



State of Utah  
Department of Commerce  
Division of Public Utilities

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**MEMORANDUM**

TO: Public Service Commission

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

DATE: May 7, 2018

DOCKET: Docket No. 18-035-08, In the Matter of the Application of Rocky Mountain Power for Approval of the Renewable Energy Contract between PacifiCorp and the University of Utah and the Related Agreement with Amor IX, LLC

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**RECOMMENDATION (Approve)**

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the Renewable Energy Contract between PacifiCorp (Company) and the University of Utah (University) and the Renewable Resource Purchase contract between PacifiCorp and Amor IX, LLC (Amor),<sup>1</sup> collectively (Agreements), each dated March 16th, 2018. As discussed below, the Division believes that these Agreements are in accordance with

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<sup>1</sup> Amor is a subsidiary of Cyrq Energy, Inc., which is a renewable resource development company headquartered in Salt Lake City. see [www.cyrqenergy.com](http://www.cyrqenergy.com)

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Utah Code Ann. §§ 54-17-801, 802, 803, 804, and 805 and Tariff Electric Service Schedule No. 32 (“Schedule 32”) and are just and reasonable and in the public interest.

**ISSUE**

On March 23, 2018, PacifiCorp filed an Application for Approval of the Renewable Energy Contract between PacifiCorp and the University of Utah and the Related Agreement with Amor IX, LLC. Subsequent to a scheduling conference on April 5, 2018, the Commission issued a scheduling Order setting May 7, 2018 as the due date for comments from the Division and any other interested parties. This memorandum serves as the Division’s comments and recommendations in this matter.

**DISCUSSION**

General

The Renewable Energy Contract between PacifiCorp and the University of Utah (REC) is the first contract brought before the Commission under Schedule 32. Concurrently the Company filed a Renewable Resource Contract between PacifiCorp and Amor IX, LLC (RRC) and a Renewable Energy Supply Agreement between Amor IX, LLC and the University of Utah (RESA). The Commission is asked to approve the REC and RRC. The Commission is not being asked to approve the RESA between Amor and the University. However, the RESA, is being supplied according to Company witness Mr. Mark P. Tourangeau in order “to provide the Commission a full understanding of the transaction and its interrelationship with the other two agreements.”<sup>2</sup> [REDACTED] from the date deliveries to PacifiCorp begins.

The Division understands that Amor is proposing to add 20 MW of nameplate capacity to an existing geothermal resource near Fallon, Nevada. Under the Agreements, PacifiCorp will receive from Amor up to 20 MW of power on PacifiCorp’s existing transmission system and deliver the power to the University. PacifiCorp will pay the contract rate to Amor for the energy it receives from Amor. The University will pay PacifiCorp the same contract rate for power

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<sup>2</sup> Direct Testimony of Mark P. Tourangeau, page 2, lines 34-36.

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delivered to the University plus the additional applicable administrative charges set forth in Schedule 32.

The Division understands that the contract rates were established by negotiation between Amor and the University. The Division understands that Amor was the winning bidder to a renewable RFP issued by the University.<sup>3</sup> Thus, the contract prices may have no relationship to the Company's avoided costs or other considerations that the Commission usually applies in the consideration of power purchase contracts between the Company and a third party. Since the University will reimburse the Company for the power at the contract price, the Company's other ratepayers are held harmless to the extent that the contract prices vary from the Company's avoided costs or other considerations usually applied by the Commission.

#### Renewable Energy Contract

As mentioned above, the REC is the contract between the Company and the University, and therefore sets forth the relationship between those two parties in the transaction. Article II of the REC ties the term of the contract to the RRC. Section 4.2 specifies that the customer's renewable resource (as identified in Appendix 1) "must meet all requirements of the Agreement, the Applicable Code [i.e. Utah Code Annotated §§54-17-801-805] and Schedule 32." This shows the clear tie-in to Schedule 32 with its various fees and charges to be collected from the University that are designed to protect other ratepayers from subsidizing this transaction. Section 4.6 specifies that the University will be responsible to reimburse the Company for any costs incurred under the RRC with Amor, or any subsequent renewable resource acquired by the University under this contract. Section 4.7 specifies that the University will own any renewable attributes, e.g. green tags.

