without regard to price risk.

What is the scope or what are the boundaries of this planning? Is it utility-specific, statewide, or regional planning? What entities are required to participate? If applicable, what is the relationship of this process to any multi-state entity (e.g. ISO) transmission system expansion planning? How do you handle it when growth or reliability issues in one area impact distribution/transmission needs in another area?

Planning is utility specific. Delmarva Power is the state's one IOU. Delaware Electric Cooperative is other utility. 9 municipals are unregulated. Delmarva Power provides transmission services under the direction of PJM. Delaware relies on EDCs and PJM to handle growth/reliability/economic issues.

7. *Do utilities in your state work together on this process? Do any utilities work across state lines to create regional plans? When cooperation exists, what does it look like? Do they share data and draw their own conclusions? Do they problem solve jointly for a least-cost best fit solution for all? Are demand side alternatives included in cooperative planning?*

Utilities do not typically work together. PEPCO Holding has three delivery companies (Delmarva Power, PEPCO, and Atlantic Electric) that cover the 3 state area. Any coordination that occurs is usually among the 3 delivery companies and their relationship to PJM for transmission.

8. *This form of planning has been required since what date?* 1999
9. *How is this process enforced, if at all? Is it routine for utilities to diverge from the Plan with an explanation? Are there any consequences for non-compliance? Do actions inconsistent with the Plan present a case for imprudence?*

Submission of annual distribution plans for review, limited follow-up, no consequences unless Commission elects to take an action.

Required Elements

10. *Are there any resources/strategies that must explicitly be evaluated or included?*
Yes No *Please describe.*

EDCs have a reliability requirement to meet N-1 criteria, 90/10 loading with and without active load management. This shows whether load can still be met in the event that one critical component fails. It's a typical reliability planning criteria that builds some safety into the planning process.

11. *How are investment options compared? Are wires solutions compared to supply solutions? Are they compared to demand side solutions such as energy efficiency, distributed generation or load management? Other comparisons?*

Wires solutions are the only option considered at the EDC Level. PJM has voluntary demand and generation options for transmission issues. Currently, EDCs have no financial incentive to look at increasing demand side solutions, with revenues tied to kWh sales. However, this issue is being looked at by the Commission. The issue emerged out of a recent delivery rate case with the IOU. The Commission has proposed a working group to look at rate structures that include a decoupling mechanism to remove the disincentive to demand side options and look at some other way to provide reasonable revenues. We will probably be looking at this more closely in 2007, and the Commission may be asking the utilities to file a tariff that includes decoupling within 2-3 years from now.

12. How, if at all, is the state regulatory agency involved?

The PSC reviews the plans, and may ask the EDCs to address questions about the plans.

13. Describe the plans' objectives, from each party's perspective:

EDCs – Provide acceptable reliable service @ lowest cost

State – Maintain historic reliability levels of service

PJM – NERC reliability standards, market efficiency and economic impact

14. Are alternative scenarios analyzed as part of the plan? Yes No

If so, what factors are considered?

The EDCs have limited options for analysis, but do develop varying load requirement scenarios. PJM looks at a much larger picture of options on transmission planning.

15. Are externalities considered? Yes No

If so, which ones and how are they considered?

Environmental requirements, lack of eminent domain.

16. What is the planning horizon?

For EDCs, 5 years. PJM has had a 5 year horizon but is now moving to 15 years.

Length of Energy and Demand forecasts? 5 years

Length of Short-term Action Plan? 1 year

17. How often do parties have to file plans? EDCs file plans annually.

Update plans? Plans are updated as major changes are made.

What actually happens? Plans are filed, reviewed and archived. PJM posts their plans on their website.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

Monitoring is limited to critical large projects. There have been no consequences for variations to date.

19. Are environmental issues considered in the planning process? Yes No

If yes, please describe. They are more likely to be considered in the project planning phase to enhance likelihood of permitting. Environmental issues are occasionally mentioned in PJM planning process discussions.

20. Is *reduction or elimination of carbon emissions an issue or goal*? Yes No
If so, how is it dealt with?

More like a goal. Delaware is one of 8 states that have signed on to the Regional Greenhouse Gas Initiative.

