SC Energy Freedom Act

An Overview and Next Steps

Presenters:

- Bret Sowers – Southern Current – Principal and Vice President; Chairman of the SC Solar Business Alliance
- Hamilton Davis – Southern Current – Director of Regulatory Affairs
- Steve Levitas – Cypress Creek Renewables – Senior Vice President of Government & Regulatory Affairs

SOUTH CAROLINA
SOLAR BUSINESS ALLIANCE

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SC SOLAR BUSINESS ALLIANCE overview

- Founded in 2009
- Represents 30+ companies
- Primary focus on legislative and regulatory activity
- Diverse group of companies and interests
  - Rooftop solar, commercial & industrial, community, large-scale, manufacturers, developers, installers and financiers
- In 2018, three SBA member companies were awarded as some of the fastest growing companies in SC.
  - Southern Current - #1 in large business category
  - Hannah Solar Government Services - #2 in small business category
  - Alder Energy - #7 in small business category

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ECONOMIC BENEFITS

POLICY, REGULATORY, TECHNICAL, AND LOCAL EXPERIENCE IN MULTIPLE STATE MARKETS

EXECUTED CONTRACTS (approx)	TOTAL PLANNED INVESTMENT (approx)	JOB WAGES (approx)	PROPERTY TAX REVENUE (approx)
1,050 MW	$5 BILLION	$750 MILLION	$25 MILLION/YEAR

- SCSBA member footprint
- 31 states
- Operating & development assets
- Regulated & deregulated markets

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ECONOMIC DEVELOPMENT

Since 2015, the SC Department of Commerce has announced nearly **$2 billion** of new capital investment agreements in South Carolina for large-scale solar facilities across **19 counties** with 12 different companies for over **1,500 MWs** of solar energy.

Nearly all investments were made

by SBA member companies (1,200 MWs)

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ECONOMIC DEVELOPMENT

SCNOW HARTSVILLE MESSENGER

Company eyes Darlington County for additional $149 million solar farm:

The proposed FILOT agreement establishes fees of $421,392 a year to be paid to the county for the first 10 years of the agreement and $368,494 a year for years 11-30.

Source: https://www.scnow.com/messenger/article_95c2d382-8667-11e9-9dad-2b08d6324d0e.html

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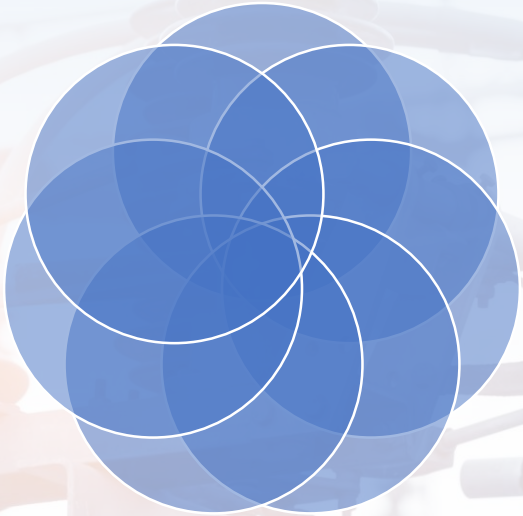
INDUSTRY TRENDS

PRICE

SECURITY

GROWTH



ITC

JOBS

STORAGE

DIVERSITY

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Act 62

Senate 46-0; House 103-0

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SC ENERGY FREEDOM ACT themes

Consumer Choice & Solar Expansion

58-41-40: *It is the intent of the General Assembly to expand the opportunity to support solar energy and to support access to solar energy options for all South Carolinians…*

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SC ENERGY FREEDOM ACT themes

Consumer Protection

58-27-845: *The General Assembly finds that there is a critical need to (1) protect customers from rising utility costs (2) provide opportunities for customer measures to reduce or manage electrical consumption from electrical utilities…*

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SC ENERGY FREEDOM ACT themes

<u>Transparency & Accountability</u>

58-37-20(J): *Each electrical utility's avoided cost filing must be reasonably transparent so that underlying assumptions, data, and results can be independently reviewed and verified…*

