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March 30, 2010

VIA HAND DELIVERY

Cynthia Brock-Smith
Secretary to the Council
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, D.C. 20004

Re: 2010 Report on the Renewable Energy Portfolio Standard

Dear Ms. Brock-Smith:

Attached is the Public Service Commission of the District of Columbia's ("Commission") Report on the Renewable Energy Portfolio Standard, which is filed in accordance with § 34-1439 of the District of Columbia Official Code. Specifically, this section requires the Commission to file a report with the Council on or before April 1 of every year on the status of implementation of the Renewable Energy Portfolio Standard Act, including: the availability of tier one renewable resources; certification of the number of credits generated by the utilities meeting the requirements of § 34-1432; and any other such information as the Council shall consider necessary.

Thank you. If you have any questions, please do not hesitate to contact me.

Sincerely,

Betty Ann Kane
Chairman

Attachment (1)

cc: The Honorable Richard E. Morgan, Commissioner, Public Service Commission
The Honorable Lori Murphy Lee, Commissioner, Public Service Commission
Dorothy Wideman, Commission Secretary

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Public Service Commission

of the

District of Columbia

**2010 Report on the
Renewable Energy Portfolio Standard**

March 29, 2010

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EXECUTIVE SUMMARY

On January 19, 2005, the District of Columbia Council enacted the Renewable Energy Portfolio Standard Act (“REPS Act”), which established a renewable energy portfolio standard (“RPS”) through which a minimum percentage of District electric providers’ supply must be derived from renewable energy sources beginning January 1, 2007, with an ultimate target of 11 percent by 2022. Eligible renewable energy sources are separated into two categories, Tier I and Tier II, with Tier I resources including solar energy, wind, biomass, methane, geothermal, ocean, and fuel cells, and Tier II resources including hydroelectric power other than pumped storage generation and waste-to-energy.

The REPS Act requires that the Commission adopt regulations, or orders, governing the application and transfer of renewable energy credits and implementation of the REPS Act. The RPS rules became effective upon the publication of the Notice of Final Rulemaking in the *D.C. Register* on January 18, 2008. As part of its RPS rules, the Commission has established a process for certifying eligible generators. The certification process includes a streamlined application that the Commission developed. Renewable generators do not need to submit as much documentation for the streamlined application and the Commission is required to take action in a shorter period of time.

On October 22, 2008, the permanent version of the Clean and Affordable Energy Act of 2008 became law. This legislation, in part, amended the REPS Act and, among other things, changed the definition of solar energy to allow solar thermal applications that do not generate electricity, raised the RPS requirements to 20 percent by 2020, and increased certain compliance fees. The Commission addressed the appropriate changes in a Notice of Final Rulemaking that appeared in the *D.C. Register* on October 2, 2009.

Pursuant to the Commission’s RPS rules, all active electricity suppliers with retail sales in 2008—a total of seventeen (17)—submitted a compliance report for that calendar year. All the suppliers met the RPS requirements either through acquiring renewable energy credits (“RECs”) or by submitting a compliance payment. There were no solar RECs retired for the District’s RPS program in 2008. As a result, electricity suppliers paid the compliance fee of \$300 per MWH shortfall in order to meet the solar requirement. The total amount of money generated from the compliance fees was \$399,320. This money is deposited into the Renewable Energy Development Fund administered by the District Department of the Environment’s Energy Office (“DDOE”).

The majority of the Tier I RECs used for compliance were from qualifying biomass resources, including black liquor and wood waste. Methane from landfill gas and wind accounted for the remaining Tier I RECs. Tier II RECs were primarily from hydroelectric facilities, with the remainder accounted for by municipal solid waste. The majority of the RECs, about 51 percent, used for compliance purposes were generated in 2007. Of the remaining RECs, 26 percent were generated in 2006 and 23 percent were generated in 2008.

With respect to the availability of resources, the generation of electricity in the PJM region provides one perspective. In terms of the PJM system fuel mix, the overall renewable resources in the PJM region represent less than three percent of the available fuels. Hydroelectric power accounts for the largest share among renewable resources, close to one percent. Among other renewable sources, wind represents the second largest resource, but still comprising less than one percent.