Process

21. *Public hearings are held on plans* Yes No

If yes, describe the process (if it wasn't described fully in answer #3).

22. *Are there other ways the public participates and comments on plans?* Yes No
(E.g.: advisory groups, on-line feedback, or other pre-filing participation)

Mostly in reaction to permit notices or when construction begins. New reliability regulations¹ call for annual public planning meetings.

23. *What action is taken on the plan(s), and by whom?*
(Prompts: review it, accept it, approve it, reject it, modify it or acknowledge it.)
Plans are reviewed by PSC Staff, questioned if needed, and archived.

24. *Have resource acquisition decisions changed as a result of the planning process?*
Yes No
If "Yes", give a recent example

25. *Are competitive processes used to acquire new resources?* Yes No

Yes. For capacity/energy/ancillary services, a market based competitive RFP process is used. For T&D investments, internal resources or competitively contracted resources are used.

26. *If yes, do you require regulatory review and approval of the competitive solicitations used?* Yes No

¹ Pending Commission approval, new reliability rules have been developed through a settlement agreement and should be going into effect in 2006. These rules replace interim reliability rules, adopted in a 2003 settlement agreement, designed to allow EDCs to maintain historic levels of reliability after restructuring. (Prior to 2003 Delaware had no specific reliability regulations for EDCs).

Solicitations are reviewed for power contracts, but not for T&D (see above).

27. *If the answer to 26 was yes, do you require regulatory review and approval of the contracts resulting from competitive solicitation?* Yes No

The Commission approves contracts for standard offer service (SOS). The EDCs recently had three bid periods for SOS and issued RFPs. The Commission met after each bid period and approved the awarding of contracts. The Commission has also approved a power cost adjustment process for co-ops, which includes an element of approval of supply contracts.

28. *Are energy efficiency or DSM plans part of the Transmission Planning process?* Yes No

Not for the EDCs. DSM is part of planning at the PJM level, which is regulated by FERC.

29. *Does the regulatory agency have open dockets, or is it considering opening a docket investigating any transmission or distribution investments?* Yes No

30. *Citation and description:*

31. *Are the plans available on-line?* Yes No

If yes, list the address: Is on-line publication voluntary or mandatory?

32. *Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:*

Interim regulation on electric reliability

www.state.de.us/delpsc/electric.html

Pending state legislation

www.state.de.us/Legislature.nsf/?Opendatabase

Session GA143, House Bill 6

33. *Who has eminent domain powers related to this process? How is it obtained?*

There is no eminent domain in Delaware.

34. *Do you anticipate any changes to this process in the near future?* Yes No
If yes, please describe.

Regulatory Incentives/Mandates

(Continue if these questions were not answered in the first survey.)

35. Does your state do performance-based regulation? (Does not have to be related to transmission/distribution planning) Yes No

If so, please describe briefly.

36. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? Yes No

37. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? (Examples: lost revenue recovery, shared savings, bonus rate of return, performance fees.) Yes No

Not currently, although a decoupling mechanism may be considered in the future (see Question 11).

If so, please describe briefly.

38. Do any tariffs include a fuel/purchased power clause? Yes No
If so, how does it work? (Does it include capacity costs? Are any components allowed as 100% pass-through? How often is the adjustment updated? How are interest costs on unrecovered balances handled?)

Delaware Electric Cooperative has a purchased power adjustment clause that is updated annually or as required by the Cooperative. It includes full cost of power, including capacity and ancillary charges.

39. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No

If so, please describe briefly, including how the mandate relates to power vs. RECs.

Renewable Energy Portfolio Standards have been legislated and are underway in rulemaking. Check www.state.de.us/delpsc.

State Energy Plan

40. Is there a State Energy Plan? Yes No
41. Is it connected to the planning described above? Yes No
42. If yes, who is responsible for the Plan?

The Plan is administered by the Governor's Energy Advisory Committee. Information is available at www.state.de.us/planning/Livedel/etfhome.htm.

43. *What is included in the Plan, apropos of electrical resource planning?*

An Energy Task Force Report for the State of Delaware. It's not a routine or annual planning process.