BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

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IN THE MATTER OF THE APPLICATION OF DELMARVA POWER AND LIGHT COMPANY FOR APPROVAL OF THE 2013 PROGRAM FOR THE PROCUREMENT OF SOLAR RENEWABLE ENERGY CREDITS (FILED NOVEMBER 20, 2012)	))))))	PSC DOCKET NO. 12-526

REPORT FROM THE DELAWARE PUBLIC SERVICE COMMISSION STAFF ON DELMARVA POWER AND LIGHT COMPANY'S APPLICATION FOR APPROVAL OF THE 2013 PROGRAM FOR THE PROCUREMENT OF SOLAR RENEWABLE ENERGY CREDITS

Dated: January 11, 2013

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I. EXECUTIVE SUMMARY

On November 20, 2012, Delmarva Power and Light Company ("Delmarva") filed with the Public Service Commission (the "Commission") an Application for Approval of the 2013 Program for the Procurement of Solar Renewable Energy Credits (the "2013 Program") as well as Delmarva's Report in Support of its Application for Approval of the 2013 Program for the Procurement of Solar Renewable Energy Credits. This procurement is subsequent to the Commission approved 2012 Pilot Program for the Procurement of Solar Renewable Energy Credits (the "Pilot Program").

Delmarva's Pilot Program solicitation occurred in April 2012. Shortly thereafter, the Renewable Energy Taskforce ("RETF") began reviewing the results from the auction, considering comments from the public and other stakeholders and recommendations from the independent consultant, Meister Consultant Group that the Commission hired to review the initial program. The RETF is comprised of the same appointments as was legislatively mandated in 2010. The RETF monthly meetings were held in a public forum and often attended by various parties, some of whom commented. The 2013 Solar Renewable Energy Credit ("SREC") Auction Proposal (the "Proposal") was recommended by the RETF on August 29, 2012.[1]

The 2013 Program is based upon the Pilot Program as approved by the Public Service Commission in Order No. 8093 and the Proposal as recommended by the RETF. To contrast the two programs there are differences in (a) eligible systems (b) tier size (c) competitive bidding of tiers (d) contract terms and (e) program administrator eligibility.

The 2013 Program has more of a balanced portfolio by including new systems, existing systems and spot market procurements. A new system is defined as having a final interconnection approval date after the first date of the preceding auction process (April 2, 2012). Using a portion of the auction percentage for new systems encourages new construction and helps to support the growth of the renewable energy market in Delaware. Incorporating existing systems (final interconnection approval before the first date of the preceding auction process) was a result of public comments encouraging the RETF to allow some percentage of the total amount procured to be from existing systems. Otherwise, there was essentially a very small market for existing systems. Procuring SRECs from existing systems can also create a hedge against future volatility in Renewable Energy Portfolio Standards Act ("REPSA") compliance costs. Spot market purchases are consistent with the portfolio approach of incorporating both short and long term contracts and could help to mitigate risk to the ratepayer from price volatility. The spot market is open to all systems.

The 2013 Program continued with tiered segments. However, the number of tiers for new systems was collapsed from four to three tiers, and the tier parameters were also changed. The

[1] The Public Service Commission appointee abstained from voting on the 2013 Program

tiers range from N-1 (new systems up to 30 kW), N-2 (new systems 31 kW- 200 kW), N-3 (new systems 201 kW-2 MW), E-1(existing systems up to 30 kW), and E-2 (existing systems 31 kW-2 MW). The change to the 1st tier range for new/existing systems more accurately reflects the size of residential systems.

All tiers will be competitively bid with the same single-bid requirement. There will be no administrative pricing for any tier, and grant amounts are not being considered for determining the winning bids. For new systems, if a N- 2 system has lower bids than a N-3 system, the winning bid can come from the lower tier. For existing systems, if E-1 systems have a more competitive bid than the E-2 system, they can win additional SRECs. The theory is that larger systems should be able to capitalize on economies of scale and other economic programs (i.e. tax advantages) that the smaller tier systems cannot, and therefore should have lower bids. Since system costs have dropped dramatically, using a competitively bid auction will better reflect actual system costs and expected return on investment.