As of March 10, 2010, the Commission has approved 551 renewable generator applications. Of the facilities approved, 538 (about 98 percent) use Tier I resources (including biomass, methane from landfill gas, solar, and wind) and 13 (roughly 2 percent) use Tier II resources (including hydroelectric and municipal solid waste). Since these renewable generators may be certified in other states that have an RPS requirement as well, the renewable energy credits associated with the generating capacity are not necessarily fully available to meet the District's RPS. Over the past year, the District has made significant progress in certifying solar generators for the RPS program. There are over 500 solar energy systems (including both solar photovoltaic and solar thermal) approved for the District's RPS, of which 69 are located within the District. The total capacity associated with the approved solar energy systems is about 2,700 kilowatts ("kW"), with about 244 kW in the District.

The Commission continues to address issues to implement the RPS. Through its website, the Commission is also making forms and the rules available, to help facilitate the process. In addition, a list of approved renewable generating facilities is posted on the Commission's website.

I. Introduction

The District of Columbia Council enacted the Renewable Energy Portfolio Standard Act (“REPS Act”) on January 19, 2005 and established a renewable energy portfolio standard (“RPS”), through which a minimum percentage of District electric providers’ supply must be derived from renewable energy resources beginning January 1, 2007. The RPS minimum requirements, among other things, were amended by the Clean and Affordable Energy Act (“CAE Act”) of 2008.¹

Renewable energy resources are divided into two categories, Tier I and Tier II, with Tier I resources including solar energy, wind, biomass, methane, geothermal, ocean, and fuel cells, and Tier II resources including hydroelectric power other than pumped storage generation and waste-to-energy. Although minimum percentage requirements are specified for Tier I and Tier II resources, Tier I resources can be used to comply with the Tier II standard. In addition, a minimum requirement is carved out specifically for solar energy. The REPS Act allows an electricity supplier to begin receiving and accumulating renewable energy credits as of January 1, 2006.

The REPS Act requires that the Commission adopt regulations, or orders, governing the application and transfer of renewable energy credits (“RECs”) and implementation of the REPS Act. The Commission is also tasked with establishing standards to account for customer generation from eligible renewable resources. The RPS rules became effective upon the publication of the Notice of Final Rulemaking in the *D.C. Register* on January 18, 2008.

The Commission must also provide a report to the Council, on or before April 1 of each year, on the status of implementation of the Act, including the availability of Tier I renewable sources, certification of the number of credits generated by the utilities meeting the requirements of D.C. Official Code § 34-1432—which outlines the minimum percentages to be derived from certain renewable resources—and any other such information as the Council shall consider necessary. This annual report fulfills the reporting requirement outlined in the REPS Act.

In Section II, we provide a summary of the steps that the Commission has taken to implement the RPS in the District. Section III reviews the RPS compliance reports submitted for the 2008 compliance year. In Section IV, we present some information on the current availability of renewable resources. Finally, Section V summarizes other ongoing actions to implement the RPS in the District and next steps. In addition, we include Attachment 1, which provides a national perspective on what other states are doing with respect to the implementation of a renewable portfolio standard. Attachment 2 contains a list of selected orders that the Commission has issued to implement the RPS. Lastly, Attachment 3 provides a list of renewable generators that have been certified for the District’s RPS as of March 10, 2010.

¹ D.C. Official Code § 34-1432(c) (2009 Supp.).

II. Summary of the Implementation of the Renewable Energy Portfolio Standard

This section provides a brief description of the history of actions that the Commission has undertaken to implement the RPS.² In order to establish a record and to begin implementation of the Act, the Commission issued Order No. 13566 on April 29, 2005, inviting interested parties to submit their views on twelve (12) RPS-related issues. The twelve issues addressed:

- the process and timeline that the Commission should adopt to implement the Act;
- the procedure to apply for, verify, and transfer renewable energy credits;
- the type(s) of renewable energy projects that are feasible within the District;
- the process for certifying the eligibility of generating facilities;
- the standards that should apply to customer generators;
- the information that should be submitted in an electricity supplier's annual compliance report;
- the appropriate procedures for cost recovery by PEPCO;
- the standards that the Commission should employ for determining whether the compliance costs claimed by PEPCO were prudently incurred;
- the verification of an electricity supplier's compliance with the RPS;
- the imposition of an administrative fee;
- the data and confidentiality concerns of stakeholders; and
- the states that qualify as being within or adjacent to the PJM Interconnection Region.

