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Department of Commerce  
Division of Public Utilities

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**ACTION REQUEST RESPONSE**

TO: Public Service Commission

FROM: Division of Public Utilities:  
Chris Parker, Director,  
Artie Powell, Energy Manager  
Charles Peterson, Technical Consultant  
Justin Christensen Utility Analyst

DATE: June 5, 2015

DOCKET: Docket Nos. 15-035-41, 15-035-42, and 15-035-43, Purchase Power Agreement between PacifiCorp and Iron Springs Solar, Granite Mountain Solar East, Granite Mountain Solar West.

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**RECOMMENDATIONS (Approve)**

The Division of Public Utilities (Division) recommends that the Commission approve all three Purchase Power Agreements (Agreements or PPAs) between PacifiCorp (Company) and Iron Springs Solar, Granite Mountain Solar East, Granite Mountain Solar West (Sellers). Sun Edison, Inc., ultimately owns controlling interests in all three of these projects and is an intervenor in these dockets through its respective project subsidiaries. The Division will treat all of these agreements in this response given the unified interest and similarity of the Agreements.

**ISSUE**

On April 10, 2015, PacifiCorp filed an Application for Approval of Power Purchase Agreement between the Company and the Sellers in each of these dockets. Following a scheduling conference on April 16, 2015, the Commission issued an order on April 17, 2015 that set a filing

deadline for initial comments of June 5, 2015. This memorandum serves as the Division's comments and recommendations in this matter.

## **ANALYSIS**

### General

The Agreements cover a period of 20 years from the online date,<sup>1</sup> which is expected to be August 30, 2016<sup>2</sup> for Iron Springs and Granite Mountain East. Granite Mountain West's online date is September 30, 2016. Iron Springs and Granite Mountain East are a proposed [REDACTED] solar project<sup>3</sup> with a single axis tracking system<sup>4</sup> located near PacifiCorp transmission facilities in Iron County, Utah.<sup>5</sup> Granite Mountain West is a proposed [REDACTED] solar project also located in Iron County, Utah.

Generally the Agreements appear to be patterned after other PPAs that the Division has previously reviewed for renewable QFs. The language therefore appears to be mostly generic for this type of contract.

Unless a specific contract is specified, the following discussion and issues apply to all three Agreements.

### Pricing Terms and Issues

The Division has reviewed the pricing terms set forth on in the PPA and Exhibit 5.1 of the PPAs and has determined them to be consistent with the Commission's previous orders. Particularly, the PPA pricing is consistent with the Commission's Order in Docket No. 12-035-100 in which issues related to wind QFs were extensively litigated and some issues related to wind and solar QFs were also determined. The Division believes that the Company has correctly applied the

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<sup>1</sup> Power Purchase Agreement, Section 2.1.

<sup>2</sup> Ibid., page 13.

<sup>3</sup> Ibid., page 1.

<sup>4</sup> Ibid., Exhibit 6.1.

<sup>5</sup> Ibid., page 1.

Proxy/PDDRR method approved by the Commission along with the 84 percent capacity contribution the Commission approved in Docket No. 12-035-100 on an interim basis.

In its review of the pricing calculations, the Division found errors related to the annual total megawatt-hour (MWh) output and the degradation of production of MWh over the term of the contracts.<sup>6</sup> The Division determined that corrections would result in an increase in the levelized prices averaging about 9 cents (\$0.09) per MWh. The Division believes this difference is immaterial with respect to the public interest standard.<sup>7</sup> Therefore, the Division does not recommend correcting or rejecting these Agreements based upon the calculation errors that resulted in slight differences in pricing.

Green Tags

Green tags, also known as renewable energy credits (RECs), [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

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<sup>6</sup> Degradation refers to the gradual deterioration in the efficiency, and consequently the output, of a solar panel over time. It is usually estimated to occur at the rate of 0.5 to 1.0 percent (0.005 to 0.01) per year.  
<sup>7</sup> Immateriality is largely a matter of judgement and other parties could have a different opinion on this. However, the Division notes that the assumptions and projections that necessarily are made to fix prices for a 20-year contract, are likely to result in contract prices that differ far more from actual future market prices and avoided costs than 9 cents. Additionally, the Division has discussed this matter with the Sellers’ counsel and has no reason to believe Seller objects to approval.

[REDACTED]

Transmission Interconnection Agreement

As a “milestone” the PPA requires that the Sellers enter into a final transmission interconnection agreement by [REDACTED].<sup>8</sup> Based on discussions with the Company in this and other recent QF dockets, the Division understands that this interconnection agreement milestone was put in place to protect the Company and its ratepayers, and to provide some assurance that the project was viable and capable of completion by the scheduled online date. This requirement for a transmission agreement to be in place is one factor demonstrating to the Division that the developer is capable of performing on the Agreements.

**CONCLUSION**

As discussed above, the PPA appears to be in compliance with Schedule 38 and existing Commission orders. Based upon the forgoing analysis, the Division recommends that the Commission approve these three purchase power agreements as just and reasonable and in the public interest.

cc: Michele Beck, Committee of Consumer Services  
Bela Vastag, Committee of Consumer Services  
Bob Lively, PacifiCorp  
Paul Clements, PacifiCorp  
Gary Dodge, outside attorney for Sun Edison, Inc.  
Service List

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<sup>8</sup> The Company and the attorney representing the Sellers have [REDACTED]