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State of Utah Department of Commerce Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Charles Peterson, Technical Consultant

Date: September 8, 2016

Re: Docket No. 16-035-37. In the Matter of the Application of Rocky Mountain Power for Approval of First Amendment to Power Purchase Agreement Between PacifiCorp and Pavant Solar, LLC

Recommendation (Approve)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) approve the amendments to the power purchase agreement (“Amendments”) between Rocky Mountain Power’s (“Company”) and Pavant Solar, LLC (Pavant).

Issue

On August 23, 2016, the Company filed with the Commission an application (“Application”) for approval of amendments to the power purchase agreement between it and Pavant. The Amendments modify the original agreement to provide for the purchase of green tags (also known as renewable energy credits or renewable energy certificates) associated with the generation output of Pavant’s facility. In the original agreement Pavant retained ownership of the

green tags. The Commission approved the original agreement in its Order dated July 18, 2014 in Docket No. 14-035-46.

On August 25, 2016 the Commission issued a Notice of Filing and Comment Period specifying that any comments on the Company's application are to be made by September 14, 2016. This memorandum represents the Division's comments on the application.

Discussion

The Company represents that the purpose of its purchase of the green tags from Pavant is to help the Company comply with renewable portfolio standards in California, Oregon, and Washington.¹ The Company represents that all costs associated with the purchase of green tags will be situs assigned to the state in which the green tag is used and consequently Utah ratepayers will not be affected.^{2, 3}

The Division sent formal data requests to the Company and also held informal discussions with the Company regarding the Amendments. The Division's interests were primarily twofold: (1) would the Division be able to easily audit the green tag purchases to verify that no costs are assigned to Utah? and (2) would green tags originating from a facility located in Utah but used in other states affect the Company's ability to meet prospective EPA air quality standards? In answer to the first issue, the Company provided the Division with detailed information regarding the accounting of the green tags. The Division believes that it will be able to verify the situs assignment of the green tag costs.

While the answer to the second issue is more speculative given the uncertainty regarding future EPA (or other agency) rules, the Company contends that the purchase of green tags from Pavant will not affect its ability to comply with foreseeable standards.

¹ Application, paragraph 4.

² Ibid., paragraph 7.

³ While not of significant interest to Utah ratepayers, the purchase price appears to be consistent with the current market range for unbundled renewable energy credits in the West.

Conclusion

Based on the foregoing discussion, the Division recommends that the Commission approve the Amendments to the power purchase agreement between the Company and Pavant as being just and reasonable and in the public interest.

CC: Bob Lively, RMP
Michele Beck, OCS