In Order No. 13766, released on September 23, 2005, the Commission addressed the various issues based on the record developed in response to Order No. 13566. Among other things, the Commission directed interested parties to form a RPS Working Group to examine in more detail certain issues related to the implementation of the REPS Act, and to propose a timeline and recommendations for a two-phased approach to resolving those issues.³ The Commission also indicated that the PJM Environmental Information Service ("PJM-EIS") Generation Attribute Tracking System ("GATS") would be used in the implementation of the Act. In addition, the Commission indicated its intent to establish regulations to govern the application and transfer of RECs, on an interim basis, prior to January 1, 2006.

RPS Rules

Based on input from the Working Group, the Commission established interim RPS rules in Order No. 13840 (December 28, 2005). These rules were subsequently amended in Order No. 13899 (March 27, 2006) and Order No. 14225 (March 2, 2007). The Commission eventually established a formal rulemaking process and on November 2, 2007 a Notice of Proposed Rulemaking ("NOPR") appeared in the *D.C. Register* requesting

² Attachment 2 of this Report contains a list of selected Commission Orders addressing the implementation of the RPS program.

³ In Attachment A of Order No. 13766, the Working Group was asked to address 23 issues.

comments on revised RPS rules that were based, in part, on the interim RPS rules. After receiving and reviewing comments on the NOPR, the Commission issued Order No. 14697 (January 10, 2008) and adopted Chapter 29 of Title 15 District of Columbia Municipal Regulations (“Final Rules”). The Final Rules became effective upon the publication of the Notice of Final Rulemaking (“NOFR”) in the *D.C. Register* on January 18, 2008.

The following issues are addressed in the RPS rules. In particular, the rules establish definitions for various terms consistent with the REPS Act, compliance requirements for electricity suppliers, certification of renewable generators, policies regarding the creation and tracking of RECs, and directives concerning the recovery of fees and costs.

Compliance Requirements for Electricity Suppliers

The RPS rules include compliance requirements for electricity suppliers beginning in 2007. Suppliers are to file annual reports that include the following components: (1) the quantity of annual District retail electricity sales; (2) the quantity of any exempt retail electricity sales to a customer with a Renewable On-Site Generator; (3) a calculation of the annual quantity of required Tier I, Tier II, and Solar Energy Credits; (4) the quantity of Tier I, Tier II, and Solar Energy Credits purchased and evidence of those purchases; (5) the quantity of Tier I, Tier II, and Solar Energy Credits transferred to the electricity supplier by a Renewable On-Site Generator; (6) a calculation of any compliance fees owed by the energy supplier; (7) certification of the accuracy and veracity of the report; (8) all documentation supporting the data in the annual compliance report; (9) a list of all RECS used to comply with the RPS; (10) a summary report of RECs retired during the reporting period; and (11) the total price paid for Tier I, Tier II, and Solar Energy Credits. Suppliers that purchase RECs solely via bundled products are exempt from including the total price paid for Tier I, Tier II, and Solar Energy Credits in their annual compliance report. The Commission allows the information in item (11) to be filed confidentially. An electricity supplier that fails to meet its RPS requirements must submit an annual Compliance Fee to the District of Columbia Renewable Energy Development Fund administered by the District Department of the Environment’s Energy Office (“DDOE”) by May 1 of the calendar year following the year of compliance.

