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# AOBA Washington D.C. New Solar Mandates Impact

**January 11, 2023**

*This publication is intended as an information source for members of the Apartment and Office Building Association of Metropolitan Washington ("AOBA") and participants in the AOBA Alliance, Inc. The content should not be construed as legal or other professional advice, and readers should not act upon information in this publication without professional advice. Copyright © 2023 AOBA. All rights reserved.*

## *Key Elements of DC Local Solar Expansion Act of 2022*

- The Bill amends the Renewable Energy Portfolio Standard Act of 2004 to increase the renewable portfolio standard for local solar carveout from **10% to 15% by 2041**, with accompanying incremental increases in the solar carveout each year up to that point.
- The Bill maintains the Alternative Compliance Payment (“ACP”) that electricity providers must pay if they fall short of the solar target. The ACP is effectively the enforcement mechanism, i.e. penalty.
  - Under current law, that penalty would begin to phase out rapidly beginning in 2024. This legislation makes the phase-out of the penalty more gradual over the next decade compared to the current schedule.
  - Specifically, this Bill changed the ACP schedule to dropping by \$20 a year (per mWh; 2 cents per kWh) starting in 2024 until it reaches \$300 per mWh in 2033, and from then on it stays at the same rate as under current law.



## ***Key Elements of DC Local Solar Expansion Act of 2022***

- The key element for AOBA members and AOBA Alliance participants is the grandfathering provision contained in the Bill.

*Sec. 3. Applicability for certain contracts. For 3 years after the date described in section 4, section 2(a) shall not apply to any contract entered into before the date described in subsection (a) of this section; except, that section 2(a) shall apply to an extension or renewal of such a contract.*

*Sec. 4. Applicability. This act shall apply as of March 1, 2023, or as of the effective date of this act, whichever occurs later*

- **Members must have entered into a competitive supply agreement by February 28, 2023 for the grandfathering provision to apply.**

# DC Local Solar Expansion Act of 2022

## *Legislative History*

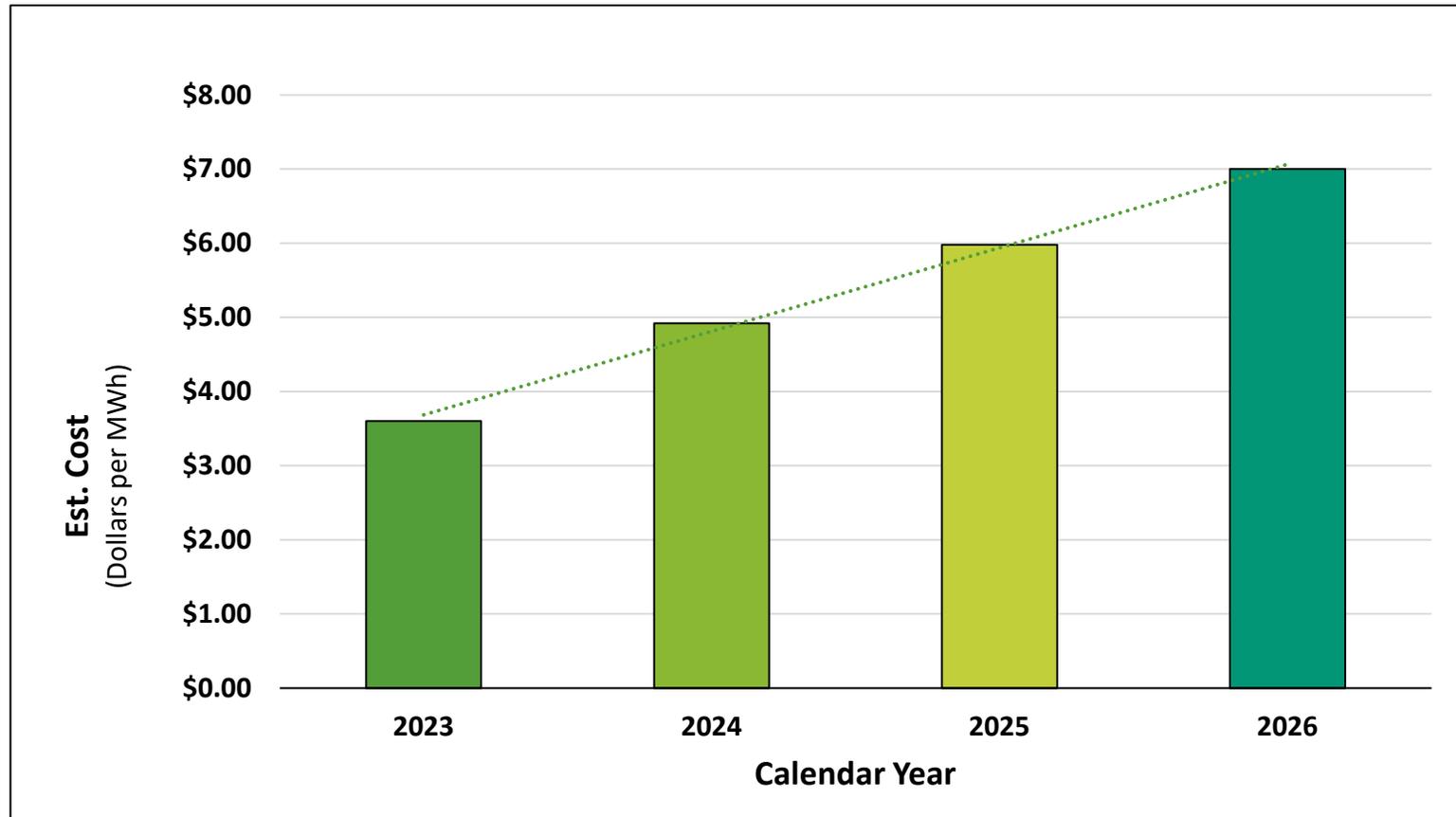
- *The Local Solar Expansion Act* passed the DC Council by final vote on December 20, 2022.
- The Bill is currently waiting to be signed by the Mayor by January 12, 2023, before it can become law.
- The Bill will then advance to Congress for a 30-day Congressional approval period.
- The law will be effective on March 1, 2023, or whenever Congress approves it, whichever is later.
- The Bill, as sent to Congress, is available [here >](#) and includes all final amendments to the Bill. The full legislative history is available [here >](#)



