

Delaware Renewable Energy Taskforce

Wednesday, July 25, 2012, 9:00 a.m. to 1:00 p.m.

DNREC Division of Energy & Climate

1203 College Park Drive, Suite 101

Dover, Delaware 19904

DRAFT Meeting Minutes

Members and alternates present:

Carolyn Snyder, Chair, DNREC Division of Energy & Climate	Present
Tom Noyes, DNREC Division of Energy & Climate (Alternate)	Present
Glenn Moore, Delmarva Power	Present
Dale Davis, Delaware Solar Energy Coalition	Present
Finn McCabe, Delaware Solar Energy Coalition (Alternate)	Absent
Dallas Winslow, Public Service Commission	Absent
Pam Knotts, Public Service Commission (Alternate)	Present
Janice Dillard, Public Service Commission (Alternate)	Present
Bill O'Brien, Public Service Commission	Present
Stanley Merritt, DuPont, Renewable energy research & development industry	Absent
Derrick Botha, Motech, Local renewable energy manufacturing industry	Present
Dave Holleran, Motech (Alternate)	Absent
Mark Neilsen, Delaware Electric Cooperative (Alternate)	Present
Scott Lynch, Delaware Municipal Electric Companies (Alternate)	Present
Michael Sheehy, Public Advocate	Present
Andrea Maucher, Public Advocate (Alternate)	Present
John Sykes, Environmental advocacy organizations	Absent
Jim Black, Environmental advocacy organizations (Alternate)	Present
Senator Harris McDowell, Sustainable Energy Utility	Absent
Tony DePrima, Sustainable Energy Utility (Alternate)	Present

Carolyn Snyder opened the meeting at 9:05 a.m.

The Taskforce reviewed the minutes from July 11, 2012. Glenn Moore offered a motion to accept the minutes. Michael Sheehy seconded the motion. The motion was approved with all Taskforce members present voting in favor.

The Taskforce took up the matter of the timing for the next auction. It was proposed that the next auction be scheduled for late this year for the compliance year beginning June 1, 2013. Glenn Moore noted that DPL does not need many SRECs for the current compliance year. An auction date of no later than March 31, 2013 was proposed, which would be almost a year since the last procurement.

Carolyn Snyder turned to the draft SREC auction proposal, which reflects the straw man proposal developed by the Taskforce. Members were encouraged to contact Tom Noyes with further thoughts on the draft between meetings.

The Taskforce discussed whether the auctions should involve single bids or iterative bidding in which bidders could revise their bids in response to other bids. (For instance, DPL's Standard Offer Service uses iterative bidding.) It was observed that market information moves bids lower as an auction progresses. However an iterative process may be too complicated for homeowners and small businesses to manage effectively. The auction proposal will be updated to include a single bid auction structure.

The Taskforce considered the question of auction timing. Since all tiers will be competitively bid, the auction proposal will state that auctions for all tiers will run simultaneously.

The Taskforce discussed a proposed floor price for the Tier 1 auction for new projects. Previously a floor price of \$120 was included in the straw man proposal. Members discussed the pluses and minuses of whether a floor would be useful and what that floor should be. Tier 1 bidders will be homeowners and small business owners who do not regularly bid into energy markets. A floor would provide some guidance for customers wanting to sign contracts months before the auction, even if the contracts are contingent.

The question was opened up for public comments. Dave Stevenson of the Caesar Rodney Institute (CRI) spoke in favor of no floor price and shorter contracts with no \$50 payment for years 8 - 20.

Brock Vinton of the Commonwealth Group spoke of the need to reduce uncertainty, noting that we could lose some potential bidders if no floor price is specified. He also emphasized that the value of consistency among contracts makes it easier to administer payment to sellers of SRECs.

Dale Davis said that DSEC would rather have no floor than a low floor. The auction proposal will be revised to include no floor price for new systems in Tier 1.