To facilitate the compliance reporting, the Commission issued Order No. 14782 on April 10, 2008 and adopted a 2007 Compliance Report form for the District’s RPS Program, along with the associated filing instructions. This material was made available on the Commission’s website. Electricity suppliers used the form to submit the 2007 compliance reports due May 1, 2008. A revised compliance reporting form was included in a January 2, 2009 NOPR, to reflect changes mandated by the CAE Act. The revised compliance reporting form was adopted in Order No. 15233 (April 7, 2009) and became effective upon publication of the NOFR in the *D.C. Register* on April 10, 2009.

Certification of Renewable Generators

The RPS rules outline the process for certifying renewable generating facilities within a certain period of time. Renewable generators, including behind-the-meter (“BTM”) generators, must be certified as a qualified Tier I or Tier II resource through the completion of an application form approved by the Commission.⁴ In situations where the applicant has obtained certification as a renewable energy resource by another PJM state where the Commission determines certification to be comparable to the RPS requirements in the District, the applicant may submit a “streamlined” application that requires less documentation to be filed. The Commission assigns a unique certification number to each eligible renewable generator that is approved. Renewable generators may be decertified by the Commission if they are determined to no longer be an eligible renewable resource due to a material change in the nature of the resource, or fraud. Before being decertified, a renewable generator will be given thirty (30) days’ written notice and an opportunity to show cause why it should not be decertified.

In Order No. 14809, issued May 12, 2008, the Commission directed the RPS Working Group to comply with the RPS rules and submit an update for the Tier I and Tier II eligibility matrices. The matrices allow an applicant that has already been certified by another PJM state to use the streamlined process for certification, provided that the Commission determines that the certification by the other PJM state is comparable to the RPS requirements in the District. The Working Group responded on October 31, 2008 that no update was required. Subsequently, the Commission issued Order No. 15192 on February 18, 2009, directing the RPS Working Group to again comply with the rules and submit an update for the Tier I and Tier II eligibility matrices within 60 days of the date of the Order. The Commission noted in that Order that since 2007, four (4) additional states that are part of the PJM Interconnection region—Illinois, Michigan, North Carolina, and Ohio—have adopted renewable energy portfolio standards and/or begun certifying renewable energy generators. More recently, in Order No. 15707 (February 25, 2010), the Commission granted the Potomac Electric Power Company (“PEPCO”), filing on behalf of the RPS Working Group, a Motion for Enlargement of Time to file the annual update of the eligibility matrices by March 1, 2010.⁵

On October 3, 2008, a NOPR appeared in the *D.C. Register* that contained revisions to the RPS rules that would, among other things, allow an applicant seeking to certify a renewable generator for the District’s RPS program to provide a self-certified Affidavit of Environmental Compliance. This Affidavit helps provide documentation that the renewable generating facility complies with all applicable state and federal environmental requirements. On January 2, 2009, the Commission issued an amended NOPR that superseded the October 3 NOPR. OPC filed comments on February 11, 2009. Subsequently, in Order No. 15233 (April 7, 2009), the Commission adopted the

⁴ A behind-the-meter generator is defined as a renewable on-site generator that is located behind a retail customer meter such that no utility-owned transmission or distribution facilities are used to deliver the energy from the generating unit to the on-site generator’s load.

⁵ The RPS Working Group submitted the update on March 2, 2010.

amendments to Chapter 29. The amendments to the RPS rules became effective upon publication of a Notice of Final Rulemaking in the *D.C. Register* on April 10, 2009.

Creation and Tracking of RECs

The RPS rules specify that RECs shall be created and tracked through PJM-EIS GATS beginning January 1, 2006. Through the GATS system, PJM-EIS collects generation data from facilities certified for RPS programs in various states. Upon issuance of a District-specific RPS certification number, a facility may open a GATS account for use with the District's RPS program. Facilities often are eligible for participation in several state RPS programs and, thus, will be certified with multiple states and receive multiple state certification numbers. GATS creates renewable energy credits ("RECs") at the end of each month—one REC represents one megawatt-hour of electricity from a renewable resource. The number of RECs created reflects the amount of electricity associated with renewable resources. Each REC tracked has a unique serial number that aids in ensuring against the double counting of RECs and helps distinguish between RECs that are created by a certain facility and by fuel type, in a given month.

