

# Delaware Renewable Energy Taskforce Meeting

Delaware Public Service Commission, Hearing Room  
861 Silver lake Blvd., Suite 100, Dover, DE 19904

<http://www.dnrec.delaware.gov/energy/information/Pages/RenewableEnergyTaskForce.aspx>

Wednesday, June 1, 2011

9:30am-12:00pm

## Welcome and Introductions

### Discussion-Stenographer/Meeting Minutes and Videotaping

Carolyn Snyder- Discussion of the Taskforce using a stenographer for future meetings. An estimate of these services are about \$600.00 per meeting. Does the Taskforce feel strongly about having these services available for meetings? Also, since the Taskforce doesn't have a budget we would need to find funding sources.

Pat McCullar- Withdraw of the complaint of the previous meeting minutes.

Janice Dillard- The PSC offers taping through their microphones, which would suffice for the meetings.

Michael Sheehy- If members of the public are recording the meetings, I would like to have the ability to ask for a copy.

Tom Noyes- If the public is recording, shouldn't we have a record of ours? If there is taping capacity available then we should use it.

Dale Davis- In the spirit of keeping public costs down, the public should share.

Glenn Moore- I think that we are fine the way we are. If we are able to tape or record, then we can do that.

Carolyn Snyder- We will talk to the PSC about recording through the microphones.

**UPDATE:** Morgan checked in with the PSC and the Taskforce can use the recording equipment located in the PSC hearing room.

### Discussion- The Report from the American Traditions Institute, "The Costs and Economic Impact of Delaware's Renewable Energy Portfolio Standard"

Carolyn Snyder- At the last meeting the Taskforce voted on a presentation policy for formal presentations to the Taskforce. The American Traditions Institute's presentation was circulated two weeks ahead of time. Review of the RPS statute as well as the presentation policy.

Pat McCullar- I would like to move to suspend the policy to allow the Cesar Rodney Institute 15 minutes to present on their report.

Carolyn Snyder- I would like to have a discussion prior to a vote.

Dale Davis- I would be ok with suspending the rules for a short presentation.

Finn McCabe- I did note that there was a section focused on our pilot project.

Tom Noyes- I was hoping to have additional time to review the information. I was prepared to discuss the report.

Mark Neilson- Pat McCullar made the motion to only hear the presentation that would be it.

Pat McCullar- My motion is to hear the presentation and that is all.

Michael Sheehy- I agree with Pat, this is not an evidentiary hearing. I'm torn, this presentation doesn't lend itself to be heard by a committee, however, I feel that a one-time waiver is ok.

Janice Dillard- At the PSC we favor transparency, I would be in favor of allowing 15 minutes.

Carolyn Snyder- I would like to ask for additional clarification, because we answer questions from the public between meetings. How do we answer questions about waivers in the future?

Michael Sheehy- This is a one-time ask, I don't believe that this sets a precedent for future meetings.

Carolyn Snyder- I am concerned that we should be consistent with the Taskforce's other statements that the scope of the Taskforce is only as set forth in the legislation and not a broader assessment of the RPS. If this report is relevant to our scope then we should have a larger presentation and discussion.

Pat McCullar- We want to hear issues that are directly correlated with our objectives. I would ask that the presenter focus on those issues. My motion was to suspend the rule to allow the taskforce to hear the 15 minute presentation and not hear follow-up or debate.

**Motion- To suspend the Taskforce rule on presentations to allow for a 15 minute presentation from the American Traditions Institute. This motion does not set a precedent for future meetings and/or presentations. The presentation would take place right now in the agenda.**

<b>Member</b>	<b>Organization Represented</b>	<b>Vote</b>
<b>Mark Neilson</b>	<b>Delaware Electric Cooperative</b>	<b>Yes</b>
<b>Dale Davis</b>	<b>Delaware Solar Energy Coalition</b>	<b>Yes</b>
<b>Senator Harris McDowell</b>	<b>Delaware Sustainable Energy Utility</b>	<b>Yes (in absentia)</b>
<b>Pat McCullar</b>	<b>Delaware Municipal Electric Companies</b>	<b>Yes</b>
<b>Janice Dillard</b>	<b>Delaware Public Service Commission</b>	<b>Yes</b>
<b>Stanley Merritt</b>	<b>DuPont (renewable energy research &amp; development industry)</b>	<b>Yes</b>
<b>Glenn Moore</b>	<b>Delmarva</b>	<b>Yes</b>
<b>Tom Noyes</b>	<b>Environmental Advocacy Organizations</b>	<b>Abstain</b>
<b>Michael Sheehy</b>	<b>Delaware Public Advocate</b>	<b>Yes</b>
<b>Carolyn Snyder</b>	<b>Delaware Department of Natural Resources and Environmental Control</b>	<b>No</b>
<b>Dan Tompkins</b>	<b>Motech Americas (local renewable energy manufacturing industry)</b>	<b>Absent</b>

Presentation from David Stevenson, Cesar Rodney Institute (Presentation is attached to the minutes and is posted on the Taskforce website)

“The Cost and Economic Impact of Delaware’s Renewable Portfolio Standard” prepared by The American Tradition Institute for the Cesar Rodney Institute. The model that we used to complete this report was called the State Tax Analysis Modeling Program or STAMP.