# DC Solar Carve-Out Changes

Year	Previous	New Legislation	Annual Increase	Previous ACP Price	New ACP Price	Annual Increase
2023	2.85%	<b>3.00%</b>	<b>0.15%</b>	\$ 400.00	\$ 500.00	<b>25.0%</b>
2024	3.15%	<b>3.65%</b>	<b>0.50%</b>	\$ 400.00	\$ 480.00	<b>20.0%</b>
2025	3.45%	<b>4.30%</b>	<b>0.85%</b>	\$ 400.00	\$ 460.00	<b>15.0%</b>
2026	3.75%	<b>5.00%</b>	<b>1.25%</b>	\$ 400.00	\$ 440.00	<b>10.0%</b>
2027	4.10%	<b>5.65%</b>	<b>1.55%</b>	\$ 400.00	\$ 420.00	<b>5.0%</b>
2028	4.50%	<b>6.30%</b>	<b>1.80%</b>	\$ 400.00	\$ 400.00	<b>0.0%</b>
2029	4.75%	<b>7.00%</b>	<b>2.25%</b>	\$ 300.00	\$ 380.00	<b>26.7%</b>
2030	5.00%	<b>7.65%</b>	<b>2.65%</b>	\$ 300.00	\$ 360.00	<b>20.0%</b>
2031	5.25%	<b>8.30%</b>	<b>3.05%</b>	\$ 300.00	\$ 340.00	<b>13.3%</b>
2032	5.50%	<b>9.00%</b>	<b>3.50%</b>	\$ 300.00	\$ 320.00	<b>6.7%</b>
2033	6.00%	<b>9.65%</b>	<b>3.65%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2034	6.50%	<b>10.30%</b>	<b>3.80%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2035	7.00%	<b>11.00%</b>	<b>4.00%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2036	7.50%	<b>11.65%</b>	<b>4.15%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2037	8.00%	<b>12.30%</b>	<b>4.30%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2038	8.50%	<b>13.00%</b>	<b>4.50%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2039	9.00%	<b>13.65%</b>	<b>4.65%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2040	9.50%	<b>14.30%</b>	<b>4.80%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>
2041	10.00%	<b>15.00%</b>	<b>5.00%</b>	\$ 300.00	\$ 300.00	<b>0.0%</b>

