



State of Utah
Department of Commerce
Division of Public Utilities

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Comments

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Abdinasir Abdulle, Utility Technical Consultant

Michael Doxey, Utility Analyst

Date: June 2, 2021

Re: **Docket No. 21-035-26**, In the Matter of the Application of Rocky Mountain Power for Approval of the Renewable Energy Contract between PacifiCorp and IHC Health Services, Inc. and the Related Agreement with Castle Solar, LLC.

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 IHC Health Services, Inc. (Intermountain) and the Renewable Resource Purchase contract between PacifiCorp and Castle Solar, LLC,¹ collectively (Agreements), each dated March 30th, 2021. As discussed below, these Agreements are in accordance with Utah Code Ann. § 54-17-

¹ Castle Solar is a subsidiary of Enyo Renewable Energy, which is an independent solar and wind company that specializes in developing utility-scale renewable energy projects in the intermountain west headquartered in Salt Lake City. see www.enyo-energy.com

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801, 802, 803, 804, and 805 and Tariff Electric Service Schedule No. 32 (Schedule 32) and are just, reasonable and in the public interest.

Issue

On April 22, 2021, PacifiCorp filed an Application for Approval of the Renewable Energy Contract between PacifiCorp and IHC Health Services, Inc. and the Related Agreement with Castle Solar, LLC. Subsequent to a Scheduling Conference held on May 5, 2021, the Commission issued a Scheduling Order setting June 2, 2021 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

PacifiCorp filed under Schedule 32, the Renewable Energy Contract between PacifiCorp and IHC Health Services, Inc. (Schedule 32 Contract) along with a Renewable Resource Contract between PacifiCorp and Castle Solar, LLC (RRC) and a Renewable Energy Supply Agreement between Castle Solar, LLC and Intermountain (RESA). The Commission is asked to approve the Schedule 32 Contract and RRC. The Commission is not being asked to approve the RESA between Castle Solar and Intermountain. However, the RESA, is being supplied according to Company witness Mr. Craig M. Eller in order "to provide the Commission a full understanding of the transaction and its interrelationship with the other two agreements."² The term of the Agreement is [REDACTED] from the date delivery to PacifiCorp begins.

The Division understands that Castle Solar is proposing to develop a solar generation facility located in Emery County, Utah, with an expected nameplate capacity rating of 40 MW. Under the Agreements, PacifiCorp will receive from Castle Solar up to 20 MW of power on PacifiCorp's existing transmission system and deliver the power to Intermountain. PacifiCorp will pay the contract rate to Castle Solar for the energy it receives. Intermountain will pay

² Direct Testimony of Craig M. Eller, page 2, lines 35-36.

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PacifiCorp the same contract rate for power delivered to Intermountain plus the additional applicable administrative charges set forth in Schedule 32.

The Division understands that the contract rates were established by negotiation between Castle Solar and Intermountain. The Division understands that Castle Solar was the winning bid of a renewable RFP issued by Intermountain.³ 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 Intermountain 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, Schedule 32 Contract is the contract between the Company and Intermountain, and therefore sets forth the relationship between those two parties in the transaction. Article II of Schedule 32 Contract 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 Intermountain that are designed to protect other ratepayers from subsidizing this transaction. Section 4.7 specifies that Intermountain will be responsible to reimburse the Company for any costs incurred under the RRC with Castle Solar, or any subsequent renewable resource acquired by Intermountain under this contract. Section 4.8 specifies that Intermountain will own any renewable attributes, e.g. green tags.

Section 5.1 states that Supplementary Energy, i.e. any power needed by Intermountain that is not supplied by Customer Renewable Resources will be billed under the applicable General Service Schedule. Section 5.2 specifies that should there be energy delivered during any hour in excess of Intermountain's load, the Company will credit back to Intermountain an amount as specified

³ See Eller, page 14, lines 284-292.

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in the current Schedule 37 avoided cost rates. Appendix 1 gives details of the Customer Renewable Resource, which at this time is the Castle Solar project. Intermountain 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 Castle Solar.

Renewable Resource Contract

The RRC governs the relationship between the Company and Castle Solar. The Recitals section refers to the Schedule 32 Contract and that the energy supplied under the RRC, is pursuant to Schedule 32 Contract “in accordance with Utah Code Ann. §54-17-801-805, 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 Castle Solar to the Company. Section 4.7 specifies that PacifiCorp will own any capacity rights that are associated with the facility’s contracted output. Section 5 details the contract price, cost and charges. The prices per megawatt hour to be paid to Castle Solar are set forth in Exhibit 5.1, which lists the prices negotiated between Intermountain and Castle Solar.

Renewable Energy Supply Agreement

The RESA governs the relationship between Castle Solar and Intermountain. 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 the RESA contract.

Conformity with Schedule 32

The Division understands that Intermountain is currently taking electric service under Schedules 6 and 8, and as stated in the Renewable Energy Contract will, continue to be billed as a Schedule 6 or 8 customer for the electric energy that the Company will supply with its own resources.

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Schedule 32 is “for Customers who would otherwise qualify for Schedules 6, 8, or 9....”⁴ The transaction represented by the Agreements is for power in excess of 2.0 megawatts.⁵ Excess generation will be sold to the Company “under applicable avoided cost rates.”⁶ Attachment 2 of Schedule 32 Contract specifies the percentage of renewable energy that will be delivered to Intermountain’s meters pursuant to paragraph 7.d. of Schedule 32. By implication of Schedule 32 Contract 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 Intermountain’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 32.⁷ Generally, the Division believes that the transaction as represented by Schedule 32 Contract, the RRC, and the RESA materially complies with Schedule 32 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, reasonable and in the public interest.

Cc: Michele Beck, OCS
Jana Saba, RMP

⁴ Electric Service Schedule No. 32, Sheet No.32.1.

⁵ Ibid.

⁶ Ibid. paragraph 3.

⁷ Ibid. Sheet Nos. 32.9-32.10.