The 2013 auction will cover only one year but each contract will have a term of 20 years, the same as the Pilot Program. However the competitively bid price will be paid for the first 7 years, and years 8 -20 will be paid $50.00 per SREC. This will be more cost effective for the ratepayer and better represent what is believed to be the current financing terms.

Based on input from various stakeholders, the RETF proposed that solar owners can participate directly in the 2013 Program and do not have to have an Owner Representative. This does not preclude solar owners from choosing to designate an Owner Representative to represent them in the auction.

The RETF approved the continued use of the Sustainable Energy Utility ("SEU") and their administrative contractor for the 2013 Program. Delmarva stated that they found the SEU and its contractor, SRECTrade, to be efficient and performed the role well in administering the Pilot Program. One of the reasons the RETF approved the continued use of the SEU and their administrative contractor was based on the supposition that using the same process promotes consistency and lessens public confusion. The costs associated with the SEU would be subject to Commission review and approval at the time Delmarva seeks to recover the 2013 Program expenses. Staff recommends that any Commission order approving the 2013 Program state that to fully recover the program related costs, Delmarva will have to justify any SEU-related costs above what ratepayers would have paid had Delmarva managed the program and auctions itself and did not use the SEU or its administrative contractor.

Delmarva stated in its Report in Support of Its Application for Approval of the 2013 Program for the Procurement of Solar Renewable Energy Credits that, as with the Pilot Program, cost recovery for administrative costs as well as other costs will be dealt with in another proceeding.

In this report we provide a brief legislative and program background of the 2013 Program and the Meister report conclusions. We also review the development of the RETF recommendations and address the merits of the 2013 Program's key features and changes from the Pilot Program.

Staff notes an important change that should be addressed in the 2013 Program-consumer protection. Various stakeholders suggested a policy statement be incorporated in the actual documents signed by the solar owner to indicate the risk associated with the 2013 Program. We also recommend that that the SEU and/or its administrative contractor include a disclaimer statement on their auction website to inform the public of the risks of associated with the 2013 Program. Staff recommends the following language be used on Appendix A: Form of Bid Application, or a separate sheet with this language and signature blocks for the owner of the SRECs to sign:

DISCLAIMER FOR SREC PRICES

> *Disclaimer: The Solar Renewable Energy Credit (SREC) price used in any return on investment calculations is not guaranteed. Winning any solicitation or auction is not guaranteed. This SREC price may vary depending on if one wins any available solicitation/auction contract and the terms of the contract. If a bidder wins an available solicitation/auction, the price will be stated in the contract. If a bidder does not participate or win in any solicitation or auction, the SREC price is unknown and based on variables such as supply of SRECs and demand for SRECs in the market. The price a bidder may receive for a SREC may affect the financial payback period of your system. Please sign the following signifying that you have read the above disclaimer.*

We also think the SREC Program should be evaluated next year by an independent consultant, as well as the RETF, based on the criteria listed in the Conclusion and Recommendations, many of which are the same metrics used in evaluating the Pilot Program.

II. LEGISLATIVE AND PROCEDURAL BACKGROUND

A. LEGISLATIVE BACKGROUND

In 2007, the Governor signed into law the REPSA, 26 *Del. C.* §§ 351-364. Its purpose was to "establish a market for electricity from [renewable energy resources] in Delaware, and to lower the cost to consumers of electricity from these resources." [2] REPSA requires retail electricity suppliers to purchase energy from Eligible Energy Resources ("EERs")[3] to meet a portion of their annual retail load. REPSA sets forth the minimum percentage of retail energy sales to end-users that must come from EERs, including solar photovoltaics ("solar PVs"). The percentage of retail energy to be supplied from EERs increases over time, reaching a requirement of 25% in 2025.