## Estimated Cost Impact of Solar Expansion Act 2022





# Sample Office Building Impact

Year	Load mwh	Solar Carve Out	SRECs required	SREC Price	Cost	\$/mwh		Increased Cost
2023	4,796	2.85%	137	\$ 400.00	\$54,672.83	\$ 11.40		
2023	4,796	3.00%	144	\$ 500.00	\$71,937.93	\$ 15.00		
						\$ 3.60	per mwh	\$ 17,265.10
Year	Load mwh	Solar Carve Out	SRECs required	SREC Price	Cost	\$/mwh		
2024	4,796	3.15%	151	\$ 400.00	\$60,427.86	\$ 12.60		
2024	4,796	3.65%	175	\$ 480.00	\$84,023.50	\$ 17.52		
						\$ 4.92	per mwh	\$ 23,595.64
Year	Load mwh	Solar Carve Out	SRECs required	SREC Price	Cost	\$/mwh		
2025	4,796	3.45%	165	\$ 400.00	\$66,182.90	\$ 13.80		
2025	4,796	4.30%	206	\$ 460.00	\$94,862.15	\$ 19.78		
						\$ 5.98	per mwh	\$ 28,679.25
								<b>\$ 69,540</b>



## ***Other Provisions of The Bill***

- The Bill directs a portion of the funds collected from the ACP each year to provide supplemental funding to the District's low-income ratepayer relief fund and programming to increase the number of low-income ratepayers participating in the District's energy affordability programs.
- The Bill directs the Office of the People's Counsel to commission a study every 3 years of the District's local solar incentive policy, the policy's costs and benefits, and the potential for future solar installation in the District.



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## DC SOS Procurement

- Only procures SOS supply once a year for each customer category.
- Solicitations are made in December and January for service starting the following June (i.e., for each PJM Delivery Year).
- Procurements for Residential, MMA and Small Non-Demand Metered Commercial (e.g., Rate Schedules R, MMA, and GSND) for each delivery year are made in three tranches (with one-third of the annual SOS supply requirements procured in each of three annual solicitations).
- SOS Procurements for Demand-Metered Commercial accounts (e.g., accounts served under rate schedules GSD, MGT-LV, GT-LV and GT-3A) are established through a single solicitation approximately 6 months prior to start of each PJM Delivery Year.



