BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Renew Missouri Advocates d/b/a Renew Missouri's Petition for Amendment of Commission Rule 4 CSR 240-20.060	)))	File No. EX-2019-0378

SOLEXUS DEVELOPMENT'S RESPONSE

TO STAFF RECOMMENDATION

COMES NOW Solexus Development, LLC ("Solexus"), hereby submits these Comments responding to the Staff Recommendation submitted in this case on June 14, 2019. These comments were prepared by David Bunge on Behalf of Solexus Development.

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Solexus Development is a full-service utility-scale development company with a track record of developing over 100MW of utility-scale solar projects throughout the United States. Solexus has been at the forefront of the industry by developing some of the first utility-scale projects in many markets including Oregon, Missouri and Indiana. Based in St. Louis, Solexus has been particularly active in Missouri. Solexus has developed projects in Springfield, Nixa, and Columbia. Solexus works closely with local communities to deliver clean, affordable solar power.

Solexus commends Renew MO for submitting the petition for rule-making on June 3rd, 2019. We believe it is critical for the commission to take a close look at these issues. Missouri is at the beginning of a massive transition in the state's energy mix. We believe that solar can play a prominent role in the state's clean energy future. Sound implementation of the Cogeneration rules will be a major factor in allowing developers like Solexus to bring clean, affordable solar power to Missouri rate-payers.

Likewise, Solexus applauds Staff for providing a thoughtful and detailed set of recommendations for the commission to evaluate. We appreciate Staff's focus on the need for a standardized contracting approach for qualifying facilities seeking to negotiate with utilities under the Cogeneration tariff. The proposal for greater transparency in providing the avoided cost data used for the Cogeneration tariff is also a positive development. We hope that the Commissioners will enact these proposals. While Staff's recommendations are generally productive, there are a couple areas that could be enhanced to better align Missouri rules with federal law and promote the development of independent solar power in the state.

A. Minimum Contract Tenor

First and foremost, Staff's recommendation did not include a proposal for an explicit minimum contract tenor for power purchase agreements (PPAs). Without clear access to fixed pricing with a minimum contract tenor, solar developers will be unable to secure financing for projects. Independently owned utility-scale solar simply won't exist in the investor-owned utility territories, and ratepayers will be unable to access this low-cost resource. Moreover, Missouri's Cogeneration tariff will continue to be out of compliance with federal law.

In its ruling regarding Windham Solar vs. Connecticut Public Utilities Regulatory Authority, FERC makes clear that PURPA requires utilities to offer long-term, fixed -price PPAs to QFs stating that: "Its regulations pertaining to legally enforceable obligations "are intended to reconcile the requirement that the rates for purchases equal to the utilities' avoided cost with the need for qualifying facilities to be able to enter into contractual commitments, by necessity, on estimates of future avoided costs." FERC goes on to state "***a legally enforceable obligation should be long enough to allow QFs reasonable opportunities to attract capital from potential investors***." [Emphasis added]. In this ruling, FERC clearly

acknowledges that QFs are entitled to enter into long-term fixed price contracts based on the utility's future cost estimates.

Without clear direction from the commission, regulated utilities have no reason to offer qualifying facilities long-term fixed rates. It has been the standard practice in Missouri and many other states for utilities to simply offer as-available pricing or pricing that is subject to unilateral revisions based on the company's regular avoided cost updates. Such contracts simply do not provide enough visibility to investors, and thus make it impossible for independent power projects to secure financing. Despite efforts to incorporate renewables such as wind and solar in their own generation fleets, utilities are loath to evaluate the long-term value of energy and capacity from independently owned assets in their avoided cost calculations. This lack of analysis is harmful to rate-payers and Missouri citizens more broadly because it excludes a cost-competitive source of clean power that can provide significant economic benefits to a wide range of communities across the state. In addition to low-cost energy and capacity, independent power projects provide numerous local benefits including:

- A new stream of income for landowners
- Construction and maintenance jobs for a wide array of local contractors
- Economic development opportunities with companies seeking to locate facilities in communities that can provide access to renewable power

Development of energy resources through PPAs with independent power producers also presents less risk to ratepayers compared to utility investments. Under a PPA transaction, the independent power producer is solely responsible for the capital costs of the project including the risks of cost overruns and construction delays. There is no guaranteed cost recovery mechanism that exposes rate-payers to risk. Likewise, solar projects have the advantages of zero fuel costs, predictable operations and maintenance costs, and extremely accurate output modeling. These attributes make utility-scale solar projects highly insulated from price volatility and long-term output variability. Utility-scale solar projects are a reliable asset that can reduce costs for rate-payers today, and protect them from price shocks in the future.

