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Before The Public Service Commission
Of the State of Delaware

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT FOR APPROVAL OF THE 2013 SREC PROCUREMENT PROGRAM DOCKET 12-526

Caesar Rodney Institute Intervener Comments

CRI supports the 2013 SREC Procurement Program. While we have one reservation discussed below, the revised program is so beneficial compared to the Pilot Program we recommend acceptance by the Commission. We do expect this plan to be another step on the learning curve and concur another post auction review is appropriate before a permanent program is adopted.

Delaware law established the Renewable Energy Task Force to create a balanced market mechanism for the sale of energy credits from renewable energy sources to stabilize markets for all sizes of installations and encourage growth of the industry. These mechanisms were to minimize the impact on electric suppliers and electric ratepayers. An auction system was adopted known as the Pilot Procurement Program.

As an intervener, CRI had major concerns with the original Pilot Procurement Program. We objected to the high fixed price offered for Tier 1 and 2A, the ten year term at that price, and the exclusion of existing systems from the bidding process. All of these concerns have been addressed in the new program. Tier 1 and 2A have been combined in a new Tier 1 which will participate in a competitive bidding process. The term has been reduced to seven years which matches system owner's desire for a six to seven year payback period. Finally, 4000 of the 8000 SRECs to be purchased are reserved for existing systems. The goals of supporting the development of Delaware's solar industry in an orderly way with minimal disruption for electric suppliers will be met.

There is an important bottom line difference between the 2013 Program and the Pilot Program for electric ratepayers. The Pilot Procurement Program auction covered 11,472 SRECs and committed ratepayers to pay roughly $38 million over twenty years ($3312/SREC). Some Tier 1 customers realized a twenty year IRR of over 40% at a time when twenty year Treasury notes are paying less than 3%. According to Delmarva's 2012 IRP they will need to contract an additional 150,000 SRECs through 2025, about 12,500/year. Extrapolating the cost using Pilot Procurement Program cost yields an estimated ratepayer commitment of $500 million! We estimate the 2013 program for 8000 SRECs will reduce the ratepayer commitment to about

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$10.2 million ($1275/SREC), a 62% reduction in cost. Extrapolating these costs through the SREC needs by 2025 reduces the ratepayer commitment to $190 million. Our estimate is based on the following:

- 4000 new system SRECs at $130/SREC for 7 years and $50/SREC for 13 years = $6.2 million
- 3000 existing system SRECs at $75/SREC for 7 years and $50/SREC for 13 years = $3.5 million
- 1000 existing system SRECs from the spot market at $25/SREC for 20 years = $0.5 million

Our one remaining concern is the $50/SREC payment in contract years thirteen through twenty. Installation owners will be re-paid for their investment in the first seven contract years. Delmarva believes an on-going payment is needed to ensure installation owners maintain their systems after the payback is met and selected $50/SREC as the amount. The $50 target was not adopted on any analytic basis. CRI has no specific analysis to claim another amount is the right one but notes we know of no PV system that has been abandoned for lack of SREC payments. We would suggest using the current spot market price of $25/SREC. Even twenty years out a typical 7.5KW system will save $145/MWh in electric purchases (2012 electric rates) so the addition of $25 or $50/MWh from SREC payments will not be significant in the decision to maintain a system. A $25/SREC payment would save ratepayers an additional $325/SREC over a twenty year contract or $50 million in commitments through 2025. This would bring overall ratepayer savings to about 70% compared to the Pilot Procurement Program and still meet all the legislated requirements.