

JOHN A. KOWALKO
STATE REPRESENTATIVE
Twenty - Fifth District



HOUSE OF REPRESENTATIVES
STATE OF DELAWARE
LEGISLATIVE HALL
DOVER, DELAWARE 19901

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Energy Committee
Meeting Minutes
June 16, 2010

Chairman Kowalko called the meeting to order at 4:45 p.m. Members present included Representatives Mulrooney, Outten and Q. Johnson. For a list of guests present, please see attached.

Chairman Kowalko explained that this meeting was called to discuss the inevitable changes regarding installation of smart metering. He stated that he does not take issue with smart meters, but would like to make the public aware of the benefits as well as address concerns that benefit the utilities, particularly the possibility that the public may bear the burden of the costs. He explained that according to the National Conference of State Legislatures, 26 states have some type of smart metering

Chairman Kowalko asked where smart metering will recover costs. Janice Dillard of the Public Safety Commission explained that \$1 million has already been factored into Delmarva's rate case to cover costs, and also stated that all parties can file for rate recovery. Chairman Kowalko stated that he hoped Delmarva does not take advantage of the rate recovery, and that the utility has been given approval to install 300,000 meters, but it does not guarantee rate recovery. Ms. Dillard stated that it in fact is explicitly stated that it does. Chairman Kowalko noted that this discussion is very tedious and technical.

Ms. Dillard stated that hard costs make up 80% of meters, and if consumers are able to move usage from peak usage times to low usage times, the utility can reduce the sale price of energy, which would eventually flow to consumers. Chairman Kowalko asked who recovers the money and the benefits. Ms. Dillard stated that some things could not be discussed due to the rate case, but stated that if meters are added, the costs should reflect the savings by usage changes.

Chairman Kowalko asked if the initial investment would be a burden to customers. Ms. Dillard stated that costs are held to the side and Delmarva can file an application to collect the costs of meter and later costs associated with the meters. Chairman Kowalko asked if this is a loan; Ms. Dillard explained it would have to accumulate debt and pay it off overtime. Michael Sheely from the Division of the Public Advocate stated that the initial investment is supported by stakeholder and debt, and that no upfront payment is

made by ratepayers. Chairman Kowalko reiterated his concern that ratepayers would be subsidizing what stakeholders should be financing, since Delmarva failed to get a loan

Victor Singer of the Civic League of New Castle County stated that the utility is entitled to opportune rate of return on investment for public service. He further stated that the utility has no rights on return of investment that the public paid for. If the public makes a grant to the utility, it is deducted from the rate base when rate cases come before the PSC.

Chairman Kowalko reiterated his concern that this would not benefit citizens; Rep. Mulrooney and Ms. Diller commented that the cost reduction would be possible through education, including limiting usage during peak hours, dynamic pricing, etc. Ms. Diller also stated that the PSC will work with Delmarva and the Public Advocate to make information accessible.

George Patz of Delmarva Power stated that Delmarva receives a fixed rate of return. Mr. Sheely noted that any benefit the utility may receive is subject to review by the PSC and can be taken back.

John Flaherty asked about the process for a customer complaint, how meters are calibrated and recalibrated. Mr. Patz stated that the meters are tested regularly. He stated that the meters allow for a higher number of readings which could benefit the customer if there appears to be an error. He explained that the system can help identify problems and high bills with something wrong in a home.

Chairman Kowalko noted that smart meters could help customers get a handle on their energy usage, and could minimize occurrences of “brown-outs.” He also asked what the cost of installing the new meters; Mr. Patz stated that the average cost totaled \$237. Chairman Kowalko asked if the utility would recover the costs over time; Mr. Patz noted that the costs would be considered in a cost calculation of future rate cases.

Joe Farley noted that with smart metering, Delmarva will know exactly who has power and who does not. He added that smart metering has excellent benefits when technology is implemented.

Chairman Kowalko agreed that the technology will be beneficial, but added that he was concerned the customer would be subsidizing a utility.

Chairman Kowalko adjourned the meeting at 5:33 p.m.

Respectfully submitted by,

Katie Anderson