There are price impacts, from our research we found that by 2026, Delaware’s electric prices will increase by 18% and residents will pay \$296 more per year and businesses will pay \$2108 more per year.

The economic impacts Delaware will lose 2,159 jobs by 2026 and net investment will fall \$49 million.

Key assumptions include: the costs of electricity from conventional sources will remain low, there will be no national carbon tax, electric demand will follow EIA estimates and will grow about 1% a year, and renewable energy costs will be between EIA 2016 levelized costs estimates and international energy agencies.

2016 renewable energy prices, biomass from EIA- \$112.50/MWh International energy agencies- \$144.00/MWh; offshore wind EIA- \$243.00/MWh International energy agencies- \$288.00; solar (PV)- EIA \$211.00/MWh International energy agencies- \$213.00/MWh. Bluewater Wind/Delmarva contract- \$142/MWh

Key assumptions- Bluewater Wind will meet current Delmarva contract price and targets, Bluewater wind and higher EIA 2016 costs of offshore wind no included, premium costs of renewable power were treated as a tax.

## **Report and Discussion- The proposed SREC Procurement Process**

Glenn Moore, Delmarva Power- The document is still in progress, but wanted to provide a basic overview of this document. There will be additional documents in the future. We are not asking for a vote at this meeting. Not going to review pages 1-3 as they are an overview of the RPS legislation and rules. Keep in mind that this proposal is for SRECs only.

### Section 4

Section 4.1 Public Solicitations- This section outlines the basic structure for the public solicitations. The program administrator was identified at the SEU, although this is not finalized. The SEU will probably hire a 3<sup>rd</sup> party to oversee and run the auction.

Section 4.2 Owner Qualifications- This section sets up qualifications owners must have to participate in the program. Qualifications include: 1) have a least one solar resource with a nameplate rating of 100kW or 2) control the SRECs produced by two or more eligible energy resources. We wanted to make sure that the party dealing with the SEU understands the complexities of the program; therefore the smaller systems should have an owner representative. The owner representative would be able to assist system owners with questions as well as aggregating the SRECs.

Dale Davis- This is a complex issue. We wanted to make sure that the SEU didn't get overwhelmed with everyone in the system.

Finn McCabe- This also wanted to provide small solar start-ups with the opportunity have customers.

Carolyn Snyder- I can see some homeowners complaining about the middle man and additional costs.

Section 4.3 Eligible Projects- This section outlines what projects are eligible to participate in the program.

Carolyn Snyder- Why has the treatment of the Green Energy Program grants changed? We had a lot of applications the first 3 weeks of December that came under the old incentives but as written would be eligible for the SREC pilot program. I just want to make sure that the information that I am sharing is consistent with the messages from this program. We are concerned that this definition is inequitable and sets up potential over paying incentives.

Glenn Moore- We will check in on this issue and coordinate. Additional topics covered in Section 4.3 is tiering and tiering structure.

Carolyn Snyder- I'm unclear on how large property owners apply for projects. How does this work? The language in the document is confusing to me.

Dale Davis- The economies of scale is how we broke down the projects down. We wanted to avoid gaming the system for getting the economies of scale and a higher SREC price.

Glenn Moore- Example of a school system installing two systems- better economies of scale by filing the RFP for both systems, installing at the same time, procuring the materials at the same time. This would be considered one project and fall into the larger tier. If they were to contract and install separately, then it would be two projects. They can have the economies of scale and the higher SREC price.

Carolyn Snyder- We understand the balancing part of this, but we don't want to discourage more efficient systems and procurement practices. For example industry, companies, and the University of Delaware. We are hearing complaints from potential participants.

Glenn Moore- I would disagree. UD has singular bid everything. The bidder had to look at the total amount of panels that they had to build and how they were going to complete the project. That is coming from industry not the utilities. That is how we defined the tier.

Pat McCullar- I agree with Glenn. If companies are getting the economies of scale, then we don't want to overpay them for the project.

Carolyn Snyder- I would hope that we would set up the tiering structure that would minimize the costs. If the SREC price can be lowered to \$250, then it should be lowered. This structure assumes equal revenues and costs for all tiers. The principal should be achieving the goals at the lowest costs not "equal payments for all".

Glenn Moore- A tier 1 residential customer can participate in 2 ways- 1) they can build the system on their own and receive the \$270 SREC price or 2) they can group together and spread the capital costs and paperwork upfront and get the lower price for their SRECs. Both meet the desires of the residential customers to participate and have reduced costs. It is also fulfilling the goals of the tiers.

Carolyn Snyder- What is the goal of the tiers? It's job creation. Why does bidding them together not capture that same goal at a lower cost?