According to the RPS rules, RECs shall be valid for a three-year period from the date of generation beginning January 1, 2006, except where precluded by statute. A REC shall be retired after it is used to comply with any state's RPS requirement. The accumulation of retroactive RECs created before January 1, 2006 is not allowed. In Order No. 13804, the Commission noted that the intent of the REPS Act is to encourage the production and siting of renewable resources prospectively, so as to reduce the need for the use of retroactive RECs.

With respect to BTM generators, the RPS rules require an authorized representative of the renewable on-site generator to file a BTM generator report with the Commission. RECs created by BTM generators must be recorded in GATS at least once each calendar year, in order to be eligible for compliance. The BTM generator report will contain, at a minimum, the following information: (a) a certification that the RECs attributable to the on-site generation have not expired, been retired, been transferred, or been redeemed; and (b) a report or statement indicating the quantity of electricity generated as determined by an engineering estimate (if appropriate) or revenue-quality meter.

To ensure that all BTM generators were in compliance with the Commission's rules, Order No. 14798 (issued April 29, 2008) directed BTM generators certified for the District's RPS program to submit a BTM generation report by May 20, 2008. In addition, as part of the approval of 20 solar generators in Order No. 15185 (issued February 9, 2009), the Commission pointed out that these generators must provide BTM generation reports consistent with the RPS rules. However, PJM-EIS now makes available BTM generation information through its website, reducing the necessity of the BTM generator report.

Recovery of Fees and Costs

The RPS rules state that the local electric distribution company may recover prudently incurred RPS compliance costs, including REC purchases and any compliance fees. The rules also state that the electric distribution company's compliance costs for Standard Offer Service ("SOS") shall be considered prudent if SOS energy suppliers are selected through a competitive bid process and the cost of complying with the RPS is included in the supplier's bid prices. With respect to the distribution company's compliance costs for Market Price Service ("MPS"), recovery shall be through the MPS Procurement Rate Schedule.⁶ Any cost recovery approved by the Commission may be in the form of a nonbypassable surcharge to current applicable customers and shall be disclosed on their bills. The RPS rules also indicate that no electric supplier shall recover any compliance fee levied pursuant to D.C. Official Code § 34-1434 from its customers without receiving prior approval from the Commission.

Clean and Affordable Energy Act of 2008

On October 22, 2008, the permanent version of the CAE Act became law. This legislation amended the REPS Act and the amendments are discussed briefly below. The Commission addressed these amendments, as appropriate, in a NOPR issued on April 3, 2009. After reviewing the comments to the NOPR, the Commission adopted the NOPR in Order No. 15561 (September 28, 2009). The amendments to the RPS rules became effective upon publication in the *D.C. Register* on October 2, 2009.

Solar Energy Definition

The RPS Rules originally defined "solar energy" to mean radiant energy, direct, diffuse, or reflected, received from the sun at wavelengths suitable for conversion into thermal, chemical, or electrical energy. The CAE Act now defines "solar energy" to mean (new language in bold):

"...radiant energy, direct, diffuse, or reflected, received from the sun at wavelengths suitable for conversion into thermal, chemical, or electrical energy, **that is collected, generated, or stored for use at a later time.**"

Solar System Ratings

The CAE Act allows solar thermal energy as follows:

"For nonresidential solar heating, cooling, or process heat property systems producing or displacing greater than 10,000 kilowatt hours per year, the solar systems shall be rated and certified by the SRCC [Solar Rating and Certification Corporation] and the energy output shall be determined by an onsite energy meter that meets performance standards established by OIML [International Organization of Legal Metrology]."

⁶ Market Price Service refers to a variable price service option where the rates change hourly.

“For nonresidential solar heating, cooling, or process heat property systems producing or displacing 10,000 or less than 10,000 kilowatt hours per year, the solar systems shall be rated and certified by the SRCC and the energy output shall be determined by the SRCC OG-300 annual system performance rating protocol applicable to the property, by the SRCC OG-100 solar collector rating protocol, or by an onsite energy meter that meets performance standards established by OIML;” and

“For residential solar thermal systems, the system shall be certified by the SRCC and the energy output shall be determined by the SRCC OG-300 annual rating protocol or by an onsite energy meter that meets performance standards established by OIML.”

