

**Rule Making Workgroup:
26 Del. C. § 354(i) & (j) (Renewable Portfolio Standard)**

**Friday, September 28, 10:00 a.m. to 12:00 noon
Public Service Commission Hearing Room,
861 Silver Lake Boulevard, Cannon Building, Suite 100,
Dover, Delaware 19904**

Meeting Agenda

1. Welcome and introductions
2. Review of agenda
3. Overview of statute
4. Overview of rule making procedure
5. Review of previous discussion
6. Discussion of cost of RPS compliance
7. Discussion of total retail cost of electricity for retail electricity suppliers
8. Other issues
9. Future proceedings

To participate by phone: Call 877 366 0711, participant code 96520857#

**Rule Making Workgroup: 26 Del. C. § 354(i) & (j) (Renewable Portfolio Standard)
Notes from August 6 and September 28, 2012 Sessions**

Process

Role of Division of Energy & Climate in determining whether cost cap has been reached

The Division of Energy & Climate determines whether the cost cap has been reached.

Role of division director in imposing a freeze

If the division finds that the cap has been reached, the division director, in consultation with the PSC, makes a determination whether to impose a freeze.

What is the meaning of the word "may" in the statute? What criteria should be considered in exercising discretion in determining whether to impose a freeze?

It was argued that the statute does not give the director discretion as to whether to impose a freeze if the Division finds that the 1% or 3% figure has been reached.

It was argued that the director may use other policy considerations, such as environmental externalities or climate effects, in making a determination.

Factors to consider in administering the cost cap

The impact on long term contracts (PPAs or long term REC or SREC contracts) was discussed. Several participants said that a freeze would not nullify existing contracts and that DPL would still be able to recover the costs of those contracts.

It was also noted that a number of owners of PV systems have not yet been able to secure a long term buyer for their SRECs, and that a freeze would leave them stranded.

Calculating the cost cap

Equation for total RPS:

$$3\% = \frac{\text{total cost of complying with this requirement}}{\text{total retail cost of electricity for retail electricity suppliers}}$$

Equation for PV carve-out:

$$1\% = \frac{\text{total cost of complying with this requirement}}{\text{total retail cost of electricity for retail electricity suppliers}}$$

Cost percentage cumulative, total or incremental

Is the cost percentage (1 percent or 3 percent) cumulative, total or incremental? Three interpretations were discussed:

Cumulative means that the calculation sums all costs from the beginning of the RPS. It was pointed out that the statute refers to "the total cost of complying with this requirement during a compliance year."

Total means that the calculation is for the total cost for the particular compliance year.

Incremental means the calculation involves the change in compliance costs from the previous year.

Numerator: "total cost of complying with this requirement"

Green Energy Program

Should Green Energy Program grants used to fund efficiency measures, geothermal or other measures not included in the definition of eligible energy resources count towards the cost cap?

RGGI

Should Regional Greenhouse Gas Initiative (RGGI) funds used to support renewable energy programs in Delaware count towards the cost cap?

Bloom Energy

Should Bloom Energy offsets used as credits against DPL's RPS requirement count towards the cost cap? Production from Bloom Energy fuel cells is used to offset REC and SREC requirements.

It was pointed out that Bloom Energy fuel cells use natural gas, which is not included in the definition of eligible energy resources. There are no Bloom RECs or SRECs traded on GATS. On the other hand, it was argued that the RPS was not reduced by the Bloom Energy legislation and that Bloom offsets used to satisfy the RPS requirement should still count as RPS costs.

It has been noted that the Bloom legislation has its own cost cap: the customer impact of the highest cost renewable resource in DPL's portfolio, which at the time was the Bluewater Wind project.

Another issue is that the Bloom Energy costs are non-bypassable, meaning that they apply to all DPL customers, including those exempt from paying RPS compliance costs.

Transmission costs

The question was raised of whether transmission projects used to deliver renewable resources to Delaware customers should be included in the cost cap. It was pointed out that transmission facilities do not generate RECs.

Avoided costs

The question of avoided costs has been raised. Are there energy cost savings that can be attributed to switching to renewable resources? If so, how should these savings be considered in the calculation?

The issue of external costs has been raised. Energy production creates environmental and health costs that do not show up in rates. The 2010 DPL Integrated Resource Plan documented these costs. Should external costs be included, and if so, how? It was argued that external costs could either be included in the calculation or considered when the division director makes a determination.

Denominator: “total retail cost of electricity for retail electricity suppliers”

Total retail cost of electricity

Is the total cost all electricity costs paid by customers? Or is it supply costs, without transmission or distribution costs?

Large customers exempt from the RPS

Large customers (1,500 MW and above) are exempted from paying for RPS compliance. Should their load count in the denominator?

Third party suppliers

How does DPL’s assumption of RPS compliance responsibility for load sold by third party suppliers affect the calculation? What difficulties are encountered in calculating the denominator?

