

RPS Bill Talking Points, David Stevenson, Caesar Rodney Institute, 6/27/2019

These comments are based on McDowell's proposed bill:

- 1) Increases RPS goal from 25% by 2025 to 40% by 2035, with a higher solar carve out
- 2) Changes the Cost Cap from 3% total to 3%/year (70% cumulative), and 1%/year for solar
- 3) Excludes Bloom charges from the Cost Cap Calculation, wipes out existing cumulative costs
- 4) Lowers Alternative Compliance Payments, adds solar hot water, brownfield bonus

The increase in the RPS has multiple concerns:

The bill breaks promises:

In 2010 DNREC Secretary Colin O'Mara, and Senator McDowell promised electric customers were shielded from higher prices by the 3% total cumulative cost cap which would be an "absolute circuit breaker" to freeze the RPS. The 3% cap was exceeded in 2012, and now totals about 10% with no freeze. This bill changes the cap to 3% a year, for an allowed 70% cumulative increase.

In 2011 Governor Carney and O'Mara claimed in the Fuel Cell Act the cost would not exceed \$1/month, and customers would benefit by not having to buy energy credits for wind and solar. The Bloom charge is now \$4 to \$5/month, and this bill likely excludes Bloom charges from the cost cap calculation.

Introducing the bill this late breaks Senator McBride's promise to allow at least 10 legislative days to consider controversial bills.

The bill is expensive:

The current RPS is already adding about \$100 a year to Delmarva Power residential customers, and up to about \$1 million a year for some large energy users. Three alternative calculation methods show a possible range of additional cost increases from this bill by 2035 ranging from \$65 to \$1,200 a year for residential customers, and from \$0.5 million to \$6 million for mid-size energy users.

- 1) The allowed 70% cumulative increase could raise electric rates about an additional \$1,200 a year on residential customers. The largest customers are excluded, but even mid-size businesses could see an additional increase of up to \$6 million a year.
- 2) The real cost cap becomes the new lower Alternative Compliance Payment levels capped at \$80 per Renewable Energy Credit, and \$150 per Solar Renewable Energy Credit. It could become cheaper for utilities to pay the ACP than to contract REC/SRECs from new generation projects if the RECs are supplied by high cost offshore wind, and small solar roof top systems. In this case residential customers might see an additional bill of \$300 a year, and mid-size users might see an additional bill increase of \$2.5 million a year.
- 3) Even obtaining power from the lowest cost utility scale wind and solar power systems will increase electric customer's bills. New wind and solar power projects are delivering wholesale power at about a 30% premium compared to the existing power plants they are expected to replace (\$10/MWh premium). In addition, the projects will also sell renewable energy credits that are added to electric rates (\$10/MWh premium). The additional impact on residential customers could be \$65 a year, and on mid-size electric users \$525,000 a year.

These extra charges are a heavy burden for the poor who often pay 10 to 30% of their income on energy bills. Almost one in three Delawareans are in energy poverty paying more than 10 % of their

income for energy. Higher electric bills will decrease economic activity, and reduce jobs and wages, hurting the poor the most as well.

The bill exceeds customer's willingness to pay:

In real life, only about 3% of electric customers voluntarily pay any premium for wind and solar power when given a choice according to a National Renewable Energy Laboratory study, "Voluntary Green Power Procurement".

The bill could harm electric grid reliability:

Grid managers, such as the PJM Regional Transmission Organization, have reported an ability to incorporate only up to thirty percent intermittent wind and solar power without causing reliability issues. The bill requires 40%. The increase in distributed solar above five percent of flow on individual feeder lines will almost certainly overwhelm some distribution circuits, impacting the ability to control voltage. That can cause damage to customer and distribution system equipment, which can cause injury from stray current and from power feedback, and make it difficult to detect and isolate faults. Engineering solutions are possible but may be costly.

The bill is not needed:

Only 11% of national wind and solar sales were RPS driven in 2018 according to a recent Woods-Mackenzie study. Much of the rest of new capacity was built by investors taking advantage of tax breaks and subsidies, and utilities voluntarily exceeding RPS mandates. My recent review determined thirty-seven states and DC originally had either mandatory or voluntary RPS standards, and that number will fall to twelve by 2026. The U.S. Energy Information Agency projects about half of all new generation built in the next decade will be wind and solar even with falling federal tax subsidies and fewer state mandates.

New wind and solar capacity is really not needed to meet current electricity demand. For example, PJM has a 28.7 percent reserve capacity margin compared to only 16.1 percent required by the Federal Energy Regulatory Commission.

The bill is an empty political gesture:

The current RPS mandate extends to 2025. So, what is the rush to increase the mandate, and to extend the mandate to 2035? Simple, a number of states, disappointed with the U. S. withdrawal from the Paris Accord, are trying to make their own foreign policy by meeting the Accord on their own. There is no Constitutional authority for that, and it leaves these states at a competitive disadvantage. An illegal EPA regulation that is now repealed, set an emission reduction goal from power plants of 32 percent from 2005 levels by 2030. The US is on target to reduce emissions from electric generation by 35% by 2030 without the regulation. Delaware has already reduced carbon dioxide emissions from power plants by over 60% from 2005 levels.