REPSA was amended in July 2010 to create the eleven-member Renewable Energy Task Force "for the purpose of making recommendations about the establishment of trading mechanisms and other structures to support the growth of renewable energy markets in Delaware." [4] The RETF's composition reflected an effort to achieve balance: four appointments by the Secretary of the Delaware Department of Natural Resources and Environmental Control ("DNREC"); one by the Commission; one by Delmarva; one by the Delaware Electric Cooperative ("DEC"); one by municipal electric companies ("DEMEC"); one by the SEU; one by the Delaware Public Advocate ("DPA"); and one by the Delaware Solar Energy Coalition ("DSEC"). The REFT was directed to make recommendations to the Commission as well as other entities to the extent they have authority, and the Commission (and other entities) were directed to "promulgate rules and regulations, or adopt policies, based on the Taskforce findings." [5] The Commission was not required to adopt the RETF's recommendations *per se*, but the Commission was directed to act based on the RETF's work.

The 2010 REPSA Amendments further contain provisions relevant to development of an SREC procurement program, including provisions designed to maximize renewable energy projects that employ Delaware labor and use Delaware-manufactured products. The 2010 Amendments also increased and extended the required minimum percentage of purchases of SRECs by retail electricity suppliers, increased the Solar Alternative Compliance Price, and required municipal utilities and DEC to comply with REPSA or to develop and implement a comparable program beginning in 2013.

In July 2011, Governor Markell signed into law Senate Bill No. 124 to amend REPSA once again. Beginning with compliance year 2012 (June 2012 - May 2013), Delmarva will be

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[2] 26 *Del. C.* §351(c).
[3] The term is defined in REPSA.
[4] 26 *Del. C.* § 360(d).
[5] 26 *Del. C.* § 360(d) (3).

responsible for procuring SRECs and RECs necessary for compliance with respect to all energy delivered to Delmarva's distribution customers.[6] The 2011 amendments also provide for reductions in Delmarva's REC and/or SREC obligations with respect to energy delivered by a Qualified Fuel Cell Provider Project. The fuel cell project could have a substantial impact on Delmarva's future SREC purchase obligations.

B. THE 2012 SREC PROCUREMENT PILOT PROGRAM

In September 2010, the RETF created a subcommittee to provide recommendations to the RETF. Delmarva, DNREC, DSEC, DEC, DEMEC, and the SEU were the subcommittee's voting members. The subcommittee met on numerous occasions to reach a consensus on the comprehensive Pilot Program designed to meet the objectives set forth in REPSA with respect to the development of solar generation resources. DEMEC and DEC decided not to participate in the 2012 Pilot Program, which left Delmarva as the only participating utility. The Pilot Program was designed as a one-year program to be re-evaluated to see if it was meeting the goals of REPSA effectively. On December 20, 2011, the Commission issued Order No. 8093 which approved the Pilot Program with modifications. The pilot program created a multi-tiered solicitation for long-term solar renewable energy credits that broadly supported multiple system sizes and ownership classes by awarding twenty-year SREC purchase contracts to photovoltaic ("PV") system owners. Under the pilot program, the Delaware SEU serves as the long-term contracting agent, with Delmarva purchasing and retiring SRECs to meet its regulatory obligations under the state's renewable portfolio standard.

In April 2012, the SEU in coordination with its contractor SRECTrade implemented the first round of the Pilot Program and awarded twenty-year SREC contracts to 166 Delaware-sited solar PV systems totaling 7.68 MW of capacity with an expected first-year SREC production of 11,472. The solicitation was well subscribed with more than 23 MW of PV capacity from 548 individual systems. Projects that were already operational[7] and those that were proposed to be developed and operational within the next 12 months were eligible to participate under the pilot. Pilot participants submitted bids into one of four project size categories:

- Tier 1: Up to 50kW
- Tier 2A: Greater than 50kW to 250kW
- Tier 2B: Greater than 250kW to 500kW
- Tier 3: Greater than 500kW to 2,000kW

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[6] 26 *Del. C.* § 354(e) provides: "[b]eginning with compliance year 2012, Commission-regulated electric companies shall be responsible for procuring RECs, SRECs and any other attributes needed to comply with subsection (a) of this section with respect to all energy delivered to such companies' end use customers."

[7] Only Generation Units that have received approvals of their "Accepted Completed Solar System Interconnection Applications" dated December 1, 2010, or later were eligible to participate in the SREC Procurement Pilot Program.

