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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director

Béla Vastag, Utility Analyst

Date: June 10, 2014

Subject: Office of Consumer Services Comments. Docket No. 14-035-46, Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Pavant Solar, LLC

Introduction

On April 17, 2014 Rocky Mountain Power (Company) filed an application with the Utah Public Service Commission (Commission) requesting approval of a Power Purchase Agreement (PPA) dated April 11, 2014, between PacifiCorp and Pavant Solar, LLC (Pavant). On May 1, 2014, the Commission issued a scheduling order setting a deadline of June 10, 2014 by which parties may submit initial comments.

The Office of Consumer Services (Office) offers the following comments regarding the PPA between the Company and Pavant Solar, LLC.

Background

Pavant plans to construct a solar photovoltaic (PV) generation facility in Millard County, Utah and intends to operate it as a Qualifying Facility (QF). Pursuant to the provisions of Section 210 of the Public Utility Regulatory Policies Act (PURPA), the Company is required to purchase the power from a QF and to pay a price based on the Company's avoided costs. The methodology that is used to calculate the avoided cost based pricing for a QF PPA must be approved by the Commission and that methodology was recently updated by the Commission's August 16, 2013 Order in Docket No. 12-035-100.

The process that is utilized by QFs and the Company to negotiate a PPA is set forth in Rocky Mountain Power's Electric Service Schedule No. 38 (Schedule 38). Schedule 38 details the procedures the parties must use to create a PPA for large QFs (greater than 3 MW). Schedule 38 also states that prices, terms and conditions in the PPA are not final and binding until the PPA has been approved by the Commission.

As noted above, the Pavant PPA was signed on April 11, 2014. The PPA states that Pavant's Scheduled Commercial Operation Date is December 31, 2015.

Comments on the PPA

The Office has reviewed the PPA, issued discovery requests and participated in a conference call with the Company and the Division of Public Utilities where the avoided cost pricing methodology was reviewed. Based on these reviews, it appears that the Pavant PPA is compliant with the Commission's orders.

The Office would like to point out certain characteristics of the Pavant PPA that are worth noting:

1. The Pavant facility has a Scheduled Commercial Operation Date which is approximately 20 months or 1.7 years from the PPA signing. The Office notes that this solar developer has a more reasonable timeline than the developer in the previous solar PPA that came before the Commission.¹ The Office asserts that ratepayers are better protected when the operational start date is no more than two years from PPA signing.
2. The Pavant PPA does not include scaling factors or scalars for the pricing of test energy during start-up as did the previous solar PPA. In a response to an Office discovery request, the Company stated that "...the use of scalars was administratively burdensome for billing purposes and removed."²
3. Pricing in the PPA is not provided on a 20-year levelized basis but rather pricing is included for each of the 20 years of the term of the contract.³ This reduces the financial risk to ratepayers of the developer walking away before the end of the 20-year term and eliminates the need for a Levelized Security clause in the contract (typically PPA Section 8.3).
4. The Pavant solar PV project is being developed by juwi Solar Inc which is a US subsidiary of a large German renewal energy company, juwi AG. In the US, juwi Solar has already developed ten solar PV projects totaling 110 MW. If completed, Pavant will be juwi's largest US project.

Recommendation

The Office recommends that the Commission approve the PPA between Pavant Solar, LLC and the Company.

¹ See Docket No. 13-035-197, Approval of PPA with Utah Red Hills Renewable Park. The time between PPA signing and Scheduled Commercial Operation Date for Red Hills was over 3 years.

² Rocky Mountain Power's response to OCS Data Request 1.3, May 2, 2014.

³ All of the recent QF PPAs (4 wind and 1 solar) contained 20-year levelized pricing.

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