



WASHINGTON, D.C. RENEWABLE ENERGY PORTFOLIO STANDARD SUMMARY

A. SUMMARY: Washington, D.C.'s Renewable Energy Portfolio Standard (RPS) Act of 2004—enacted in January 2005, and amended in June 2008—requires a minimum percentage of retail energy sales to be derived from renewable sources, which are divided into two resource tiers, one of which also includes a solar set-aside requirement. In 2007 retailers must provide 1.5 percent of their sales in the state from Tier 1 renewables and 2.5 percent from Tier 2. Tier 1 then increases gradually each year to 20 percent in 2020 and thereafter, while Tier 2 remains at 2.5 percent through 2015 and then declines by 0.5 percent each year until it sunsets in 2020. The solar set-aside requirement increases from 0.005 percent in 2007 to 0.4 percent in 2020, and thereafter. Compliance and verification is based on a credit trading system using the PJM Generation Attributes Tracking System.

B. APPLICABLE AUTHORIZING LEGISLATION/REGULATION

1. Part of Broader Energy package? No

2. Legislative/Regulatory Intent: The RPS states “It is in the public interest to recognize the economic, environmental, fuel diversity, and security benefits of renewable energy resources, to establish a market for electricity from these resources in the District of Columbia, and to lower the cost to consumers of electricity produced from these resources;

It is in the public interest to ensure that the benefits of electricity from renewable energy resources, including long-term decreased emissions and reliance on and vulnerability from imported energy sources, increased energy security and economic development, and a healthier environment, accrue to the public at large; and

Electricity suppliers and consumers share an obligation to develop a minimum level of these resources in the electricity supply portfolio of the District of Columbia.”

3. Applicable Legislation/Regulation:

1/05 – Bill #15-747, [Renewable Energy Portfolio Standard Act of 2004](#), Pub. L. No. 15-340 (2005)

10/08 – Bill #17-492, [Clean and Affordable Energy Act of 2008](#), Pub. L. No. 17-497 (2008)

Encoded as [DC ST § 34-1431 - 1439](#)

4. Date Enacted: 1/19/05

5. Date Effective: 4/12/05

C. RULEMAKING

1. Implementing/rulemaking Authority: District of Columbia Public Service Commission (PSC)

2. Rulemaking Completed to Date:

Beginning in April 2005, the PSC has used a series of meetings and orders to develop the regulations governing the application and transfer of renewable energy credits and implementation of the RPS. Interim rules were adopted in December 2005 to allow for the creation of renewable energy credits on January 1, 2006, per the RPS legislation. Various implementation issues are being addressed by the PSC in separate orders. Final rules were issued in January 2008.

9/05 – PSC issues [Order No. 13766](#) (FC 945), creates a public working group to discuss various implementation issues, and provide recommendations to the PSC

11/05 – PSC issues [Order No. 13804](#) (FC 945), establishes a method for certifying eligible renewable energy facilities

12/05 – PSC issues [Order No. 13840](#) (FC 945), establishes interim rules for the RPS

1/06 – PSC issues [Order No. 13860](#) (FC 945), establishes a streamlined process for eligible out of district facility certification

3/06 – PSC issues [Order No. 13899](#) (FC 945), makes minor modifications to the RPS rules regarding the definition of biomass, and retroactive renewable energy credits

7/06 – PSC issues [Order No. 14005](#) (FC 945), addresses issues related to renewable energy credit monitoring of customer generators, certification of behind-the-meter renewable energy system, and the eligibility of solar thermal technologies

10/06 – PSC issues [Order No. 14085](#) (FC 945), affirms the PSC decision to exclude solar thermal technologies from RPS eligibility

11/06 – PSC issues [Order No. 14114](#) (FC 945), makes minor modifications to the RPS rules regarding measuring the output of small solar installations, and other issues

3/07 – PSC issues [Order No. 14225](#) (FC 945), makes minor modifications to the RPS rules regarding behind-the-meter generator certification and tracking, and clarifies renewable energy credit ownership from partially public-funded facilities

1/08 – PSC issues [Order No. 14697](#) (FC 945), establishes final rules for the RPS

D. TARGETS AND TIMETABLES

1. **Brief Overview:** The RPS is broken down into two tiers of resources, as well as a solar set-aside requirement that appears to be a carve-out from the Tier 1 targets. The annual requirement for Tier 1 begins in 2007 at 1.5 percent, and by 2020 increases to 20 percent, where it remains each year thereafter. Tier 2 begins at 2.5 percent in 2007, and remains at that level through 2015. In 2016, the Tier 2 requirement declines to 2.0 percent, and then continues to decline by 0.5 percent each year until it sunsets in 2020. The annual requirement for solar resources begins 0.005 percent in 2007, and gradually increases to 0.4 percent in 2020, where it remains each year thereafter. Although the annual requirements did not go into effect until 2007, retailers were permitted to begin accumulating renewable energy credits on January 1, 2006.