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SC ENERGY FREEDOM ACT themes

<u>Competition</u>

58-41-20(B): *The Commission shall treat small power producers on a fair and equal footing with electrical utility-owned resources…*

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SC ENERGY FREEDOM ACT themes

Commission Empowerment

58-41-40(I): *The Commission is authorized to employ, through contract or otherwise, third-party consultants and experts in carrying out its duties… [and] is exempt from complying with the State Procurement Code in the selection and hiring of a third-party-expert…*

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COMPREHENSIVE updates

- Avoided Cost
- Contract Terms & Conditions
- Integrated Resource Planning
- Interconnection
- Commercial & Industrial Green Tariffs
- Net Metering
- Integration Analyses
- Community Solar

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AVOIDED COST requirements

- Establish an updated methodology for calculating avoided cost
- Include ancillary services and energy storage
- Establish standard offers, form contract power purchase agreements, and commitment to sell forms
- Contract term lengths
- Independent, third-party expert evaluation of utility calculations

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INTEGRATED RESOURCE PLANNING requirements

- Detailed portfolio scenario modeling
- Sensitivity analyses for various risk factors
- Transparency
- Commission proceeding and approval
- Three year cycle with annual updates

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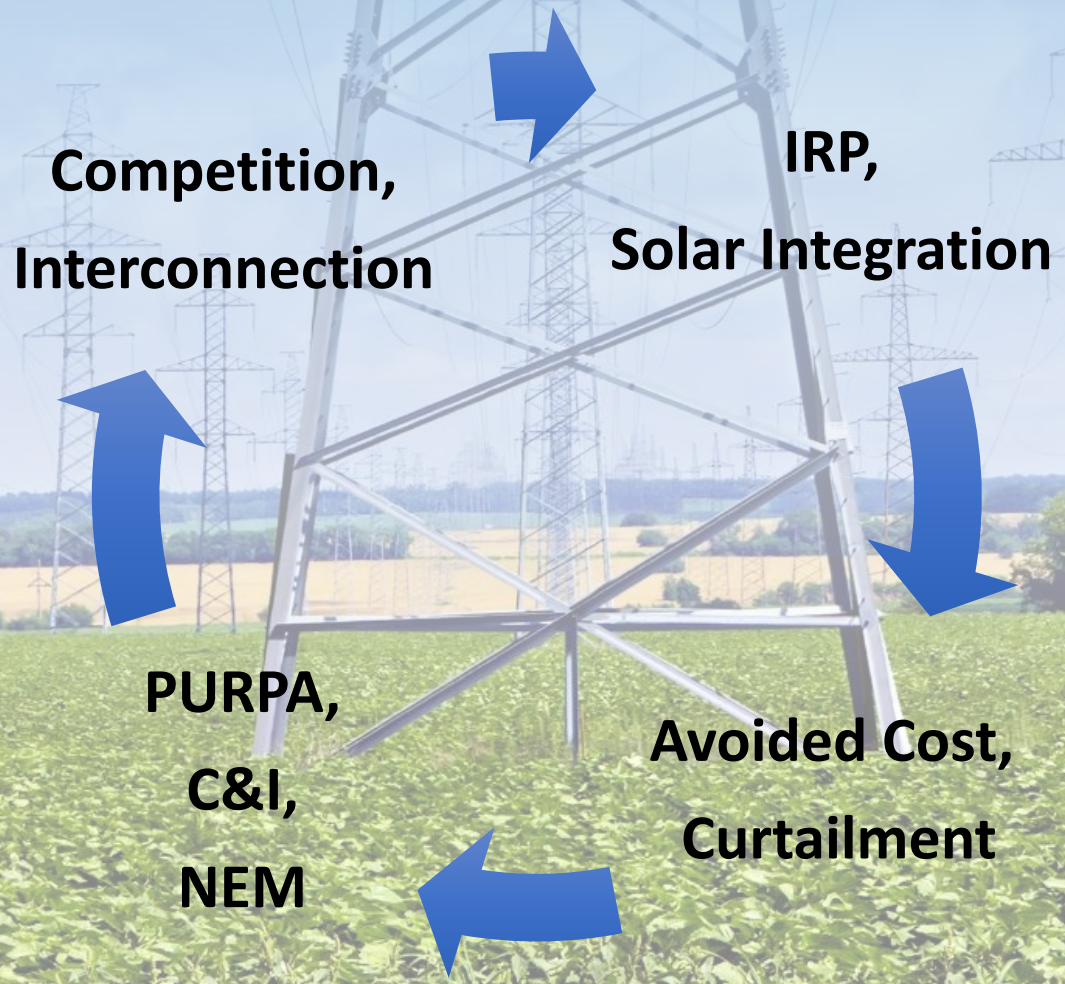
INTERDEPENDENCE of issues