## DC Standard Offer Service Procurement Schedule Residential, MMA and Small Commercial

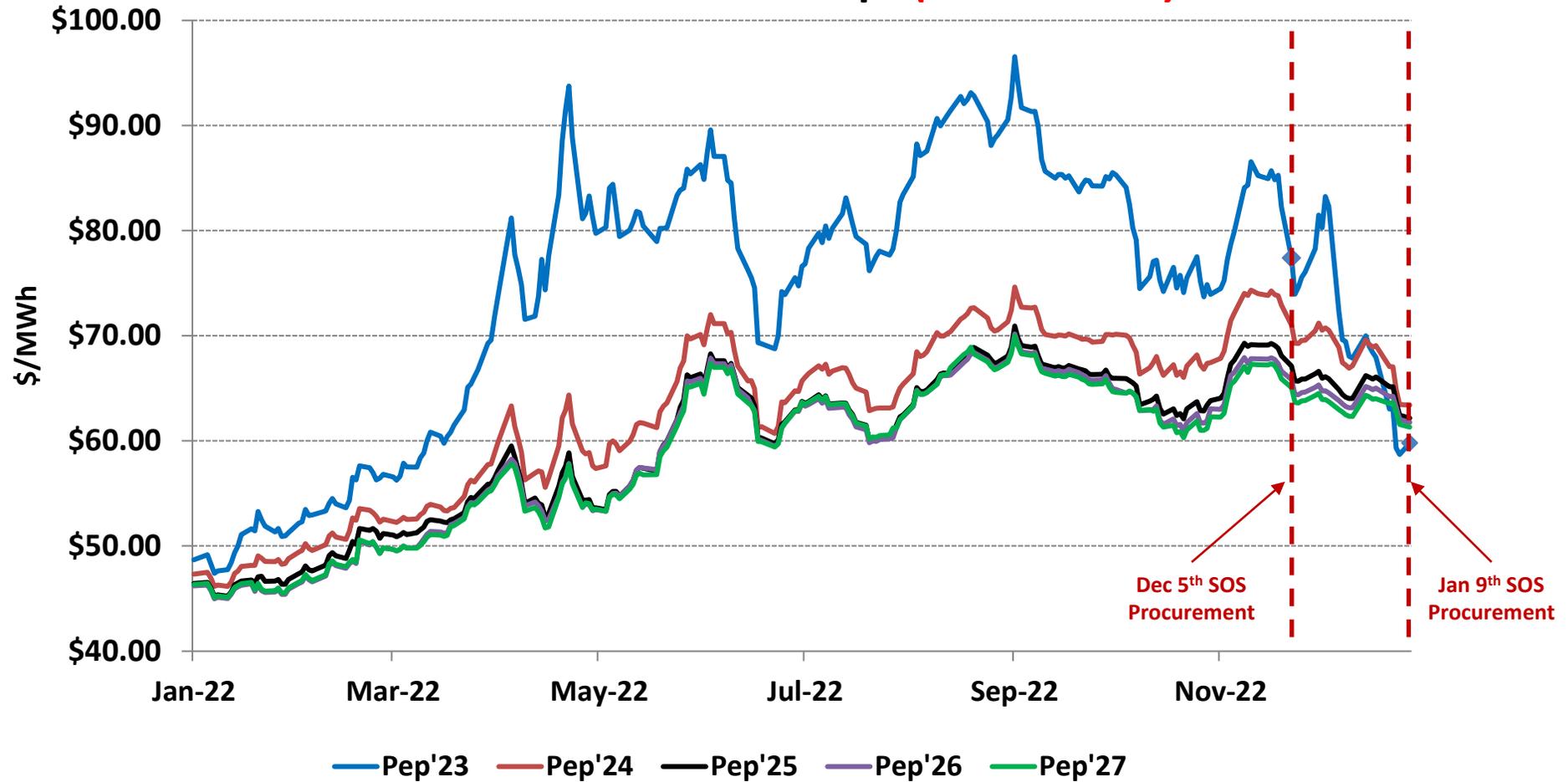
Auction Period	Percent of Forecasted Annual Requirement Procured by PJM Delivery Year					
	Jun 22 - May 23	Jun 23 - May 24	Jun 24 - May 25	Jun 25 - May 26	Jun 25 - May 26	Jun 25 - May 26
Dec 2019 - Jan 2020	33%					
Dec 2020 - Jan 2021	33%	33%				
Dec 2021 - Jan 2022	33%	33%	33%			
Dec 2022 - Jan 2023		33%	33%	33%		
Dec 2023 - Jan 2024			33%	33%	33%	
Dec 2024 - Jan 2025				33%	33%	33%
<b>Total Procured</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>67%</b>	<b>33%</b>



## DC Standard Offer Service Procurement Schedule Rate Schedules GSD, MGT-LV, GT-LV, GT-3A

Auction Period	Percent of Forecasted Annual Requirements Procured by PJM Delivery Year					
	Jun 22 - May 23	Jun 23 - May 24	Jun 24 - May 25	Jun 25 - May 26	Jun 25 - May 26	Jun 25 - May 26
Dec 2019 - Jan 2020	0%					
Dec 2020 - Jan 2021	0%	0%				
Dec 2021 - Jan 2022	100%	0%	0%			
Dec 2022 - Jan 2023		100%	0%	0%		
Dec 2023 - Jan 2024			100%	0%	0%	
Dec 2024 - Jan 2025				100%	0%	0%
Dec 2025 - Jan 2026					100%	0%
Dec 2026 - Jan 2027						100%
<b>Total Procured</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### PEPCO Forward Calendar Strips (1-Year Back)





## Next Steps – How can AOBA and AOBA Alliance Help you?

- Review current electric competitive contract and the end date of that agreement.
- Work with your supplier to determine how this new legislation will impact your electric contracting costs and steps you can take to mitigate these costs before the law goes into effect March 1<sup>st</sup>.
- Review your options in a competitive contract for the next three years to fix the RPS component of your pricing to take advantage of the grandfathering provision (through February 28, 2026).
- Determine how important budget certainty is for your properties in analyzing your future contract options
- Review contract options and determine the course of action that is best for your company and its budget
- At the very least, check in with your broker or supplier on reviewing indicative pricing for the next three years



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## Contracting Options – Discussion

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## More questions about this Bill and the Impact?

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