Pat McCullar – This is not a market based structure. Tiers 1 and 2 are administratively set. We want to encourage homeowners to work for the best deal. From the side of the utilities, we are creating a contract that encourages people to make these investments. If we realize something is not working, then it is our duty to fix it.

Glenn Moore- This methodology creates more jobs. I disagree that this discourages large owners. This is a business decision.

Carolyn Snyder- Is this economic efficiency and/or job creation?

Dale Davis- I believe that it's both.

Glenn Moore- This issue has been a delicate one that has received lots of debate and attention. The sub-group has spent a lot of time working through this. Carolyn, we should touch base on this.

## Section 5 Bid Applications

Section 5.1 General Requirements and Section 5.2 Estimated Output- this section outlines the basic requirements for the application process. The bid application will be discussed; the sub-group is still pulling all this information together. The application includes information on the system, how many SRECs it will produce, the tier, bonuses, and other important system information. This document protects the customer and it confirms the entire system. Note that the sub-group decided that if a homeowner doesn't claim the bonuses upfront, they won't count.

Section 5.3 Bid Deposit- This section is to ensure that the project is a viable project through the deposit process. We want to avoid speculation in this process.

Section 6 SREC Transfer Agreements- This section discusses the agreements and the transfer of SRECs. The Sub-group is working on the agreements.

Tom Noyes- Can you clarify the \$50.00 contract price for the 2<sup>nd</sup> 10 years?

Glenn Moore- The concept for the second 10 year term price reduction was to protect the utility and the assumption that SREC prices will fall over time. Note that the bonus is not reduced.

Sections 6.1 and 6.2 include information on the term of agreements and SREC quantity. In section 6.2 there is only a minimum for Tier 3.

Sections 6.3, 6.4, and 6.5 include information on pricing, utility interconnections, and guaranteed on-line date and delay liquidated damages.

Section 6.6 contains information on payments. Tier 1 will be paid quarterly and Tiers 2 and 3 will be paid monthly.

Sections 6.7, 6.8, 6.9, 6.10, 6.11, 6.12, 6.13, and 6.14, include information on metering, conditions precedent, performance credit support, project maintenance, excused performance, default provisions, remedies, and replacement of owner representative

## Section 7 Bid Awards.

Section 7.1 Tier 1 and Tier 2 solicitations; after 5 days of the open subscription- 1. If the tier is oversubscribed then there will be a full lottery until the tier is full, 2. If the tier is not fully subscribed projects will be pulled one by one until the tier is fully subscribed.

Carolyn Snyder- Has a prioritized (labor and materials) lottery been discussed?

Glenn Moore- There has been conversations at the sub-committee level about having a prioritized lottery. There are several reasons why we chose not to prioritize the lottery. Policy- the legislation is already set. The sub-committee did not feel comfortable making policy decisions. If you are behind the

meter, you already get preference in Delaware. Additionally, the legislation gave bonuses to labor and materials.

Carolyn Snyder- If our goal is to encourage local labor and materials, then why not? We are tasked with making these types of recommendations by the legislature.

Dale Davis- This may be an issue that the Taskforce will need to resolve for us.

Section 7.2 and 7.3 address Tier 3 solicitations and reduction of capacity.

Section 8- Solicitations for Compliance Year 2011

DEMEC will be coming forward with their split of the SRECs soon.

Section 8.2 Pricing. The sub-committee will need to get some clarification on the green energy fund grants.

### **Next Steps**

We need to finalize the SREC procurement document. We are currently working on the bid application, application and contract as well as the SEU/utility contract. There is an RFP being drafted. Delmarva is working on a PSC filing. We will also have information on the structure and roles and responsibilities.

Timeframe 4-6 weeks to have the documents in final form, we also hope that have all the issues worked out.

The last thing that the Taskforce will do is vote on the entire package.

### **Public Comment**

John Nichols, citizen- Questions 1. Who pays for the interconnection? Dale Davis- The owner of the system pays for the interconnection. 2. In draft SREC procurement document it states, "The SREC Procurement Administrator has the right to sell the SRECs in any market where they are eligible to be traded including states other than Delaware", can you please explain this statement? Glenn Moore- Once Delmarva has the opportunity to secure the SREC, if we decide to sell the SREC into the open market there would need to be a decision with the PSC about revenues. That quote is related to if a system creates more SRECs than are needed. This meeting body is out of compliance, in regards to the meeting minutes. In a typical meeting, the previous meeting minutes would be review and approved. Carolyn Snyder- We will take that into consideration and will move that forward in the next meeting. Finn McCabe- The Taskforce established those rules at the first meeting and decided not to go with Roberts Rules.

David Stevenson, Cesar Rodney Institute- The complexities with substituting the free market for an administratively set market is difficult and will never get the right fit. I have a suggestion, if you are oversubscribed in tier 1 and 2 by a certain amount, I would suggest that you go to a bid process to figure out that process.