RPS Requirements

The CAE Act amends the requirements for the RPS. In particular, beginning in 2011, the RPS requirements increase. By 2020, the CAE Act requires 20 percent from Tier I renewable resources only and not less than 0.4 percent from solar energy. Previously, the RPS requirement called for 8.5 percent from Tier I resources only by 2020 and 0.329 percent from solar energy.⁷

Solar Requirement

The CAE Act now requires that:

“...an electricity supplier shall meet the solar requirement by obtaining the equivalent amount of renewable energy credits from solar energy systems interconnected to the distribution grid serving the District of Columbia. Only after an electricity supplier exhausts all opportunity to meet this requirement that the solar energy systems be connected to the grid within the District of Columbia, can that supplier obtain renewable energy credits from jurisdictions outside the District of Columbia.”

Compliance Fees

The CAE Act increases the compliance fees for Tier I and solar energy requirements. In particular, the Tier I fee is raised from 2.5 cents per kilowatt-hour to 5 cents per kilowatt-hour of shortfall. For solar energy resources, the compliance fee is raised from 30 cents to 50 cents in 2009 until 2018 for each kilowatt-hour of shortfall.⁸

⁷ Previously, the RPS stated that in 2022 and later, the RPS requirement would be 11 percent from Tier I resources, 0 percent from Tier II resources, and not less than 0.386 percent from solar energy. The CAE Act does not make it clear that the RPS obligation is to continue after 2020.

⁸ In the January 2, 2009 NOPR, the solar energy compliance fee was indicated to be \$300 for the 2008 compliance year.

III. RPS Compliance Reports for 2008

Pursuant to the Commission's RPS rules, all active electricity suppliers with retail sales in 2008—a total of seventeen (17)—submitted a compliance report for that calendar year: including BlueStar Energy Services, Inc.; Consolidated Edison Solutions, Inc.; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Gexa Energy District of Columbia, LLC; Glacial Energy, Inc.; Hess Corporation; Horizon Power and Light; Integrys Energy Services, Inc.; Liberty Power District of Columbia, LLC; MidAmerican Energy Company; Pepco Energy Services; PEPCO; Reliant Energy Solutions East, LLC; Sempra Energy Solutions LLC; SUEZ Energy Resources NA, Inc.; and Washington Gas Energy Services.⁹ All the suppliers met the RPS requirements either through acquiring RECs or by submitting a compliance payment.

Renewable Energy Credits ("RECs") and Compliance Payments

As in 2007, no Tier I solar RECs were submitted for 2008. As a result, electricity suppliers paid the compliance fee of \$300 per MWH shortfall of solar RECs.¹⁰ However, electricity suppliers generally did not have to pay a compliance fee in order to meet the Tier I or Tier II requirements.¹¹ Based on the available information, the total amount of money associated with the compliance fees was \$399,320—compared to \$199,490 generated in 2007. The increase in the compliance fees, compared to 2007, is primarily due to the doubling of the solar RPS requirement from 0.005% to 0.011%. The compliance fees were to be deposited into the Renewable Energy Development Fund administered by the District Department of the Environment's Energy Office ("DDOE").

Some suppliers used Tier I RECs to meet their Tier II requirement based on § 34-1433(a)(2) of the D.C. Official Code, which indicates that energy from a Tier I resource may be applied to the percentage RPS requirements for either Tier I or Tier II renewable sources.¹² Based on the available information, the majority of the Tier I RECs used for compliance were from qualifying biomass resources, including black liquor and wood waste. Methane from landfill gas and wind resources accounted for the remaining Tier I RECs.¹³ Tier II RECs were primarily from hydroelectric facilities, with the remainder accounted for by municipal solid waste. A breakdown of the number of RECs submitted by fuel type is provided in the table below:

⁹ As the provider of Standard Offer Service, PEPCO compiles a report based on the compliance of its wholesale electricity suppliers.

¹⁰ The solar compliance fee will increase to \$500 per MWH shortfall for the 2009 compliance year.