SREC contracts for Tier 1 and Tier 2A were awarded through a lottery process, with projects using both Delaware labor and manufactured goods receiving lottery preference. The contract prices for tiers 1 and 2A were set through an administrative rate setting process at $260 and $240 per SREC[8] respectively for the first 10 years and $50 per SREC for contract years 11-20. Projects bidding into Tier 2B and Tier 3 were awarded contracts based on a competitive auction with winning bidders receiving as-bid long-term contract rates. The competitive Tier 2B auction resulted in a weighted average SREC contract price of $131 for the first 10 contract years, while the weighted average contract price for Tier 3 was $154. As with the other tiers, contracts for tiers 2B and 3 included a fixed $50 per SREC price from contract years 11-20.

C. DEVELOPMENT OF THE 2013 SREC PROCUREMENT PROGRAM

Pursuant to Order No. 8093, the Commission engaged Meister Consultants Group ("Meister") to conduct an independent review of the Pilot Program. Meister produced a report, Evaluation of the Delaware SREC Pilot, on August 3, 2012 (the "Meister Report").[9] Meister found that the response to the solicitation was robust, with each of the program tiers oversubscribed by at least 2 to 1, and that the legislatively mandated bonuses that are designed to promote use of both Delaware source PV equipment and Delaware installation labor were very effective with more than 40 percent of all projects choosing to apply for both these bonuses. Many respondents expressed satisfaction with the performance of the SEU and SRECTrade but expressed frustration with the Pilot Program eligibility criteria. Based upon feedback from subscribers as well as its own analysis, Meister identified the following potential alterations the RETF might consider in developing the 2013 Program to reduce ratepayer impacts and create a more competitive solicitation:

- Reducing the total number of solicitation tiers,
- Exploring the use of an auction-based solicitations for the current Tier 2A,
- Setting administratively-set prices as a function of the competitive solicitation tiers, and
- Developing a solicitation specifically for existing systems that are unable to access the SREC market.

Meister also identified that several system owners commented upon the necessity of owner representatives and their inability to represent themselves in the program. In addition, Meister estimated that the Bloom project is likely to offset a maximum of 30 percent of Delmarva's annual SREC obligation in 2018. Bloom project offsets will have a reducing impact on Delmarva's total SREC obligation on a percentage basis after 2018 as the state's solar mandate continues to grow and while the total output of the Bloom projects does not.

[8] The Pilot Program has Alternative Prices—$235 for Tier 1 and $175 for Tier 2A. These prices are for projects that received a Green Energy Program grant under the program in effect prior to December 10, 2010.

[9] http://depsc.delaware.gov/electric/11399%20SREC%20Pilot%20Final%20Rpt.pdf

Since the Delaware SREC procurement process is a complex regulatory market and many homeowners may not follow or understand state energy policy developments to properly evaluate the risks, many relied on outside sources for information. These outside sources may not be in the best position to explain the risks associated with these programs, and therefore system owners may assume there is not a downside risk involved. Many of the system owners that responded to the survey indicated that they did not realize how oversubscribed the market was and that they may not be awarded a winning bid. Given the current market oversupply and the high number of "stranded" systems in the state, Meister reviewed potential consumer protection initiatives Delaware policymakers could implement to better educate the public about the risks and benefits of the SREC market. Besides, one of the primary advantages of a solicitation-supported SREC market is the ability to match market demand with market supply through a competitive tender. Some approaches Delaware policymakers could consider include:

- Requiring all system owners to sign an acknowledgement that highlights the risks associated with the SREC market,
- Creating an SREC market educational guide for homeowners,
- Establishing state-wide standards for modeling assumption solar installers can use when developing project financial projections for homeowners, or
- Holding state-sponsored educational sessions to educate homeowners about the risks and benefits of the SREC program.

The RETF continued to meet on a monthly basis to consider issues related to the 2012 SREC Auction process and to discuss ideas for the 2013 Program. The RETF was committed to a transparent process. Therefore, all meetings were open to the public, and the RETF had the opportunity to receive written comments and comments voiced at the meetings. In developing the 2013 Program, the RETF considered the implementation of the Pilot Program, the Meister Report and the guidance set forth in Order No. 8093.