2. **Schedule:**

Year	Percent Sales From Tier 1	Percent Sales From Tier 1 or 2	Percent Sales from Solar Resources
2007	1.5 %	2.5 %	0.005 %
2008	2.0 %	2.5 %	0.011 %
2009	2.5 %	2.5 %	0.019 %
2010	3.0 %	2.5 %	0.028 %
2011	4.0 %	2.5 %	0.040 %
2012	5.0 %	2.5 %	0.070 %
2013	6.5 %	2.5 %	0.100 %
2014	8.0 %	2.5 %	0.130 %
2015	9.5 %	2.5 %	0.170 %
2016	11.5 %	2.0 %	0.210 %
2017	13.5 %	1.5 %	0.250 %
2018	15.5 %	1.0 %	0.300 %
2019	17.5 %	0.5 %	0.350 %
2020, and thereafter	20.0 %	0 %	0.400 %

3. **Treatment of Existing Capacity:** For Tier 1 resources, generation from existing facilities is eligible for RPS compliance. For Tier 2 resources, generation from a system or facility that existed and was operational as of January 1, 2004 is RPS eligible.

4. **Sunset Provision:** The requirement for Tier 2 resources effectively sunsets (set at 0 percent) in 2020. However, there is no sunset for Tier 1 or solar energy resource requirements.

E. DEFINITION OF ELIGIBLE RESOURCES AND TECHNOLOGIES

1. **Eligible Resources:** Tier 1 renewable sources may be used to meet Tier 1 or Tier 2 requirements and include:

- Solar energy, defined as "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";
- Wind;
- Qualifying biomass, defined as "a solid, non-hazardous, cellulosic waste material that is segregated from other waste materials, and is derived from any of the following forest-related resources with the exception of old growth timber unsegregated solid waste or post-consumer wastepaper: (A) Mill residue; (B) Precommercial soft wood thinning; (C) Slash (tree tops, branches, bark, or other residue left on the ground after logging or other forestry operations; or tree debris left after a natural catastrophe); (D) Brush (shrubs and stands of short, scrubby trees that do not reach merchantable size); (E) Yard waste; (F) A waste pallet, crate, or dunnage; (G) Agricultural sources, including tree crops, vineyard materials, grain, legumes, sugar, and other crop by-products or residues; or (H) Co-fired eligible biomass."
- Methane from the anaerobic decomposition of organic materials in a landfill or wastewater treatment plant;
- Geothermal;
- Ocean, including energy from waves, tides, currents, and thermal differences;
- Fuel cells that produces electricity from a Tier 1 renewable energy source;

Tier 2 resources may not be used to meet Tier 1 requirements and include:

- Hydroelectric power other than pump storage generation;
- Waste-to-energy

In order to be eligible for RPS compliance, a Tier 1 or Tier 2 renewable source must comply with all applicable environmental and administrative requirements, including air quality, water quality, solid waste, and right-to-know provisions, permit conditions, and administrative orders.

- 2. Special Incentives:** The RPS provides extra credit multipliers to an electricity supplier for early development of certain resources, including 120 percent credit for energy derived from wind or solar sources on or before December 31, 2006; and 110 percent credit for energy derived from wind or solar sources after December 31, 2006 and on or before December 31, 2009. In addition, an electricity supplier shall receive 110 percent credit for energy derived from methane on or before December 31, 2009.
- 3. Exclusions:** Generation from the incineration of solid waste is limited to no more than 20 percent of the annual tier two renewable requirements. After December 31, 2012, generation derived from solid waste incineration is not eligible to meet the RPS requirements.

In addition, PSC Order 14005 (July 2006) determined that solar thermal technologies (e.g. solar hot water, etc.) that do not result in the production of electricity are not eligible resources for meeting the annual requirements. The PSC's decision was upheld by an order on reconsideration (Order 14085) in October 2006.

