

Utilities Seek to Weaken Renewable Energy Contracts as DIY Projects Proliferate

Lawmakers and regulators alike are questioning the Public Utility Regulatory Policies Act amid falling costs for wind turbines and solar farms, raising the prospect for more changes to the law.

Industry Insight

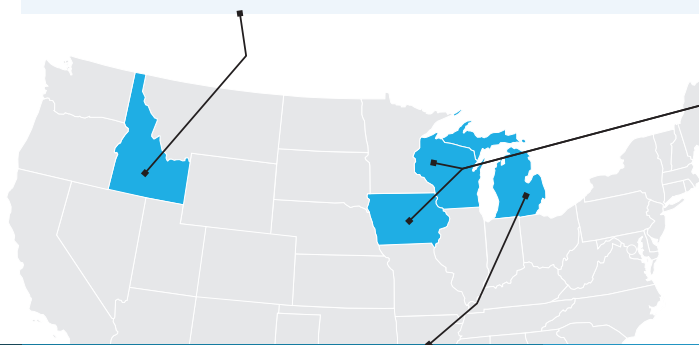
The dramatic **fall in renewables costs** have enticed several utilities to look at **large-scale investments** in wind and solar power. Simultaneously, the same decline has attracted a large number of independent renewable developers seeking to **qualify their projects for must-buy obligations under the Public Utility Regulatory Policies Act** of 1978 (PURPA). As a result, utilities have **complained about having to overpay qualifying facilities (QFs)** and buy electricity even when they don't need it. The **must-buy requirements are also interfering with the utilities' own plans** of developing renewable plants, intensifying the pushback against PURPA.

Utilities Eyeing Large-Scale Renewable Investments

ID 3.5 GW of Coal to Be Replaced with Renewables over 20 Years

12 April 2018  PAC-E-17-03

On April 12, the Idaho **Public Utilities Commission accepted Rocky Mountain Power Inc.'s integrated resource plan to meet electricity demand over the next 20 years**. The plan calls for the retirement of over 3,500 megawatts of coal-fired generation that would be replaced largely by wind and solar.



WI \$2 Billion Investment in Wind

IA 30 May 2018

On May 30, Alliant Energy announced it had filed plans with the Wisconsin Public Service Commission to build a 150-megawatt wind energy project. **The company said it plans to invest about \$2 billion in wind energy across Iowa and Wisconsin by 2020** in a bid to achieve its target of reducing carbon emissions by 40 percent by 2030 from 2005 levels.

MI 1 GW of New Wind and Solar by 2022 Proposed

30 March 2018

On Marcy 30, DTE Energy announced it has filed its 2018 Renewable Energy Plan with the Michigan Public Service Commission proposing about **1,000 additional megawatts of electricity from new wind and solar projects - worth over \$1.7 billion** - scheduled for completion by 2022.

PURPA **requires utilities to purchase power from small independent generators at the "avoided cost"** or the cost the utility would have spent to generate the electricity itself. The act was originally intended to reduce dependence on foreign oil and promote renewable energy and cogeneration facilities. PURPA authorizes the states to set how much a utility is obligated to pay QFs for the electricity they have produced. For many years, PURPA did not matter for renewables because the **upfront costs of solar or wind were far above the avoided cost**, typically based on fossil fuel technologies. However, over the last few years, the cost of renewables has slipped below the avoided cost in several states. The Energy Policy Act of 2005 revised PURPA by exempting utilities from the law's mandatory purchase obligation if they had access to a competitive wholesale power market. **In states not served by competitive wholesale markets, PURPA still has a significant impact.**



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Complaints Against Utilities by Renewable Developers



Major cases

OR Obstructing Power Purchase Contracts 21 May 2018 UM 1950

Solar farms **Cow Creek Solar LLC and Williams Acres Solar LLC lodged protests against Portland General Electric Company** with the Oregon Public Utility Commission for failing to honor power purchase contracts required under federal law.

"Weaponizing" Typos 23 April 2018 UM 1940

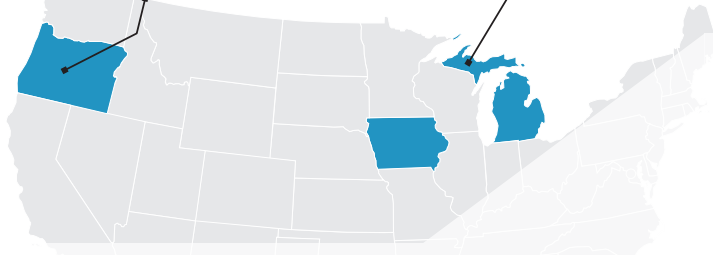
A coalition of power producers eager to sell power under coveted long-term contracts argued in an complaint with the Oregon Public Utilities Commission that **Portland General used the excuse of errors to avoid entering into contracts before May 1**, when the payout rates to alternative energy suppliers will be lowered.