III. MERITS OF 2013 PROGRAM

A. INTRODUCTION

The purpose of the 2013 Program is to continue the Pilot Program's goals of creating a market for SRECs in Delaware and providing a mechanism for the procurement of SRECs to ensure that retail electricity suppliers meet the requirements set forth in the Renewable Energy Portfolio Standards Act (REPSA). Identical to the Pilot Program, the 2013 Program will cover only one year, the 2013 compliance year. However, in order to incorporate participant feedback and results from the Pilot Program, recommendations of the Taskforce, and suggestions listed in the Meister Report (Exhibit A of the "Application"), several key changes have been made in the proposed 2013 Program. The proposed modifications are detailed in this section.

B. TOTAL AMOUNT OF SRECS TO BE PROCURED

Delmarva proposes to purchase 8,000 SRECs (for 20 years) through the 2013 Program. The revised structure in which these SRECs will be purchased encompasses a portfolio approach, which is a notable amendment of the 2013 Program. This approach allows for greater opportunity of diversity among the program participants by allowing both new and existing systems to participate, while also allowing Delmarva to purchase SRECs directly from the spot market at prices that may be lower than long-term contract prices. Therefore, all parties are in agreement that this approach provides equal benefit to the solar industry and ratepayers alike. The 2013 Program will have three components:

New Systems[10]:	4,000 SRECs to be procured
Existing Systems[11]:	3,000 SRECs to be procured
Spot Market Purchases:	1,000 SRECs to be procured
	8,000 Total SRECs to be procured

The SRECs to be procured from New Systems and Existing Systems are further broken into tiers, which are described in the next section of this report.

[10] Eligible New Systems are systems with final interconnection approval after the first date of the preceding auction process (i.e. April 2, 2012, for compliance year 2012).
[11] Eligible Existing Systems are systems with final interconnection approval before the first date of the preceding auction process.

C. TIERS

In order to increase the likelihood that a wide variety of residential and commercial projects have an opportunity to participate in the 2013 Program, the Taskforce established distinct tiers of solar generation units (based on their date of interconnection approval and nameplate capacity) for which different pricing, bid rules, and other contract terms and conditions will apply. The tier designations and the number of SRECs to be procured from each tier are as follows:

New Systems (4,000 SRECs to be procured)		
Tier	**Nameplate Rating (DC at STC)**	**Number of SRECs to be procured**
N-1	Less than or equal to 30 kW	1,200
N-2	Greater than 30 kW but less than or equal to 200 kW	1,400
N-3	Greater than 200 kW but less than or equal to 2 MW	1,400
Existing Systems (3,000 SRECs to be procured overall)		
Tier	**Nameplate Rating (DC at STC)**	**Number of SRECs to be procured**
E-1	Less than or equal to 30 kW	1,500
E-2	Greater than 30 kW but less than or equal to 2 MW	1,500

As mentioned earlier, the 2013 Program allows for an additional 1,000 SRECs to be purchased from the spot market. The spot market procurement will be open to all systems, and Delmarva will procure short-term contracts in a similar manner to its current practices.

D. COMPETITIVE BIDDING

One of the primary differences of the proposed 2013 Program is that unlike the Pilot Program, none of the tiers in the 2013 Program will offer SRECs at administratively set prices. Instead, all five tiers will be competitively bid. The Taskforce believes this change will more accurately reflect expected return based on system prices which have been decreasing and, therefore, reducing costs that will be recovered from ratepayers.

Applicants in the procurement will be required to submit an application (bid) in only one tier. However, the Sustainable Energy Utility (SEU) may, subject to certain limitations, accept bids from a lower tier to fill the requirements of a higher tier. The limitations are broken down into the following:

- 30% of the total procurement for New Systems must be awarded to bids submitted into Tier N-1 (Ex: 30% x 4,000 SRECs = 1,200 SRECs that must be purchased from bids submitted to Tier N-1)
- 35% of the total procurement for New Systems must be awarded to bids submitted into Tier N-2 (Ex: 35% x 4,000 SRECs = 1,400 SRECs that must be purchased from bids submitted to Tier N-2)
- 50% of the total procurement for Existing Systems must be awarded to bids submitted
- into Tier E-1 (Ex: 50% x 3,000 SRECs = 1,500 SRECs that must be purchased from bids submitted to Tier E-1)

These minimum requirements in the smaller tiers are intended to ensure that a sufficient number of smaller systems will be able to participate and also ensure the lowest competitive SREC price in the higher tiers. The presumption is that larger scaled projects should be advantaged by economies of scale and other economic factors and therefore be able to bid less per SREC than the smaller projects which may have a higher cost per watt to be recovered.

