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Lisa Vest
Public Hearing Officer
State of Delaware – DNREC
89 Kings Highway
Dover, DE 19901
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12/3/15

Dear Ms. Vest;

I am submitting additional comments regarding DNREC's **102 Implementation of Renewable Portfolio Standards (RPS) Cost Cap Provisions** printed in the Delaware Register 11/1/15, regarding how the Director of DNREC will determine how a freeze of the accelerating requirement for renewable power will be triggered. On 11/23/2015 DNREC released a "Preliminary Report for Compliance Year 2014/15" based on the proposed regulations. My additional comments relate to that document.

The proposed regulation attempts to calculate the benefit of reduced pollution from the use of renewable power as an offset to the cost of the RPS. Legislators didn't expect the value of reduced pollution would be considered as a finite benefit because the numbers are so fuzzy and no two people can agree how to do the math. They simply assumed there was some savings in creating the cost cap. But the Division of Energy & Climate has used a controversial formula to calculate a specific dollar benefit. The essential impact of this attempted calculation is to double count the benefits. Once to justify the 3% allowed increase in electric prices in the first place, and then again as an offset. We encourage eliminating Section 5 from the regulation.

Assuming Section 5 is not eliminated, there are changes needed in the calculation. The calculation multiplies the megawatt-hours of renewable generation times the PJM average emission rate in tons/MWh times a value/ton of emission reductions. There are problems with the preliminary calculation in each area:

1) Qualified Fuel Cell Project generation compliance costs are ignored but the QFCP generation is included in the externality benefit calculation. The QFCP compliance cost must also be included, or the QFCP generation should be disregarded.
2) The total SREC compliance requirement is used as the basis for the assumption of generation. This needs to be reduced by the portion of compliance SRECs related to the Delaware labor and equipment bonuses that do not reflect actual generation.
3) Generation estimates should come from the Delmarva Power Annual Compliance Report for the same Compliance year used for externality calculations.
4) The preliminary calculation used PJM average emission rates from the 2012 IRP which were based on data from 2011. The PJM GATS system provides up to date average emission rates for any time period and should be used to match Compliance Year renewable generation rates with emission rates for the same Compliance Year. The information is available at this link; PJM GATS Average Fuel Mix Emissions https://gats.pjm-eis.com/gats2/PublicReports/PJMSystemMix/Filter .
5) The preliminary calculation used an updated estimate from July, 2015, for the estimated Social Cost of Carbon but used 2011 rates from the EPA for the $/ton value of reduction of NOX and SO2. The EPA has updated the emission reduction value at this link; Regulatory Impact Analysis for the Clean Power Plan Final Rule, Table 4-7, page 4-23, http://www.epa.gov/airquality/cpp/cpp-final-rule-

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ria.pdf. The updated value of emission reductions of $9300/ton for NOX, and $30,000/ton for SO2 should be used. The EPA Social Cost of Carbon estimate of $40/ton uses global impacts of CO2 emissions but the compliance costs only include costs in Delaware which is not a fair comparison. We have an actual value for cost/ton of CO2 in Delaware from the average RGGI auction price for CO2 emission permits. The average cost/ton for the 2014/15 CY was $5.25/ton (3Q 2014 to 2Q 2015). That is the value that should be used for the value of CO2 emission reductions.

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