

Mid-Atlantic Distributed Resources Initiative

NEWS RELEASE

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Mid-Atlantic Utility Regulators Announce Policy on Distributed Energy Resources

Washington DC— Utility regulators from five Mid-Atlantic jurisdictions, in collaboration with federal and regional authorities, today announced their adoption of a joint policy statement advocating accelerated implementation of distributed energy resources in the region. Such measures, when implemented, could increase utilities' reliance on advanced metering, distributed generation, and energy efficiency.

The five regulators, from Delaware, the District of Columbia, Maryland, New Jersey and Pennsylvania, issued their statement under the auspices of the Mid-Atlantic Distributed Resources Initiative (MADRI). MADRI, formed in 2004, also includes representatives from the U.S. Department of Energy, U.S. Environmental Protection Agency, Federal Energy Regulatory Commission, and the PJM Interconnection LLC, which manages the region's power grid.ⁱ

Demand response programs enable consumers to reduce electrical usage during times of high demand in order to help maintain electric reliability and reduce customer bills. Distributed generation refers to power supplies located in or near to where energy is consumed. Energy efficiency refers to using less energy to provide the same or improved level of service to the energy consumer.

"The MADRI policy statement demonstrates a growing commitment in the Mid-Atlantic region to distributed energy resources and should serve as a guide for future regional action on behalf of electricity customers," said commissioner Richard E. Morgan of the D.C. Public Service Commission, who chairs MADRI. "At stake are important consumer, economic development and environmental issues."

Other state regulators represented in MADRI include: Kim Pizzingrilli of the Pennsylvania Public Utility Commission; Jeanne M. Fox of the New Jersey

Board of Public Utilities; Arnetta McRae of the Delaware Public Service Commission; and Allen Freifeld of the Maryland Public Service Commission.

The policy statement urges public officials to consider adoption of policies to facilitate cost-effective DER programs that:

- remove market barriers;
- develop appropriate regulatory treatment;
- reduce utility disincentives to accommodating DER;
- establish DER program goals;
- provide DER program incentives; and
- test solutions at a pilot scale as a step toward full implementation.

With the adoption of this policy framework, Mid-Atlantic utility regulators are now prepared to begin considering implementation of specific DER initiatives recently developed by MADRI. These include consideration of a regional DER goal, development of regional benefit/cost criteria for evaluating DER investments and regional support for advanced metering infrastructure development.

The policy options recommended for consideration by MADRI were developed through consultation with a broad range of stakeholders over the past two years. Among MADRI's primary goals, explained Morgan, are to remove institutional barriers to distributed energy resources and to pursue regional consensus regarding preferred solutions.

Morgan noted that smart metering and smart thermostat programs are currently being explored through pilot programs in D.C., Delaware and New Jersey. A federal requirement for states to consider "smart metering" options takes effect this summer and could lead to implementation of more initiatives in additional states.

The complete MADRI DER Policy Statement is available on its website, <http://www.energetics.com/madri/pdfs/PolicyStatement.pdf>

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Attachment: MADRI Policy Statement

ⁱ While supporters of the MADRI process, U.S. DOE, U.S. EPA, FERC and PJM Interconnection are non-voting members of MADRI and thus do not take a position on state retail electricity policies including this policy statement.

MADRI Policy Statement in Support of Mid-Atlantic DER Initiatives

MADRI Steering Committee
June 13, 2006

Distributed Energy Resources (DER) can provide benefits to electric customers through increased system reliability, mitigation of wholesale energy prices and other wholesale market risks, improved power quality, improved air quality, reduced line losses and avoided wires investments. Many DER options can also provide direct benefits to customers in that they are provided with new tools and means to better manage their electricity usage and bills. Achieving these long term benefits is a valid goal of regulatory policy. DER projects may also stimulate local economic development. DER includes targeted energy efficiency, demand response, and distributed generation technologies.

With a goal of full implementation of commercial DER programs, and within the broad context of laws and regulations that affect DER (including but not limited to economic, environmental, land-use, building codes, safety and security), state utility policy makers and regulators should consider changes to encourage cost effective DER programs including:

- removing market barriers;
- developing appropriate regulatory treatment;
- reducing utility disincentives to accommodating DER
- establishing DER program goals;
- providing DER program incentives; and
- testing solutions at a pilot scale as a step toward full implementation.

State utility policymakers and regulators may consider special studies and pilot programs to evaluate the costs and benefits of DER technologies such as metering and communications infrastructure that enable dynamic retail pricing regimes. These enhancements would allow more customers to see and respond to market prices. Those DER investments that provide a net long-term benefit to distribution system ratepayers should be implemented or encouraged. A portion of such long-term benefits may be used to enhance the economics of installing DER through special tariffs.

In keeping with normal regulatory practice, authorized utility expenses and investments that facilitate DER products and services by any vendor should be treated as other utility costs and afforded cost recovery and an opportunity to earn a reasonable rate of return on investment.