¹¹ Two electricity suppliers did not acquire any RECs and paid the compliance fee to meet all the RPS requirements. With the exception of the solar RECs, the compliance payments by these two suppliers do not appear to reflect a problem in acquiring RECs to meet the Tier I and Tier II requirements at this time.

¹² In particular, eight (8) of the suppliers used Tier I RECs to meet the Tier II requirement, with four (4) of the eight (8) suppliers using only Tier I RECs.

¹³ According to § 34-1433(f) of the D.C. Official Code, on or before December 31, 2009, an electricity supplier shall receive 110% credit toward meeting the renewable energy portfolio standard for energy derived from methane or wind resources.

Renewable Energy Credits

	No. of RECs	Share of Tier
Tier I Resource		
Black Liquor	126,706	47.8%
Methane from Landfill Gas	90,089	34.0%
Wind	848	0.3%
Wood Waste	47,466	17.9%
Tier II Resource		
Hydroelectric	216,767	87.1%
Municipal Solid Waste	32,034	12.9%

The majority of the RECs were generated in 2007. In particular, about 51 percent of the RECs used for compliance were generated in 2007. Of the remaining RECs, 26 percent were generated in 2006 and 23 percent were generated in 2008. Section 2903.2 of the RPS Rules indicates that RECs shall be valid for a three-year period from the date of generation, beginning January 1, 2006, except where precluded by statute.

Most suppliers provided the REC prices for all their resources. Based on the available information, the weighted average of the reported REC prices, by fuel type, is provided in the table below:¹⁴

REC Pricing Per REC

	Avg. Price
Tier I Resource	
Black Liquor	\$0.64
Methane from Landfill Gas	\$0.84
Wind	\$1.24
Wood Waste	\$0.74
Tier II Resource	
Hydroelectric	\$0.55
Municipal Solid Waste	\$0.71

IV. The Availability of Renewable Resources

This section discusses the availability of Tier I renewable sources, as required in the REPS Act. The issue of available resources is affected by geographic restrictions in the RPS. The REPS Act indicates that a:

“Renewable energy credit” or “credit” means a credit representing one megawatt-hour of electricity consumed within the PJM Interconnection Region that is derived from a Tier I renewable source or a Tier II renewable source that is located:

¹⁴ A REC represents one megawatt-hour of electricity attributable to a particular renewable resource.

1. In the PJM Interconnection region or in a state that is adjacent to the PJM Interconnection Region; or
2. Outside the area described in subparagraph (1) of this paragraph but in a control area that is adjacent to the PJM Interconnection region, if the electricity is delivered into the PJM Interconnection Region.

The REPS Act does not provide a definition for adjacent states or an adjacent control area. In its third report, the Working Group was not able to reach a consensus on the definition of “adjacent” states and, thus, presented two different interpretations. Ultimately, the Commission adopted the broader definition of “adjacent” and determined that states “adjacent” to the PJM Interconnection Region (“PJM”) should help lessen the cost that ratepayers will have to pay for the renewable portion of their fuel mix.¹⁵ In particular, the following states are currently deemed adjacent to PJM: Alabama, Arkansas, Georgia, Iowa, Mississippi, Missouri, New York, South Carolina, and Wisconsin.

The table below provides a measure of some of the renewable resources available in the PJM region for 2009. The following information provides a perspective on the renewable resources in the PJM region associated with the generation of electricity:

**PJM System Fuel Mix
2009**

Fuel	Share
Coal	50.49%
Nuclear	36.44%
Natural Gas	9.88%
Oil	0.27%
Hydroelectric	1.09%
Other Renewable	1.83%
Captured Methane Gas (Landfill or Coal Mine)	0.26%
Geothermal	0.00%
Solar	0.00%
Municipal Solid Waste	0.61%
Wind	0.76%
Wood, other biomass	0.20%
Total Renewable Resources	2.91%
Total	100.00%

Source: PJM-EIS GATS

¹⁵ The RPS rules indicate that states within the PJM Interconnection Region are currently defined to include: Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia.