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Division of Public Utilities

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ACTION REQUEST RESPONSE
CONFIDENTIAL
SUBJECT TO UTAH ADMINISTRATIVE CODE RULE 746-10-16

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 No. 15-035-40, Power Purchase Agreement between PacifiCorp and Pavant Solar II

RECOMMENDATIONS (Approve)

The Division of Public Utilities (Division) recommends that the Commission approve the Power Purchase Agreement (Agreement or PPA) between PacifiCorp (Company) and Pavant Solar II (Seller).

ISSUE

On April 9, 2015, PacifiCorp filed an Application for Approval of Power Purchase Agreement between the Company and the Seller. 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 Agreement covers a period of 20 years from the online date,[1] which is expected to be December 1, 2016[2]. Pavant Solar II is a proposed [redacted] solar project[3] with a single axis tracking system[4] located near PacifiCorp transmission facilities in Millard County, Utah.[5]

Generally the Agreement appears 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.

Pricing Terms and Issues

The Division has reviewed the pricing terms set forth on in the PPA and Exhibit 5.1 of the PPA 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 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.

During a review of the model, the Division determined the cost of the Fixed Pipeline at 6500 ft. elevation was incorrect. The model showed $19.41 and the 2013 IRP shows a price of $16.58. Correcting this results in an average price reduction of 4 cents per MWh on a levelized basis.

Additionally, 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 contract.[6] The corrected prices

[1] Power Purchase Agreement, Section 2.1.
[2] Ibid., page 12.
[3] Ibid., page 1.
[4] Ibid., Exhibit 6.1.
[5] Ibid., page 1.
[6] 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.

would result in a further increase approximating 60 cents ($0.60) per MWh on a levelized basis. Combined with the pipeline 4 cent decrease, this would result in a net 56 cent increase on a levelized basis. The Division would normally consider a difference of this magnitude to be material and would recommend an adjustment to the Agreement. However, the Seller directly informed the Division that the Seller did not wish to amend the Agreement at this point to correct the pricing errors. Given the Seller's position on this issue, the Division does not recommend correcting or rejecting these Agreements based upon the errors described above.

<u>Green Tags</u>

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

[redacted]

[redacted]

<u>Transmission Interconnection Agreement</u>

As a "milestone" the PPA requires that the Sellers enter into a final transmission interconnection agreement by [redacted] 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 Agreement.

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 the Agreement as just and reasonable and in the public interest.

cc: Michele Beck, Committee of Consumer Services
Cheryl Murray, Committee of Consumer Services
Bob Lively, PacifiCorp
Paul Clements, PacifiCorp
Daniel Solander, PacifiCorp
Service List