Missouri would not be alone in taking a more proactive stance in its implementation of PURPA if the commission chooses to act on this petition. In recent years, many states have taken up the challenge of modernizing their PURPA implementation to optimize and accelerate the deployment of affordable clean energy. The following are a few key examples:

- Michigan strengthened its implementation of PURPA, providing for 20-year power purchase agreements.
- Washington issued an order on June 12th, 2019 mandating a 15-year contract tenor and a standard contract capacity of up to 5MW.
- Minnesota recently ordered a PURPA PPA of 20 years in length.
- In South Carolina, the legislature passed the Energy Freedom Act in May of this year. This legislation provides comprehensive updates to the state's energy policy including a minimum contract term of 10 years for PURPA contracts. Utilities in the state have offered PURPA contracts for projects up to 80MW for several years.

B. Maximum System Size for Standard Offer Contracts and Beyond

Solexus Development commends staff for its recommendation to offer standard contracts for facilities with design capacities up to 1MW. We believe this is a step in the right direction, however, this proposal does not go far enough. Having successfully developed projects in markets across the country, we firmly believe that 1MW does not provide sufficient scale to deploy solar at the optimal cost for rate-payers. Scale matters in solar deployment, larger facilities can sell power at lower prices. In order to fully optimize the value of utility-scale solar, we believe the commission should offer standard contracts up to 20MW. At a minimum, the commission should go beyond Staff's recommendation and increase standard contract capacity to 5MW.

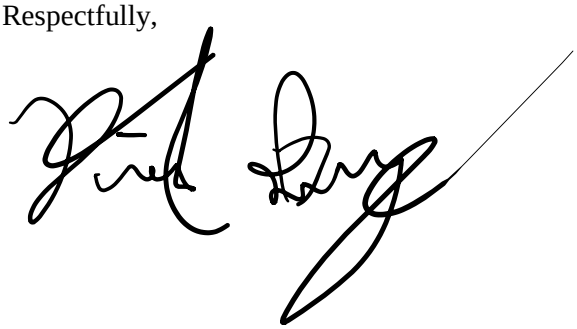
The commission should also create a clearly outlined process for developers to negotiate contracts with long-term fixed pricing for facilities up to 20MW. In other states such as Oregon, Utah, Wyoming, and North and South Carolina regulators and investor owned utilities have provided specific guidelines that outline the process for Qualifying Facilities to request pricing, establish a legally

enforceable obligation, and enter into a power purchase agreement for projects that exceed the standard contract capacity threshold. FERC rules explicitly give Qualifying Facilities with capacities up to 20MW the right to sell power where the utility has clearly established that such facilities have access to a wholesale market. Despite FERC's position, contracting for such facilities will remain nearly impossible without clear guidelines from the commission that compel utilities to negotiate in a fair and commercially reasonable fashion.

In conclusion, we thank Renew MO for their petition for rule-making on this important topic. We also thank the Staff for their diligent work on these issues. We believe that this petition for rule-making represents an incredible opportunity for Missouri rate-payers to benefit from the deployment of utility-scale solar. The clean energy transition has begun in Missouri, and it is critical for the commission to ensure that independent power producers can participate. To do so, independent power facilities must have explicit access to long-term fixed price contracts. A diverse mix of independent power facilities and utility-owned generation will provide the optimal value to rate-payers by keeping costs low, diversifying risk, and increasing the breadth and scale of economic development opportunities in communities across the state.

WHEREFORE, Solexus Development, LLC thanks the Commission for the opportunity to submit comments in this case

Respectfully,



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