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Lisa Vest
Public Hearing Officer
State of Delaware – DNREC
89 Kings Highway
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1/8/14

Dear Ms. Vest;

I am submitting comments regarding DNREC's **102 Implementation of Renewable Portfolio Standards Cost Cap Provisions** regarding how the Director of DNREC will determine if a freeze will be triggered in the accelerating requirement for renewable power.

- 1) Section 3.2 – It has taken six years to write these provisions. Using Compliance Year 2013, which ends May 31, 2014, ensures the first determination of a possible freeze will be delayed to 11/14/2014. We believe the first Compliance Year calculated should be 2012 so a decision on whether to freeze the RPS will be made as soon as possible to protect electric ratepayers. A calculation using the earlier year might also highlight any problems with the methodology.
- 2) Section 4.2.2 - There needs to be a method to calculate the cost of Renewable Energy Credits generated by the 100 MW Synergics Wind Energy Farm. Delmarva Power's contract calls for payment of \$81/megawatt-hour (MWh) the first year plus 2.5%/year in future years with the RECs included in the price. We suggest the value of the credits be calculated as cost/MWh for this wind power less the average cost of power paid for all sources which is currently running about \$35/MWh.
- 3) Section 4.4 – Wind and solar power are alternatives to conventional power sources and the cost should be compared to supply cost only without transmission and distribution cost. Distribution and transmission charges are essentially the same for renewable and non-renewable generation sources so they should not be included in the “divisor” when determining the % increase in the cost of electricity. Some may argue renewable generation can be a distributed power source and so transmission and distribution cost should be included. In reality, only a small percent of on-site solar installations act as a distributed source and probably account for as little as 2% of total renewable power generation that qualifies for the RPS. This small savings is no doubt overshadowed by the higher transmission cost for adding remote wind farms to the grid. Wind will account for 80% of power generation used to meet the RPS requirements.
- 4) Sections 5.2 and 5.3 – The Director does not have discretion to waive an RPS freeze if the 1% or 3% annual caps are exceeded. The caps were set as absolute maximums by the legislature to protect electric ratepayers. The cap was described as a “Circuit Breaker” in legislative discussions that would absolutely trip to protect ratepayers.
- 5) Section 5.4 – The RPS legislation established no allowance for the Director to consider market conditions, avoided cost, externalities, or the economic impacts of renewable energy sources. DNREC is creating these reasons for waiving the freeze out of thin air. Also, the proposed considerations are subject to wide interpretation as to the cost impact and will be very difficult to calculate in an objective way:
 - A) Intervener comments in PSC Docket 12-544, Delmarva Power's 2012 Integrated Resource Plan show a wide gap in the interpretation of Externality cost. DNREC will point to an IRP



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calculation that considers regulatory changes in air pollution laws that will lead to avoided health costs by 2022 for all emission sources of \$1 to \$2 billion in Delaware. In workshops we obtained the expected air pollution changes for just electric generation emission sources and found out the health cost impact was zero. DNREC has refused to acknowledge the later evidence.

- B) DNREC will calculate the value of jobs created by the solar industry in Delaware but refuses to acknowledge the jobs lost because higher electric rates dampen economic development. Extensive research has shown the higher electric rates cost 1 to 4 jobs for every one job created by the solar industry. Eighty percent of the RPS will be met with out-of-state wind farms that add cost without adding Delaware jobs.
- C) There is no significant avoided infrastructure cost from renewable power. The power grid requires significant new investment to incorporate intermittent wind and solar power plus wind power tends to be produced in areas distant from existing power lines. See above for comments on the minor benefits of distributed solar power.
- D) DNREC calls for consideration of a “price suppression” effect of utility scale wind power. A study by the Ohio Public Utility Commission showed adding wind power could reduce wholesale electric prices \$0.17 per megawatt-hour from \$32.25 to \$32.08 or one half percent. This is only true because wind farms have a federal subsidy to receive \$23 per megawatt-hour produced for the first ten years of operation plus Renewable Energy Credits valued at \$110/MWh in the study. They can bid \$0 and still make the \$133/MWh subsidy. Once the subsidy runs out the price suppression effect will end. In the mean time, base load coal and nuclear power plants may close because of depressed earnings so long term prices will be higher than they would otherwise be because of inadequate base load capacity. The short term artificial price suppression also discourages new conventional power plant construction. Price suppression is even less an issue in Delaware with almost all our wind power supplied by fixed price contracts.
- E) We can envision DNREC claiming the retail electric rate (the divisor) is too low because of temporarily low natural gas cost is suppressing prices. However, the US Energy Information Agency’s latest forecast suggests gas prices and electric rates will rise only moderately out to 2040 so prices will be stable. Whatever assumption DNREC makes about future market conditions will be subjective and uncertain.
- 6) All of the above concerns have been expressed by multiple parties in workshop meetings and it is very disappointing DNREC has decided to ignore the suggestions. It certainly appears DNREC is attempting to manipulate the calculation methodology to avoid an RPS freeze.

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