

Memorandum of Meeting

DNREC – Air & Waste Management

Air Quality Management Section

Meeting Date: March 8, 2004 1:00-4:00 pm

Location: Division of Motor Vehicles Dover Conference Room, Dover, DE

Purpose: DG Regulatory Development Workgroup Meeting #4

Work Group Members:

AFFILIATION	NAME	PHONE #	E-MAIL ADDRESS	PRESENT?
American Lung Association	Martha Bogdan	302-655-7258	mbogdan@alade.org	YES
Conectiv	Stu Widom or Bob Jubic (alternate)	302-451-5319 302-454-4036	Stu.widom@conectiv.com Bob.jubic@conectiv.com	YES
Delaware Department of Corrections	Jerry Platt	302-739-5601	Jerry.platt@state.de.us	NO
Delaware Electric Cooperative	Bill Andrew	302-349-3174	bandrew@decoop.com	NO
Delaware Energy Office – DNREC	Suzanne Sebastian or Charlie Smisson (alternate)	302-739-1530	Suzanne.sebastian@state.de.us Charlie.smisson@state.de.us	YES
Delaware Farm Bureau	Robert Baker	302-697-3183	rlbaker28@earthlink.net	NO
Delaware Healthcare Association	Suzanne Raab-Long	302-674-2853	Suzanne@deha.org	YES
Delaware Nature Society	Seth Ross	302-368-5674	Sethross2001@yahoo.com	YES
Delaware Public Service Commission	Bruce H. Burcat or Bob Howatt or Kevin Neilson (alternates)	302-739-4247 302-739-3227 302-739-3228	bruce.burcat@state.de.us Robert.howatt@state.de.us Kevin.neilson@state.de.us	YES
Delmarva Poultry Industry, Inc.	Bill Satterfield	302-856-9037	Satterfield@dpichicken.com	NO
DNREC-AQM	Al Deramo	302-739-4791	Alfred.deramo@state.de.us	YES
DNREC-AQM	Mark A. Prettyman	302-739-4791	Mark.prettyman@state.de.us	YES
DNREC-AQM	Brad Klotz	302-323-4542	Bradley.klotz@state.de.us	NO
MBNA America	Galina Chadwick	302-457-5654	Galena.chadwick@mbna.com	NO
University of DE, Center for Energy & Environmental Policy	Dr. John Byrne or Terri Brower or Leigh Glover (alternates)	302-831-8405	jbyrne@udel.edu tbrower@udel.edu lglover@udel.edu	YES

Other Persons in Attendance

NAME	AFFILIATION	PHONE #	E-MAIL ADDRESS
Paul Sample	Tech. Advisory Office Legis. Council	302-656-3212	sample@bellatlantic.net
Nancy Terranova	DNREC-AQM	302-739-4791	Nancy.terranova@state.de.us
Jack Lebeau	Rentar Environmental Solutions	215-572-7033	Jack.lebeau@rentar.com or sherijac@verizon.net
Mike DeFino	Rentar	302-834-1200	mdefino@rentar.com
Joel Bluestein	Energy & Environmental Analysis, Inc.	703-528-1900	jbluestein@eea-inc.com
Rich DesJardien	V.A. Medical Center Wilmington	302-633-5270	Richard.desjardien@med.va.gov
Robert (Bobby) Jones	Duke Energy	302-672-6302	Bobby.jones@d-fd.com
George E. Owens	Downes Associates	410-546-4422 ext. 120	geowens@downesassociates.com
Ron Amirikian	DNREC-AQM	302-739-4791	Ronald.amirikian@state.de.us
Bob Mulrooney	Christiana Care	302-733-3994	rmulrooney@christianacare.org
George Hunt	Enerwise Global Technologies	610-444-1100 ext. 301	george.hunt@enerwise.com
Joe Polido	PJM	610-666-4693	polidj@pjm.com

Minutes:

Al Deramo called the meeting to order at 1:15 pm. After introducing himself, Mr. Deramo informed the group that Mark Prettyman would be taking over as chair of the DG Workgroup. Mr. Prettyman informed the group that he has worked with Mr. Deramo on this DG initiative since the very beginning, and was glad to have everyone's participation in the workgroup. After this introduction, Mr. Prettyman then asked everyone to introduce themselves.

The meeting began with a presentation by Joe Polidoro, from PJM Interconnection. Mr. Polidoro's presentation gave an overview of PJM, as well as PJM's demand response program. The Delmarva Peninsula is plagued by problems with congestion and reliability, and there are basically only 3 options which can help: generate more electricity locally, install more transmission lines, or utilize a demand response program. Ideally, a combination of all 3 options would be best, but currently, demand response seems to be the most fruitful option. Under PJM's demand response program, when electricity supplies are short, demand response reduces stress on the grid. When wholesale prices are high, demand response can stabilize prices by reducing demand. This can be accomplished by three different ways: load curtailment (which is the most common), behind the meter generation, or both. PJM's demand response program has two different programs. The Emergency Load Response Program is designed to provide a method by which end-use customers may be compensated by PJM for voluntarily reducing load during an emergency event. The Economic Load Response Program is designed to provide an incentive to customers or curtailment service providers to enhance the ability and opportunity for customers to reduce consumption when PJM LMP are high. (LMP stands for locational marginal prices, or the hourly

integrated market clearing marginal price for energy at the location the energy is delivered or received.) Out of the 400+ large industrial and commercial participants in PJM's program, only 6 or 7 are in Delaware, and there are no small commercial or residential participants in Delaware.