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PROCEDURAL optionality

Technical Conferences → Docket Consolidation → Judicial Economy & Efficiency

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PROCEDURAL optionality

Consolidated docket for avoided cost methodology

Commission Order by 11/18

Separate dockets for utility compliance filing and rate setting

Commission Order TBD

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PROCEDURAL optionality

Separate Utility Dockets

- DEC
- DEP
- DESC

Multiple Methodologies

- DEC/DEP
- DESC

Multiple Commission Orders

- DEC 11/18
- DEP 11/18
- DESC 11/18

Santee Cooper?

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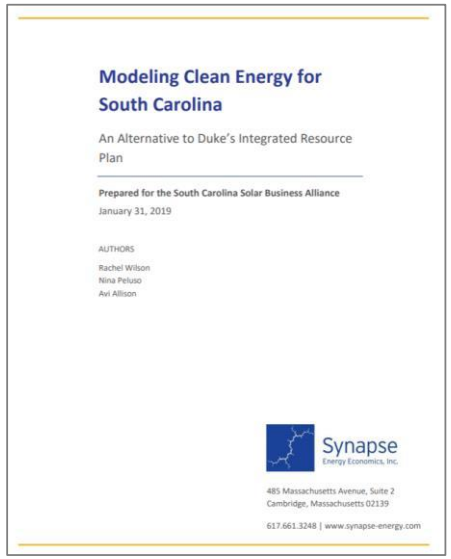
SUCCESSFUL implementation



