Inside Energy

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RE: Eight year DNREC cover up ended by PSC
DATE : 2/28/2020 **David T. Stevenson, Director**

It took nearly eight years for the Delaware Public Service Commission (PSC) to end the DNREC cover-up of how much more people are paying on their electric bills because of the Renewable Portfolio Standard (RPS).

The answer in a PSC hearing: 19-percent, stunned the room to silence. That was more than twice the highest estimate expected. When faced with the overwhelming evidence, the commission voted five to zero to freeze the RPS percentage requirements at current levels to stop the cost from rising further.

The number was jaw dropping for several reasons, that it was never supposed to go higher than 3-percent and that the 3-percent cap was probably exceeded in 2012.

The RPS was amended in 2010 when the Delaware State Legislature passed a law saying utility companies had to buy a greater percentage of their power from renewable sources such as wind and solar. To protect their more vulnerable constituents and knowing that those options were more expensive, legislators put a cap on the amount it could raise anyone's electric bill at 3-percent. If that amount was exceeded a freeze on buying more renewable power would go in place for one year. The freeze could be extended if costs remained too high.

That law started a long battle for transparency to allow electric customers to see how much they were paying and to determine who should make the decision on the cap and how it should be determined. The conflict pitched the Delaware Office of the Public Advocate, and the Caesar Rodney Institute against DNREC's Energy & Climate Division and was refereed by the Superior Court and the Public Service Commission. The overriding goal of the Public Advocate is to protect the electric consumer, while the primary goal of the Energy & Climate Division is to promote the use of renewable sources such as wind and solar power. Ultimately the freeze decision rested with the PSC.

Pressured by DNREC's Energy & Climate Division and new legislation, such as the Fuel Cell Act (Bloom Energy), Delmarva Power signed on to expensive fifteen and twenty year leases between 2010 and 2011 with the costs coming online in 2012/13. Contracts were signed for Bloom fuel cells, the Dover Sun Park, three Pennsylvania wind projects, and the first Solar Renewable Energy Credit auction. The cost of these leases is running two to four times the cost for conventional power sources. Delmarva Power has signed up for as much as a billion dollars in premium costs that is being passed on to electric customers over the course of those contracts.

In contrast the Delaware Electric Cooperative, and the Municipal electric utilities managed to meet the RPS requirement without exceeding the cost cap. They have distinct service areas, aren't regulated by the PSC, and so were left to determine how to meet the requirement on their own. The cost of solar modules has dropped 90%, and onshore wind cost dropped 80-percent rewarding a slower approach to contract signing. Those lower costs beg the question if RPS mandates are even needed anymore. In 2018 over 80-percent of new wind and solar generation was built outside RPS mandates.

How did this happen in Delaware? For years the PSC let DNREC determine if the cost cap was met. DNREC stalled for five years in finalizing a cost cap calculation regulation, and then manipulated the calculations to be much lower than it actually was. Successful lawsuits moved the responsibility for the cost cap calculation regulation to the PSC. The lawsuits, re-writing the regulation, and resistance from DNREC in supplying required data ate up more time. The first honest calculation of the cost cap was just completed in time for the decisive PSC hearing.

To paraphrase Benjamin Franklin, we have a freeze if we can keep it.

This year the legislature is expected to consider killing the cost cap, and increasing the renewable mandate from 25-percent by 2025 to 40-percent by 2035. The increase ignores the regional grid coordinator's studies that show going over 30-percent will hurt electric grid reliability that could lead to brown outs, or black outs[1]. The egregious overrun of the cost cap, and the resulting PSC freeze should give legislators pause in killing the cost cap.

1) Footnote 1: Renewable Energy World, "PJM Grid Operators: We Can Handle 30 Percent Renewable Energy Integration"' https://www.renewableenergyworld.com/articles/2014/03/pjm-grid-operators-we-can-handle-30-percent-renewable-energy-integration-and-heres-how.html