



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: June 5, 2015

Subject: Office of Consumer Services Comments. Docket Nos. 15-035-40, 15-035-41, 15-035-42 & 15-035-43, Applications of Rocky Mountain Power for Approval of the Power Purchase Agreements between PacifiCorp and Pavant Solar II, LLC, Iron Springs Solar, LLC, Granite Mountain Solar East, LLC & Granite Mountain Solar West, LLC

### Introduction

On April 9 & 10, 2015 Rocky Mountain Power (Company) filed four (4) applications with the Utah Public Service Commission (Commission) requesting approval of Power Purchase Agreements (PPAs) signed on March 26, 2015 between PacifiCorp and Pavant Solar II, LLC and signed on April 6, 2015 between PacifiCorp and Iron Springs, LLC, Granite Mountain Solar East LLC & Granite Mountain Solar West, LLC. On April 17, 2015, the Commission issued a scheduling order setting a deadline of June 5, 2015 by which parties may submit initial comments on each of these four applications.

The Office of Consumer Services (Office) offers the following consolidated comments regarding the PPAs between the Company and these four solar photovoltaic (PV) electricity generation facilities.

### Background

The developers of these facilities intend to operate them as Qualifying Facilities (QFs) 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.

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.

### Docket No. 14-035-140 – Schedule 38 QF Procedures & Other Related Issues

In past comments on QF PPAs, the Office has raised concerns about the modeling of avoided cost pricing, the timing of price updates, the dates for transmission interconnection and facility commercial operation and potential gaming of the system by QF developers. The Office believes that the Settlement and the Capacity Contribution Study in Docket No. 14-035-140 will address most of these concerns if they are implemented.

With this in mind, the Office has only performed a high level review of these four PPA contracts including the pricing and timelines contained within them.

### Comments on the four PPAs

#### *Outdated Pricing and RECs*

Based on a review of the Company's workpapers, the Office notes that it appears the avoided cost pricing used in these PPAs was developed in August 2014. This would mean that the pricing was over 7 months old at the time of the PPA signings. The Company indicates that in exchange for not updating the pricing, the QF developers have agreed to include some of their Renewable Energy Credits (RECs) as part of the price they receive for their power, that is, give the RECs to the Company.<sup>1</sup>

The Office cannot determine if the Company has made a fair bargain for ratepayers by trading RECs for outdated pricing. The value of RECs in the future is very uncertain. Nor do we know what the PPA prices would have been if more current price modeling was used. Once again, the fact that the Company negotiates one-off special pricing arrangements with QF developers is troubling. The Office is hopeful that the agreed to Settlement in Docket No. 14-035-140 will provide for a more structured PPA process and avoid such "one-off" treatment in the future.

#### *Physical Separation of QFs*

The Office questions whether the QFs in this proceeding meet the PURPA and Federal Energy Regulatory Commission (FERC) requirement of at least one (1) mile separation between QF facilities. It appears from maps in the PPA and from electrical diagrams in transmission interconnection studies that these QFs are located in very close proximity to each other or other QFs.<sup>2</sup>

Interestingly, in the System Impact Study for Granite Mountain East and West, the two facilities are modeled as one combined facility and the study states on page 1: "For this System Impact Study, it is assumed the Interconnection Customer will NOT operate this generator as a Qualified Facility as defined by the Public Utility Regulatory Policies Act of

---

<sup>1</sup> Pavant II is giving up RECs for all 20 years of the PPA while Iron Springs and Granite East & West are giving up RECs for years 11 - 20.

<sup>2</sup> In the case of Pavant II, it closely borders Pavant I (Docket No. 14-035-46).

1978 (PURPA).”<sup>3</sup> The Office is concerned that this is another situation where a QF developer may be gaming the system. In particular, the Office is concerned whether it is appropriate for a developer to only request a single transmission study, when it is actually trying to interconnect two separate QFs. Again, the Office hopes that the Settlement in Docket No. 14-035-140 will address these types of situations in the future.

### Recommendation

While the Office has some concerns about these PPAs, we believe that the Settlement in Docket No. 14-035-140 will alleviate these types of concerns in future PPAs if the Commission approves the Settlement. In addition, our brief review has not found any issues that would make these PPAs not in compliance with the applicable schedules and Commission orders. Therefore, the Office does not oppose the approval of these PPAs. However, the Office looks forward to the Company’s response to the issues that we have raised above.

CC: Chris Parker, Division of Public Utilities  
Daniel E. Solander, Rocky Mountain Power  
Gary A. Dodge, Iron Springs Solar, LLC, Granite Mountain Solar East & West, LLC

---

<sup>3</sup> <https://www.oasis.oati.com/PPW/PPWdocs/Q539SIS.pdf>