During the presentation, Seth Ross asked Mr. Polidoro if PJM had analyzed the emissions which result from the use of generators for demand response. Since it is not known what generators are being used, or the emissions from these units, Mr. Polidoro replied that the emissions are lower, but they are not quantifiable. Bobby Jones of Duke Energy then asked what the capacity is of "on-the-ground generation" that is 25 MW or less, within PJM's total capacity of ~76,000 MW (2003). Mr. Polidoro replied that PJM only monitors generators of 10 MW or larger, and that he could possibly determine the amount of generation between 10-25 MW, but he has no way of determining the capacity of "behind-the-meter" generation.

Another item which was discussed during Mr. Polidoro's presentation was the concept of PJM declaring an emergency event. Basically, PJM declares an emergency only when all other options to maximize supply and reduce load have been exhausted, and it is not something that PJM likes to do. It was noted that PJM has only declared 1 "emergency event" in the last year, and that was in New Jersey. In some other states, language has been included in their regulations to define an emergency as, not only during "lights out", but also when "...PJM declares an emergency." This allows "emergency only" generators to be used in PJM's demand response program as one of its last lines of defense against an impending blackout(s). During the discussion, it was clarified that Conectiv may still call a localized situation an emergency without PJM, but a system-wide emergency must be called by PJM. Mr. Polidoro suggested that similar language be included within the definition for emergency in Delaware's regulation in order to allow such emergency units to participate in PJM's demand response program, when needed. His concern is that, if emergency is defined to be only "lights out," and emergency units cannot participate as a last line of defense, there could be a potential for blackouts or brownouts on Delmarva if such a situation occurs.

After a break at the conclusion of Mr. Polidoro's presentation, some of the previous meeting's agenda items were briefly discussed. The first item was the "World of Distributed Generation in Delaware" which was prepared by Mr. Prettyman. Basically, the document went over estimates of the number of generators present for agricultural use. Nancy Terranova then went over her document which she prepared on the current permitting requirements of generators within Delaware. The requirements listed led to the question of why current permits (for emergency generators) are being written with an annual operating limit of approximately 150 hours, even though the EPA standard is a 500 hour maximum operating limit. It was explained that DNREC's Engineering and Compliance Section has been scaling back the 500 hour limit for permits on a case-by-case basis, based upon historical operating hours of the units in emergencies. Bob Jubic of Conectiv pointed out that in New Jersey, the operating hours for emergency generators are based upon the size of the units (i.e., smaller, cleaner units are allowed more hours than larger, dirtier units).

George Owens, president of Downes Associates, Inc., spoke up with a few comments he had. His company recently installed four 6 MW diesel generators, with selective catalytic reduction technology (SCR), at a plant in western Pennsylvania. Mr. Owens wanted it to be known that all diesel is not dirty, at least not new units with new technology. In fact, he stated that these units which were just installed are actually cleaner than combustion turbines. In his experience, Mr. Owens has seen an increasing need and push for distributed generation, and the technology is available to make it clean. It is his opinion that states should set specific emission standards related to DG, and that it is better to have them more uniform across states to help ensure that the demand for cleaner units can/will be met. Jack Lebeau, of Rentar Environmental, stated that credits, such as those for combined heat and power (CHP) systems, would help the economic feasibility of cleaner DG. For the next meeting, Mr. Owens stated that he would bring with him another engineer from his company to help answer questions that anyone has regarding the installation of the diesel units at the plant in Pennsylvania.

The last item of discussion during the meeting was the definition of “emergency” proposed by Bob Howatt, DE PSC. Mr. Howatt’s definition was a combination of both PJM’s and the RAP model rule’s definitions for emergency. Mr. Ross and others agreed that it is a good start, but the proposed definition is a little vague and wordy, and the final definition needs to be more clean, clear, and concise. Mr. Polidoro once again asked the workgroup to consider the inclusion of “...or when PJM declares an emergency.” No one present had an objection to its consideration, but there was no consensus that it should definitely be included. Mr. Owens added that, if such an addition to the definition is made, it should read “...or when PJM *or other utilities* declare an emergency” to allow the use of emergency units during similar local emergencies.

Mr. Prettyman concluded the meeting by letting the workgroup know that he and others in Air Quality will be using what they have gathered from these meetings to draft a “strawman proposal” of the DG regulation. Once drafted and agreed upon internally within AQM, it will then be emailed to the workgroup and other interested persons for comments, before the next meeting. The target for the next meeting is mid April.

At 4:00 pm, Mr. Prettyman adjourned the meeting.