E. CONTRACT TERM AND PRICING STRUCTURE

The proposed standard contract for the SREC Transfer Agreement, as set forth in Exhibit B at Appendix B of the Application, has a term of 20 years. The Transfer Agreement is similar to the one used for the Pilot Program, but has been modified to take into account changes in the 2013 Program.

For the first seven years of the Transfer Agreement, the SREC price will be the accepted bid price. For the remaining 13 years, the SREC price will be fixed at $50 per SREC. This is also a change from the Pilot Program, in which the Transfer Agreements were split into two 10 year periods. This is another revision that the Taskforce believes will reduce costs to ratepayers and more accurately reflect the typical solar system financing terms.

F. PROGRAM ADMINISTRATION; ELIGIBILITY

In response to feedback from participants of the Pilot Program, some additional changes were made to the eligibility of applicants in the 2013 Program. Primarily, solar generation owners can submit applications without using an aggregator or Owner Representative. However, owners are not precluded from designating an Owner Representative if they so choose.

G. SEU AS SOLICITATION MANAGER AND CONTRACTING PARTY

On page five of its Application, Delmarva says it "found the SEU and SRECTrade to be effective in the Pilot Program and anticipates the same for the 2013 Program." It is also anticipated that the SEU will use the same agent, SRECTrade, used for the Pilot Program, for any auctions held for the 2013 Program. Delmarva claims that the use of the SEU to fulfill this role allows one central entity to manage the program and also allows the SEU to take advantage of its banking rights under REPSA because the SEU will procure the SRECs from solar generators and resell them to Delmarva.

However, just as Staff pointed out during the Pilot Program, there is no need in the 2013 Program to use the SEU's banking rights based on estimated SREC purchase requirements and expected purchases. Furthermore, in approving the Pilot Program, the Commission signed Order Number 8093 which cautioned Delmarva that when it seeks recovery of the Pilot Program costs, it will be required to establish that using the SEU was no more expensive than if Delmarva had administered the Pilot Program itself. Hence, the Meister Report examined the administrative costs of the SEU and SRECTrade during the Pilot Program. It stated that the majority of the Pilot Program's administrative costs is associated with ongoing contract management fees for both the SEU and SRECTrade and suggests that "It may be in the interest of ratepayers to either explore alternative strategies for ongoing contract management or to seek discounted contract management costs during future pilot program rounds." (Meister Report, Pages 56-57)

While the Taskforce voted unanimously to again have the SEU administer all aspects of the bidding process for the 2013 Program, Staff still believes that for cost recovery, Delmarva must present strong cost-benefit justification to support the continued use of the SEU and SRECTrade.

IV. CONCLUSIONS AND RECOMMENDATIONS

The Commission Staff (Staff) has agreed to support the key elements of the 2013 Program with a few changes. Staff agrees that the revision to the Pilot Program to include competitive pricing for each tier should result in a more cost effective process by reflecting current system costs. Adding existing systems and spot market purchases is an equitable arrangement and will help to balance the portfolio. The tier structure for both new and existing systems will strive to balance the market by essentially allowing most system sizes (not including utility scale) to participate and to provide a way to protect ratepayers if the higher tier prices do not reflect the economics that the market hopes to see. Staff agrees that the 2013 Program comes closer to meeting the policy considerations as stated in 26 *Del. C.* § 360 (d)(2).

Staff noted a technical editing error in Appendix B. The Solar Renewable Energy Transfer Agreement, Section 6.1 definition of "Required Meter" is not consistent with the metering requirement set forth in the 2013 Program for the Procurement of Solar Renewable Energy Credits, Section 6.7 Metering and needs to be corrected.