- 4. Treatment of Self Generation:** A customer may independently generate RECs to satisfy the RPS applicable to the customer's load, including RECs created by a renewable on-site generator. However, the customer shall surrender the RECs needed to meet the RPS to its electricity supplier for inclusion in the electricity supplier's compliance report. Surrendered RECs may not be resold or retransferred by the customer or by the electricity supplier. The customer may retain or transfer any RECs in excess of the amount needed to satisfy the RPS for the customer's load.

- 5. Rules governing Location of Generating Facilities:** To be eligible to meet the Tier 1 or Tier 2 requirements, renewable energy generation must be located in the PJM Region or in a state that is adjacent to the PJM Region; or in a control area that is adjacent to the PJM Region, if the electricity is delivered into the PJM Region. According to the RPS rules, the following states are deemed "adjacent to the PJM Interconnection Region (as of 11/05)": Alabama, Arkansas, Georgia, Iowa, Mississippi, Missouri, New York, South Carolina, and Wisconsin. In addition, the following control areas are deemed by the PSC to be adjacent to PJM (as of 11/05): Alliant Energy – CA – ALTE; Alliant Energy –CA – ALTW; Ameren Transmission; Central Illinois Light Co.; Cinergy Corporation; City Water and Light; Duke Power Company; East Kentucky Power Cooperative, Inc.; First Energy Corporation; Illinois Power Company; Indianapolis Power & Light Company; LG&E Energy Transmission Services; Michigan Electric Coordinated Systems; MidAmerican Energy Company; New York Independent Systems Operator; Northern Indiana Public Service Company; Ohio Valley Electric Corporation; Progress Energy Carolinas – EAST; Progress Energy Carolinas – WEST; and Tennessee Valley Authority Wisconsin Energy Corporation. The adjacent states and control areas will vary as the PJM boundary changes over time.

The solar energy requirement must be achieved only through solar energy systems connected to the distribution grid serving the District of Columbia.

- 6. Eligibility of Green Pricing Programs:** PSC Order No. 13840 finds that the voluntary and mandatory renewable energy markets cannot be "commingled". As a result, the purchase of voluntary RECs does not satisfy the mandatory RPS requirements.

D. COVERED UTILITIES

- 1. Classes of retailers covered:** The RPS applies to all retail electricity sales in the state by electricity suppliers. According to the RPS statute, the term electricity supplier means "a person, including an aggregator, broker, or marketer, who generates electricity; sells electricity; or purchases, brokers, arranges or, markets electricity for sale to customers. The term excludes the following: (A) Building owners, lessees, or managers who manage the internal distribution system serving such building and who supply electricity solely to occupants of the building for use by the occupants; (B) (i) Any person who purchases electricity for its own use or for the use of its subsidiaries

or affiliates; or (ii) Any apartment building or office building manager who aggregates electric service requirements for his or her building or buildings, and who does not: (I) Take title to electricity; (II) Market electric services to the individually-metered tenants of his or her building; or (III) Engage in the resale of electric services to others; (C) Property owners who supply small amounts of power, at cost, as an accommodation to lessors or licensees of the property; and (D) A consolidator.”

2. **Share of state sales/capacity/delivered power covered:** 100 percent of total retail electric sales.
3. **Apportionment of obligation among utilities:** The RPS requirements are applied separately to each electricity supplier on a product basis.
4. **Any exemptions by customer class?** None.

F. COST PROVISIONS

1. **Cost Cap for Retailers:** The alternative compliance payment mechanism serves as a de facto cost cap for retailers and consumers. [See below.]
2. **Cost Cap for Customers:** None.
3. **Cost Recovery Mechanisms:** The local electric distribution company may recover prudently incurred compliance costs, including REC purchases and compliance fees.

Compliance costs for Standard Offer Service is considered prudent if SOS energy suppliers are elected through a competitive bid process when the cost of complying with the RPS is included in the supplier bid process. Electric distribution company compliance costs for Market Price Service can be recovered through the Market Price Service Procurement Rate Schedule.

An electricity supplier may recover a compliance fee if: (1) The payment of a compliance fee is the least-cost measure to ratepayers as compared to the purchase of tier one renewable sources to comply with a renewable energy portfolio standard; or (2) There are insufficient tier one renewable sources available for the electricity supplier to comply with a renewable energy portfolio standard.