The Taskforce considered the question of requiring a second meter for upgrades. It was noted that requiring a second meter could be too complicated, and that the issue could be managed in the detailed proposal without requiring dual meters. The requirement for dual meters for upgraded systems will be removed from the auction proposal.

The Taskforce discussed contract length (7 years at bid price, 13 at \$50). Some thought new projects would be easier to finance with a 10 year bid price, though it was noted that the bid price would change depending whether it would be paid for 7 years or 10 years. Existing systems wouldn't need a 10 year bid price. By going with one contract design (7 years at bid price, 13 at \$50), it would be possible to use a standard contract for new and existing systems.

The discussion was opened up for public comments. Dave Stevenson of the CRI said this proposal was miles better than last procurement, and that he could support almost all of it, though he still objects to the \$50 payment in the last 13 years of a contract.

Glenn Moore of DPL said that if owners were given only 7 year contracts, DPL would have to go back and possibly buy SRECs from the same projects all over again. It was noted that other states allow owners to enter SREC estimates into GATS, and that the PSC could look at how to do this in Delaware. This could be reviewed for the next auction.

Brock Vinton of Commonwealth suggested that a 10 year bid price is meaningful, and works better for large and small systems. He also said the \$50 payments are meaningful. Pro forma statements for large systems include cash flow for years 21 to 25.

The structure (7 years at bid price, 13 at \$50) will not be changed in the auction proposal.

The question of including a change of law provision in contracts was raised. Contracts do not currently have such a provision. After further discussion, it was decided that no change of law provision will be included in the auction proposal.

The Taskforce turned to the question of projects bidding into more than one tier. Which bid should be accepted when a project successfully bids into more than one tier? The lowest bid may not be the best bid to accept depending on the other bids in a tier. If the overall lowest cost is used as the deciding criterion, the auction software would have to be programmed accordingly. The auction proposal will be changed to show that each project should submit one bid in a tier for which it qualifies.

The Taskforce turned to the question of using the spot market for some procurement. DPL is now free to use the spot market to supplement its auction procurement as needed.

Meister Consulting Group gave the Taskforce a presentation of the report on the Pilot Program prepared for the Public Service Commission. The report covered the tiering structure, SREC prices, the role of the SEU, applicant feedback on the auction, the impact of Bloom Energy on the SREC obligation and the program design. The report noted that the auction prices compare favorably with an auction in New Jersey in September, 2011, though PV panel prices continued to fall from September to April. The report reviewed the PV Planner model used to determine administrative prices for the Pilot Program. The inputs and assumptions were seen to be reasonable. The report recommended the consolidation of tiers, greater use of competitively bid prices, and stronger consumer education efforts for system buyers.

The Taskforce discussed the RPS plans being developed by the Delaware Electrical Cooperative (DEC) and the Delaware Municipal Electric Companies (DEMEC).

Mark Neilsen said the Cooperative will not participate in the upcoming auction. The DEC is building a 4 MW facility that will be operative by the end of the year, and will be expanded to 7 MW eventually. The DEC has no plans to buy SRECs from existing systems.

Scott Lynch of DEMEC said that a 12 MW facility is being built in Milford, and that DEMEC is also looking at developing community based systems. It is unlikely DEMEC would be part of the next procurement, though it could look to participate in future auctions and may consider buying SRECs from existing systems.

Glenn Moore presented DPL's latest numbers for RPS exempt load and third party suppliers load under contract.

	Compliance year					
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Transitional Third Party Load Obligations	1,673	576	147	57	0	0
RPS Exempt Load	700	900	1,100	1,300	1,500	1,500

Load in GWH

DPL will present overall numbers on its load and SREC requirements at the next meeting.

The Taskforce turned to the agenda for the next meeting, which will include a review and vote on the auction proposal (not including the numbers). The Taskforce will vote on the auction numbers and the question of whether the SEU would administer the next auction at the following meeting.

The meeting was concluded at 1:00 p.m.