MI Undue Interconnection Delays 6 April 2018 U-20151

Cypress Creek Renewables LLC filed a complaint with the Michigan Public Service Commission alleging that DTE Electric Company has been **delaying at least 111 interconnection applications and reversed the status of 70 applications previously deemed as complete**. Cypress Creek argues that the hold up in the process amounts to a violation of the agency's interconnection and net metering standards and PURPA.

IA Board Probes Lower Rates to Wind Farm FCU-2017-0008

The Iowa Utilities Board is investigating a complaint by HZ Iowa LLC in December alleging that Interstate Power and Light Company, a subsidiary of Alliant Energy Corporation, violated federal rules by **failing to purchase power from its wind farm** at the so-called avoided cost rate agreed to in a power purchase agreement. The utility argued it was no longer subject to those rates after **HZ failed to produce energy by the commercial operation date**.



- OR PUC** UM 1931 Portland General Electric Vs Alfalfa Solar I LLC, Et Al
- WY PSC** 14960 Two Rivers Wind LLC Complaint Against Rocky Mountain Power and PacifiCorp
- WY PSC** 14579 Joint Complaint Filing by Tirreme Energy Development II LLC; Pryor Caves Wind Project LLC; Mud Springs Wind Project LLC; and Horse Thief Wind Project LLC Against Rocky Mountain Power and Pacificorp

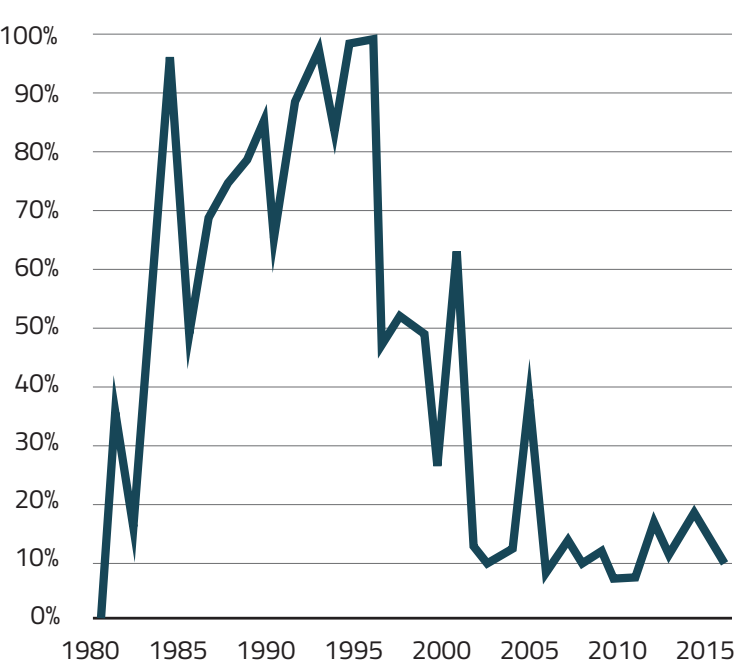
Minor cases

- MI PSC** U-20156 Complaint of Greenwood Solar LLC against DTE Electric Company concerning violations
- OR PUC** UM 1951 Zena Solar LLC V. Portland General Electric Company
- OR PUC** UM 1943 Ridgeway Solar LLC Vs Portland General Electric Company
- OR PUC** UM 1941 Kaiser Creek Solar LLC Vs Portland General Electric Company
- OR PUC** UM 1942 Marquam Creek Solar LLC Vs Portland General Electric Company

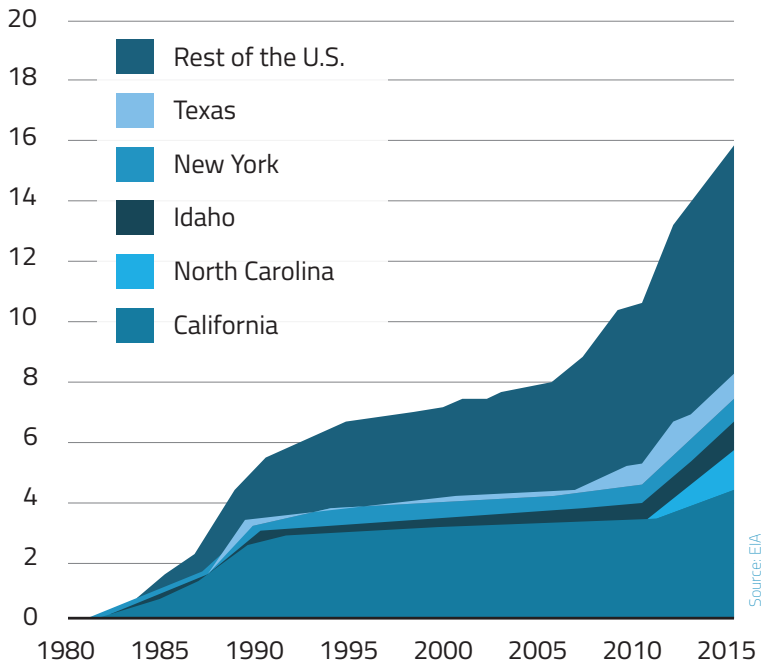
Capacity of Facilities Qualifying for PURPA Has Grown Significantly since 2010