Any cost recovery for distribution companies or other electricity suppliers must be in the form of a non-bypassable surcharge to current applicable customers; and must be disclosed on applicable customer bills.

4. **Supply Contract Requirements:** None specified.
5. **Special Funds:** The RPS statute created the Renewable Energy Development Fund (REDF), which is separate from the DC General Fund and created for the purpose of advancing renewable energy. The Energy Office, which is tasked with administering

the REDF, receives and reviews applications for loans and grants for eligible projects. The REDF is to be used solely for the purpose of making loans and grants to support the creation of new solar energy sources in Washington, DC and for administration. Proceeds for the Fund come from RPS alternative compliance fees; payments received in repayment of a loan; investment earnings of the REDF; and any other money from any other source accepted for the benefit of the REDF.

Legislation in June 2008 created a Sustainable Energy Trust Fund (SETF), with the purpose of—among other goals—increasing renewable energy generating capacity in the District of Columbia. The SETF is supported by a small surcharge on natural gas and electric sales, as well as from the sale of credits associated with the Regional Greenhouse Gas Initiative.

G. COMPLIANCE AND ENFORCEMENT

- 1. Certification, tracking, and trading mechanism[s]:** The PSC has established a system of tradable renewable energy credits (REC) to be used by a provider to comply with the RPS. The PJM Interconnection's Generation Attributes Tracking System (GATS) will serve as the primary tracking and verification system for the RPS. The PSC has established a certification and administration process to cover renewable energy generated in areas outside of the PJM region. Each electricity supplier must meet the RPS requirements by obtaining the necessary RECs, or by paying the specified compliance fee.

Under the statute, a renewable energy credit represents one megawatt-hour of electricity that is derived from a Tier 1 renewable source or a Tier 2 renewable source.

RECs produced by a renewable energy generator are the possession of the facility owner. RECs produced by a renewable energy generator whose construction was either partially or fully funded through public funds also belong to the owner of the facility, unless the terms of the public funding specify otherwise. Customer generators, who independently generate RECs to satisfy the RPS applicable to their load, are required to surrender the RECs needed to meet the RPS to its electricity supplier. The customer may retain or transfer any RECs in excess of the amount needed to satisfy the RPS for the customer's load.

It does not appear that a REC carries any other value than the unit of renewable energy production, though this issue may be addressed by the PSC and its RPS working group.

- 2. Flexibility Mechanisms:** Banking – A REC exists for 3 years from the date created. Early compliance – Electricity suppliers were permitted to begin accumulating RECs for RPS compliance on 1/1/06, one year ahead of the first compliance year.

In addition to accumulating RECs, electricity suppliers have the option to make an alternative compliance payment into the Renewable Energy Development Fund at the

following rates: 5.0 cents for each kilowatt-hour of shortfall from required tier 1 renewable sources; 1.0 cents for each kilowatt-hour of shortfall from required tier 2 renewable sources; and 80 cents for each kilowatt-hour of shortfall from required solar energy generation.

3. **Penalties, Procedures, Powers, and Sanctions:** Other than the alternative compliance fee, there are no explicit penalties except through normal regulatory oversight and enforcement by the PSC.
4. **Treatment of emission allowance or reduction credits:** Not specified.
5. **Escape clauses/force majeure provisions:** None specified.

H. ADMINISTRATION

1. **Administering Entities, Duties, Powers, and Contact Information:** Program administration is under the authority of the District of Columbia Public Service Commission. The District of Columbia Energy Office is in charge of administering the renewable energy development fund. The PSC may impose an administrative fee on a REC transaction, but the amount of the fee may not exceed the PSC's actual direct cost of processing the transaction.

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I. REPORTING REQUIREMENTS and PROGRAM STATUS

1. **Reporting Requirements:**
 - a. **Retailers:** Within 120 days of the end of each calendar year, each electricity supplier must file with the PSC a report demonstrating RPS compliance, including the amount of compliance fees required (if any), and other data requirements.

b. Administrative Entities:

- i) The PSC must complete its review of an electric supplier's compliance report within 45 days of its submittal.
- ii) On or before April 1 of each year, the PSC must provide a report to the Council on the status of RPS implementation, including the availability of tier one renewable sources, certification of the number of credits generated by the utilities meeting the RPS requirements, and any other such information as the Council shall deem necessary. The PSC's [2005 RPS Annual Report](#) was issued in March 2006.

2. Cost Information: No actual cost data is available.