Modeling Clean Energy for South Carolina

An Alternative to Duke's Integrated Resource Plan

Prepared for the South Carolina Solar Business Alliance

January 31, 2019

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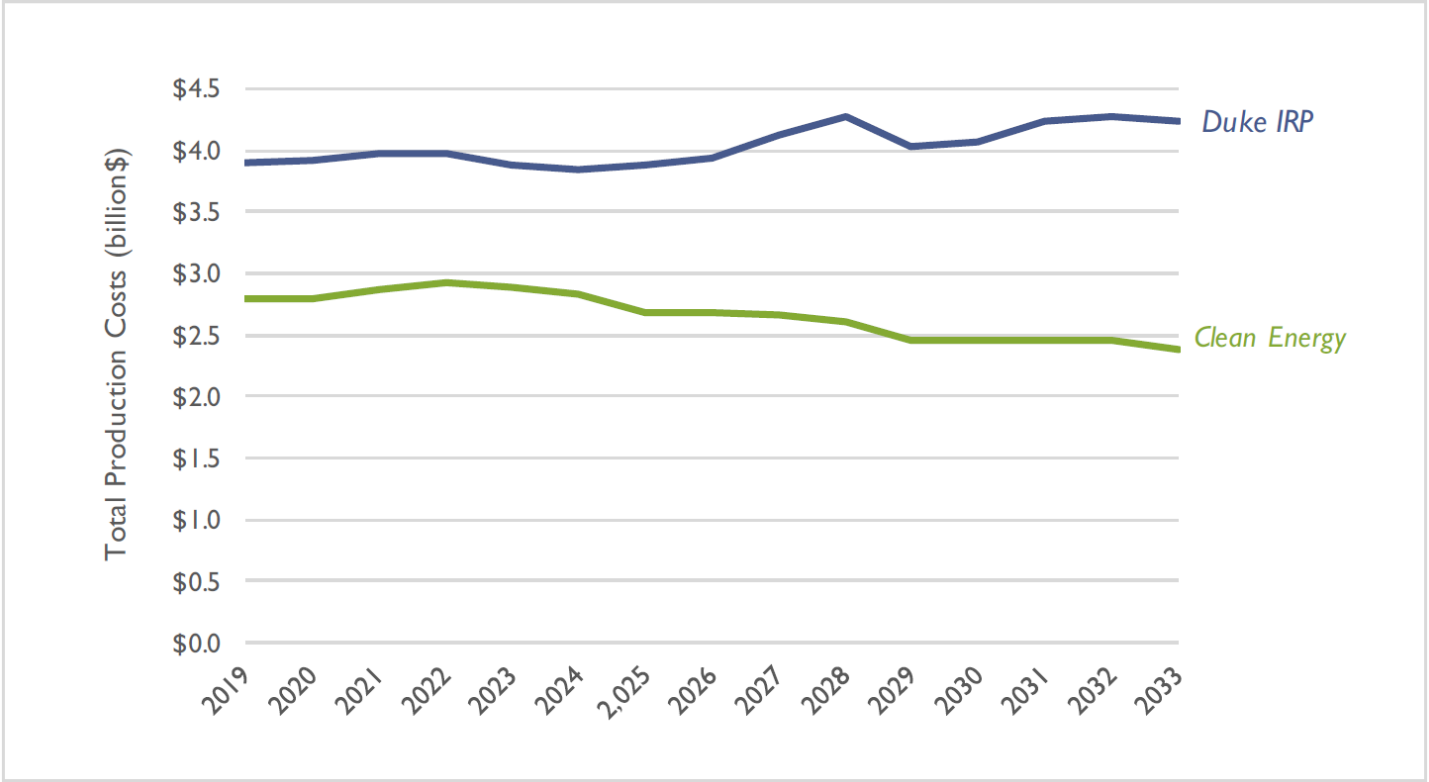
Figure 4. Duke Energy total production cost by year by scenario



Source: Synapse Energy Economics, Inc. *Modeling Clean Energy for South Carolina: An Alternative to Duke's Integrated Resource Plan.* January 2019. Docket Nos. 2018-8-E and 2018-10-E.