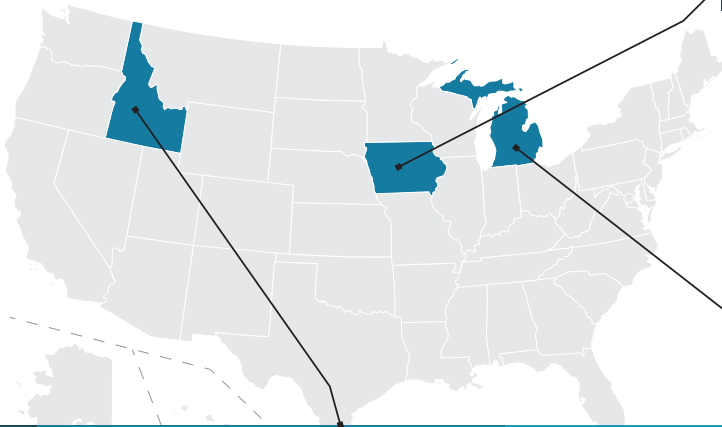
PURPA qualifying facilities, % of total renewable capacity



Cumulative capacity of PURPA qualifying facilities, GW



Regulators Reconsider Implementation of PURPA



IA Iowa Board Addresses "Misunderstanding" 23 March 2018 TF-2016-0290

The Iowa Utilities Board agreed to **review the rates that it determined Interstate Power and Light Company must pay** to small power producers and renewable generators, amid confusion over how the payouts should be calculated. **The board found that the rates should be based on real-time hourly power prices instead of historical prices.** IPL, however, argued that method wouldn't be consistent, as required, with the net metering billing rules, which also governs such payouts.

MI Consumers Energy to Disclose the Queue 12 March 2018 U-18090

The Michigan Public Service Commission staff requested that Consumers Energy Co. disclose the renewable generators that have entered the utility's interconnection queue and **contacted Consumers about a supply agreement to determine which projects are next in line to win contracts.** The commission has limited Consumers' obligation to enter into power purchase agreements with small renewables to the first 150 megawatts in its queue as it investigates the **extent of an alleged "glut of unneeded capacity."**

ID Utilities Ask to Revisit Provisions on Payout 8 May 2018 IPC-E-18-07

Idahydro, Shorock Hydro Inc., J.R. Simplot Company, and Renewable Energy Coalition asked the Idaho Public Utilities Commission to **revisit a provision that allows utilities to pay a lower market-based rate, rather than the avoided cost rate, to small hydropower, cogeneration, biomass, and baseload qualifying facilities when their output does not fall within a prescribed range.** The provision, called "90/110 Performance Band," applies when the output is less than 90 percent or more than 110 percent of projections, and in 2007 the commission eliminated the provision for wind facilities that agreed to provide a guarantee of their output and share the cost of forecasting services. The petitioners sell or are attempting to sell their output to IDACORP Inc. subsidiary Idaho Power Company under PURPA, and argue that hydropower and other **non-wind and non-solar facilities are predictable enough in the aggregate,** enabling the company to incorporate their variability in its planning and operations.

Commission Reexamines Contracts 22 February 2018 U-18090

The Michigan Public Service Commission reopened a proceeding to clarify the terms of avoided cost rates that Consumers Energy Co. should pay eligible small generators under PURPA. The commission **suspended implementation of avoided cost calculation methods set in November after the company sought to freeze its purchase obligations because it does not project a capacity need for the next decade.** A November order increased the power purchase contract period to up to 20 years and the size of eligible projects to two megawatts of generating capacity, from 100 kilowatts or less in the first update to avoided cost payments in almost three decades.

Federal Bills Aimed at Reforming PURPA



S.2776

On April 26, U.S. Senator John Barrasso, a Republican, introduced legislation that would roll back the provisions of PURPA by **empowering state regulators and non-regulated utilities to waive the mandatory power purchase obligations under the act when there is no need for additional power** to meet customer requirements. Oil-fired generation represents one percent of U.S. generation, down from 17 percent in 1978, while wind and solar account for about 9 percent from being almost non-existent four decades ago.



H.R.4476

On November 29, U.S. House lawmaker Tim Walberg, a Republican representing Michigan, introduced a bill to **prevent the abuse of the one-mile rule under PURPA** to ensure that two or more facilities located more one mile apart are considered independent; **lower utilities' mandatory purchase requirement** to reflect market conditions; and **waive the requirement based on state or local determination that there is no need for the purchase consistent with the electric energy needs specified in the utility's integrated resource plan.**

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