Section 5.3 specifies that should there be energy delivered during any hour in excess of the University's load, the Company will credit back to the University an amount as specified in the current Schedule 37 avoided cost rates. Appendix 1 gives details of the Customer Renewable

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<sup>3</sup> See Tourangeau, page 15, lines 315-322.

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Resource, which at this time is the Amor project. The University may from time to time add customer renewable resources. Attachment 1 sets forth the price that was negotiated for the power to be supplied by Amor. Section 3.4 of the REC also specifies that the University may add [REDACTED] Customer Renewable Generation located on its campus without further amendment to the REC.

#### Renewable Resource Contract

The RRC governs the relationship between the Company and Amor. The Recitals section refers to the REC and that the energy supplied under the RRC, is pursuant to the REC “in accordance with Utah Code Ann. §54-17-801 and 805, and Electric Service Schedule 32.” Section 2.1 specifies the term of the contract and ties the term to the other contracts of this transaction. Section 4 details the terms of the delivery of power from Amor to the Company. Section 4.7 specifies that PacifiCorp will own any capacity rights that are associated with the Amor project. Section 5 details the contract price, cost and charges. Section 5.1 states that Supplementary Energy, i.e. any power needed by the University that is not supplied by Customer Renewable Resources will be billed under Schedule 9. The prices per megawatt hour to be paid to Amor are set forth in Exhibit D, which lists the prices negotiated between the University and Amor.

#### Renewable Energy Supply Agreement

The RESA governs the relationship between Amor and the University. As with the RRC, the Recitals tie the RESA to the other parts of the transaction and Schedule 32: “WHEREAS, the Parties desire to enter into this Agreement ...for the supply of renewable energy in accordance with the provisions of Utah Code Ann. § 54-17-801-805, and the Utah Electric Service Schedule No. 32 (‘Schedule 32’) of PacifiCorp, doing business in Utah as Rocky Mountain Power (“PacifiCorp”)....”

As mentioned previously, the Commission is not being asked to approve this contract.

#### Conformity with Schedule 32

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The Division understands that the University is currently a Schedule 9 customer, and as stated in the Renewable Energy Contract will continue to be billed as a Schedule 9 customer for the electric energy that the Company will supply with its own resources. Schedule 32 is “for Customers who would otherwise qualify for Schedules 6, 8, or 9...”<sup>4</sup> The transaction represented by the Agreements is for power in excess of 2.0 megawatts.<sup>5</sup> Excess generation will be sold to the Company “under applicable avoided cost rates.”<sup>6</sup> Attachment 2 of the REC specifies the percentage of renewable energy that will be delivered to the University’s meters pursuant to paragraph 7.d. of Schedule 32. By implication of the REC being in conformity with Schedule 32, the Monthly Bill of Renewable Power and Energy Charges, Customer Charges, Administrative Fee, Delivery Facilities Charges, and Daily Power Charges will be included on the University’s bill from PacifiCorp at their Schedule 32 rates. The Division believes that the three contracts related to this transaction and summarized above, comply with the Contract Structure section of Schedule 32.<sup>7</sup> Generally, the Division believes that the transaction as represented by the REC, the RRC, and the RESA materially comply with Schedule 32 to and the related statutes.

## **CONCLUSION**

Based upon the forgoing analysis, the Division recommends that the Commission approve the Agreements as compliant with Schedule 32 and as just and reasonable and in the public interest.

cc: Michele Beck, Committee of Consumer Services  
Cheryl Murray, Committee of Consumer Services  
Jana Saba, PacifiCorp  
Yvonne Hogle, PacifiCorp

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<sup>4</sup> Electric Service Schedule No. 32, Sheet No.32.1.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid. paragraph 3.

<sup>7</sup> Ibid. Sheet Nos. 32.9-32.10.