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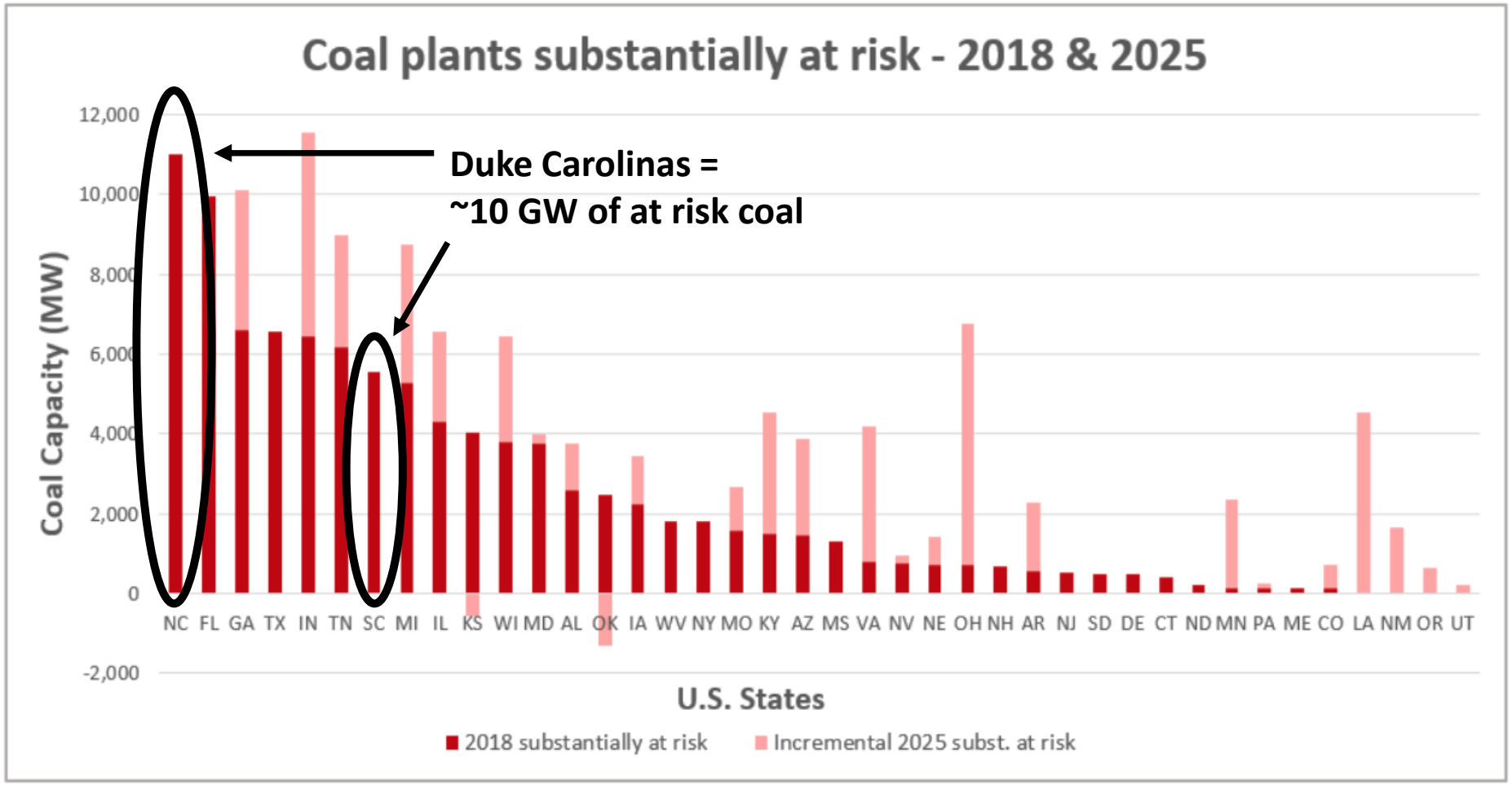
SUCCESSFUL implementation



Source: "The Coal Cost Crossover: Economic Viability of Existing Coal Compared to New Local Wind and Solar Resources." Energy Innovation, LLC and Vibrant Clean Energy, LLC. March 2019.

