



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

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: September 4, 2014

Subject: Office of Consumer Services Comments. Docket No. 14-035-87, Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Escalante Solar II, LLC

Introduction

On July 3, 2014 Rocky Mountain Power (Company) filed an application with the Utah Public Service Commission (Commission) requesting approval of a Power Purchase Agreement (PPA) signed on June 18, 2014 between PacifiCorp and Escalante Solar II, LLC (Escalante II). On July 18, 2014, the Commission issued a scheduling order setting a deadline of September 4, 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 Escalante Solar II, LLC.

Background

Escalante II plans to construct an 80 MW tracking solar photovoltaic (PV) electricity generation facility in Beaver 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). PURPA mandates that the Company purchase electricity from a QF and pay the QF prices based on the Company's avoided costs. The purchase of electricity from Escalante II is set in the PPA to begin on the facility's scheduled commercial operation date which is October 31, 2016.

In Utah, Rocky Mountain Power Electric Service Schedule No. 38 governs the process that the Company and a QF will use to develop a PPA. Schedule 38 states that prices, terms and conditions in the PPA are not final and binding until the PPA has been approved by the Commission.

Comments on the PPA

The Office has reviewed the PPA, issued discovery requests and participated in meetings with the Company, the project developer and the Division of Public Utilities (Division). Based on the information gathered in this review process, the Office raises the following issues:

1. The time from the signing of this PPA to the scheduled operation date of the solar facility is 2.3 years or 28 months. As in previous comments that the Office has submitted on QF PPAs, the Office contends that the lag between PPA signing and QF commercial operations should be no more than 2 years. This requirement would be to ensure ratepayers are protected and to provide a safeguard against manipulation of the Schedule 38 process.
2. The prices in this PPA are based on GRID avoided cost modeling from March 2014¹ which means that the facility will begin receiving payments in November 2016 based on avoided-cost-based prices that are 2.7 years or 32 months old. In meetings, the Office learned that when the negotiations for this PPA began, indicative prices were based on a GRID run from September 2013. The Company notified Escalante II in March 2014 that prices needed to be refreshed and provided the developer with new prices. The Office commends the Company for insuring that the PPA prices are as fresh as possible. The Office asserts that there should be some standard time limit between the price modeling date and the PPA execution date that would require the Company to perform a price refresher.
3. The modeling of prices in this PPA incorporates a CO₂ tax in the development of the Official Forward Price Curve (OFPC) for electric power. Again, this modeling was performed in March 2014. On May 7, 2014, the Company submitted its annual update of Schedule 37 QF avoided cost pricing² and had removed the CO₂ tax assumption from the OFPC per their interpretation of the Commission's August 2013 Order in Docket No. 12-035-100. The Office is concerned about inconsistencies in the Company's application of modeling changes and notes that the prices for this PPA were modeled in March 2014 or seven months after the 12-035-100 Order while the prices in the Schedule 37 avoided cost update were modeled not much later or nine months after the Order. These two different modeling runs, only two months apart, used different CO₂ tax assumptions.
4. In the current Schedule 37 proceeding, Docket No. 14-035-T04, the Company has indicated that its transmission division indentified a transmission constraint on April 29, 2014 that would affect pricing for QFs located in southwestern Utah. Based on

¹For this PPA, avoided cost pricing documentation based on March 2014 GRID modeling was provided in the Company's response to OCS Data Request 1.2. The vintage of the pricing was also confirmed in meetings by First Wind and Company personnel.

² See Utah PSC Docket No. 14-035-T04 at:

<http://www.psc.utah.gov/utilities/electric/elecindx/2014/14035T04indx.html>

discussions with the Company and discovery responses from the developer, the transmission constraint does not affect the Escalante II facility or its PPA prices

because it is high in the transmission queue.³ However, since QFs cannot be backed down⁴, a future transmission constraint that is caused by large number of QFs on the system will affect how the Company's thermal resources are dispatched which may affect the Company's net power costs and rates paid by ratepayers. The Office recommends that the Company work with the Division, the Office, stakeholders and other interested parties to begin to address how to handle this issue of a large number of QFs in southern Utah (or any location) creating a transmission constraint on the Company's system.

Recommendation

Notwithstanding the issues raised above, the Office observes that the Company has complied with the requirements of Schedule 38; and therefore, the Office recommends that the Commission approve the PPA between Escalante Solar II, LLC and the Company.

CC: Chris Parker, Division of Public Utilities
Daniel E. Solander, Rocky Mountain Power
Gary A. Dodge, Escalante Solar II, LLC
Shaunda L. McNeill, Escalante Solar II, LLC

³The Company's transmission division maintains a queue of projects seeking transmission access on its Open Access Transmission Tariff (OATT) website (<https://www.oasis.oati.com/PPW/>) and according to the Company, the transmission constraint develops only when projects on the list below Escalante II come on line.

⁴According to Rocky Mountain Power's response to OCS Data Request 2.2 in Docket No. 14-035-T04, July 31, 2014.