



STATE OF DELAWARE
PUBLIC SERVICE COMMISSION
861 SILVER LAKE BOULEVARD
CANNON BUILDING, SUITE 100
DOVER, DELAWARE 19904

December 21, 2004

Mark A. Prettyman
Environmental Scientist
Delaware DNREC-AQM

Dear Mark:

The Delaware Public Service Commission Staff would like to offer the following comment on your Proposed Regulation No. 44 (Draft 3). Although we were unable to attend the most recent meeting, there are two concerns which we believe you may want to consider.

As we read the current version of the regulation, it would appear that “existing” generators, participating in utility peak shaving programs for economic benefit would be required to meet more stringent air quality standards as described in Section 3.2.1.1. As we understand the requirement this would mean significant investment in engine pollution controls for existing owners to meet the air quality standards. In effect, this would shut down the Cooperative’s demand response peak shaving program and limit other participants demand response efforts unless participants could take advantage of the existing cost share programs or undertake their own retrofits. While we applaud efforts to enhance clean air standards, we believe it is important to emphasize that the proposed standard is not without significant cost to both the individual owners and Delaware taxpayers.

To remedy this concern the PSC Staff suggests you consider two possibilities.

1. The current level (existing) of peak shaving generation, used for both emergency and peak shaving requirements, does not contribute the volume of emissions that we see from other sources or that we may see into the future. Staff suggests you may want to consider a grandfathering of these units to minimize the economic impact on energy ratepayers that may occur should peak shaving program participants decline to make the added investment to meet these proposed regulations.
2. As an alternative, Staff suggests you may want to consider amending the definition of “Emergency.” A paragraph c. could be added as follows: “a limited time frame during which regional energy demand is extremely high and electric utilities and/or demand response participants are asked to generate energy to reduce overall system demand (not to exceed 24 hours in any one month period of operation).”

Obviously either of these solutions would require additional change of the regulation. As an example, the definition of “Emergency generator” would need to be modified to permit limited operation with respect to voluntary demand response programs. Additionally, Section 1.2.1.2. (applicability) may need to be broadened to include limited commercial or industrial activity.

An additional concern, that has been previously discussed in development meetings, is the inability of generators to perform pre-scheduled testing or maintenance on an “Ozone Advisory Day.” While understanding the need to limit generation on these days, it can be very costly for hospitals and other institutions to forego planned operations and to reschedule. It would seem by its very nature that testing and maintenance has a low probability of coinciding with an “Ozone Advisory Day, “ and therefore, need not be regulated out of operation. Staff suggests that wording be softened such as, “Emergency or distributed generation testing and maintenance is limited to only pre-scheduled, minimum four (4) runs before 5:00 PM on a day which has been.....” Such wording gets the message across without undue economic consequences to pre-scheduled events.

Thanks you for the opportunity to comment. Staff supports the development of this type of air quality regulations and hopes you will be able to address its concerns.

Sincerely,

Robert J. Howatt
Public Utilities Analyst
(302) 739-3227 Ext 64