We recommend one change to the program to further enhance the 2013 Program and minimize confusion among participants. Meister's report noted that some owners felt misled by outside sources and their ability to benefit from the Delaware SREC market and the auction specifically. Since homeowners may not be following the Delaware regulatory process, they rely on information from outside sources to explain what can be a complex process. Staff recommends that in the 2013 Program, all system owners sign a simple acknowledgment that explains the risks associated with the 2013 Program to ensure they understand entering the auction is not a guarantee of winning. We also recommend that the SEU's administrative contractor include the disclaimer on their auction website to inform the public of the risks associated with the 2013 Program. The language Staff recommends is detailed in the Executive Summary.

Staff also thinks the SREC Program should be evaluated next year by an independent consultant, as well as the RETF, based on the following criteria, many of which are the same metrics used in evaluating the Pilot Program:

- Whether procurements should be by tiers, and if, so, the number of tiers and cut-off points between tiers;
- Whether there should be competitive bidding for all projects or all tiers;
- The effect of the SEU's involvement on the Pilot Program's administration and costs;
- Whether the SEU/Delmarva conducted an adequate process to inform prospective applicants of the solicitation;

- Whether the response to the solicitation was robust and with respect to which tiers;

- Whether the SEU/Delmarva provided an adequate forum to answer bidder/applicant questions, including use of a bidder's conference and written questions and answers;

- What was the process for the SEU/Delmarva to answer bidder questions?

- How did the SEU/Delmarva exercise oversight over the solicitation process?

- What was the process for making decisions regarding interpreting/making changes to the solicitation documents and/or timing of the solicitation due to unexpected issues arising?

- Did unexpected issues arise? If so, how were they managed and/or resolved?

- Was the solicitation conducted in a timely fashion? If not, what caused delays?

- Did the SEU/Delmarva include a process for obtaining feedback from prospective and actual bidders/applicants? If so, what was the nature of the feedback received?

- Was the solicitation fairly and effectively administered?

- What role did the SEU's contractor play? Who was responsible for overseeing the contractor?

- How did the SEU/Delmarva obtain assurance that the SEU's contractor would adequately perform its job and not be subject to conflicts of interest?

- Did the SEU's contractor perform its role adequately?

- What were the administrative costs associated with the solicitation?

- Based on the conduct and results of the solicitation, what aspects of the solicitation proved to be problematic? How could this be improved for the next solicitation?

- Should SREC prices be set by competitive bidding, administratively-set pricing, or some combination of the two?

- Should procurements continue to be by tier? If so, how many should there be? What should be the dividing line between different tiers? How many SRECs should be procured in total relative to projected need for SRECs and what should be the division by tier?

- If administratively-set pricing will be used again, what has been learned from the 2013 Program that would be useful in future determinations of prices?

- To what extent should Delmarva enter into long-term SREC purchase contracts relative to purchases of SRECs on the spot market?

- From a planning standpoint, how will the potential for reduction of Delmarva's SREC purchase obligations associated with the Bloom Energy fuel cell project be managed with respect to decisions to enter into long-term SREC purchase contracts?

- What should be the process for making future decisions that have competitive implications, such as allocating SREC quantities among tiers and setting prices?

This docket does not include cost recovery of the 2013 Program. Staff expects Delmarva to seek recovery of the majority of the costs related to the SREC solicitations in the 2013 SOS-PCA-RARM-RPS filing. Meister's Report did include some estimates based on the contracts for the Pilot Program and found the estimates to be "either near or below prices for similar programs in the Northeast."[12] It was noted that "each of the programs have unique features that make a direct comparison with the SREC Pilot [Pilot Program] challenging." Since this would be the second year of administration, Staff would expect to see some economies of scale in the monthly charges and SREC fees charge by SRECTrade and the SEU. Staff recommends that any Commission order approving the 2013 Program include language that for Delmarva to fully recover the 2013 Program- related costs, Delmarva will be required to justify any SEU- related costs above what ratepayers would have paid had Delmarva managed the solicitation itself and did not use the SEU as an administrative intermediary.

[12] Evaluation of the Delaware SREC Pilot, August 3, 2012, page 39.