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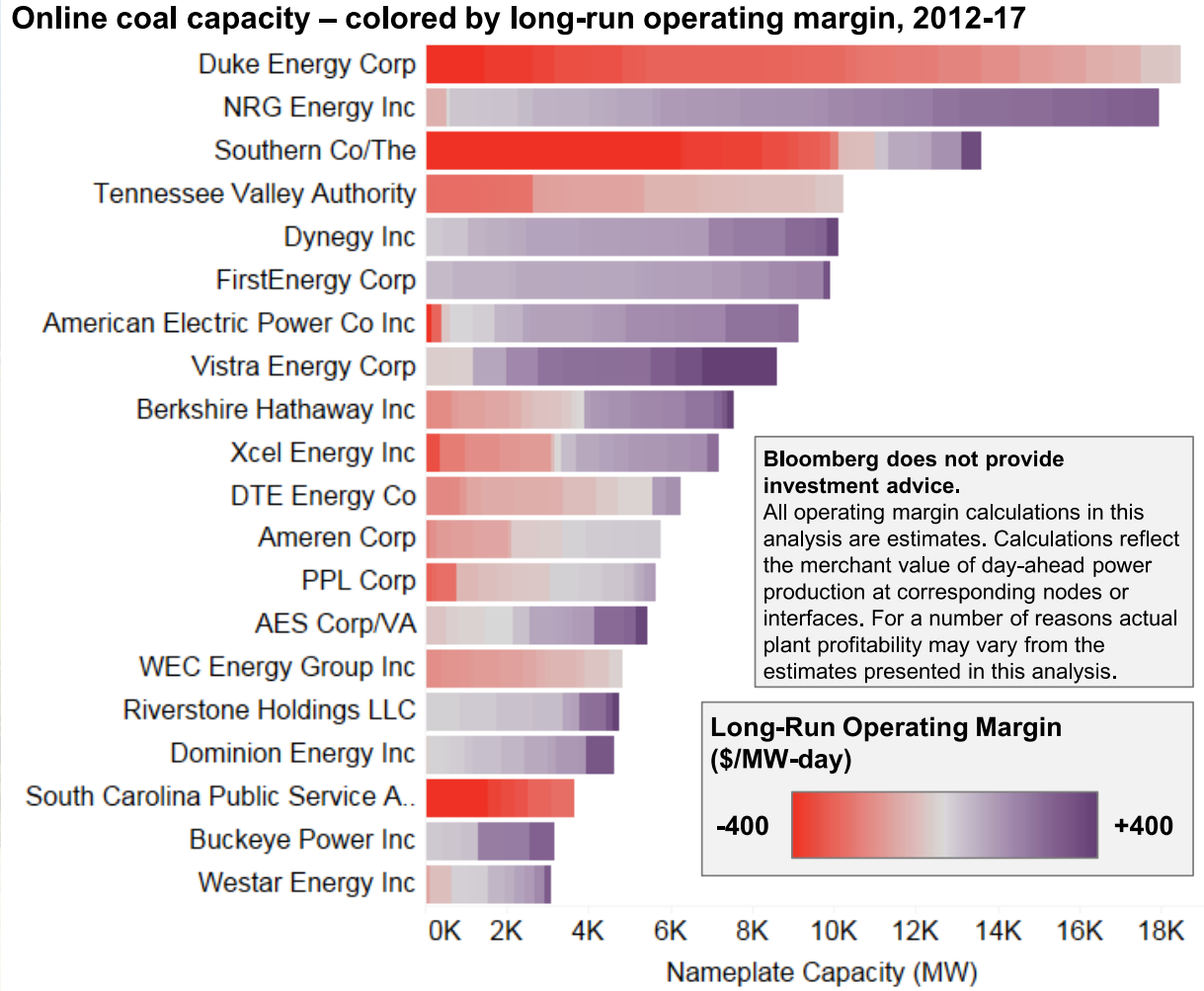
SUCCESSFUL implementation



Coal Margins:
Long-run operating margins for coal plants

(6-yr avg, 2021-2017)

Source: "Half of U.S. Coal Fleet on Shaky Economic Footing: Coal Plant Operating Margins Nationwide." BNEF. March 2018.

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INSIGHTS & PERSPECTIVES

- PURPA Implementation
- Competitive Procurement
- Voluntary Renewable Energy Program

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PURPA implementation

Issues/Lessons from North Carolina

Commercially Reasonable Contract Terms

Legally Enforceable Obligation/Commitment to Sell Form

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PURPA implementation

Section 58-41-20 (A) . . . Within six months after the effective date of this chapter, and at least once every twenty-four months thereafter, **the commission shall approve each electrical utility's standard offer**, avoided cost methodologies, **form contract power purchase agreements, commitment to sell forms**, and any other terms or conditions necessary to implement this section. Within such proceeding the commission shall approve **one or more standard form power purchase agreements for use for qualifying small power production facilities not eligible for the standard offer** . . .

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PURPA implementation

Section 58-41-20 (A) . . . Any decisions by the commission **shall be just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and the Federal Energy Regulatory Commission's implementing regulations and orders, and nondiscriminatory to small power producers; and shall strive to reduce the risk placed on the using and consuming public**. . .

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COMMERCIALLY REASONABLE adjective

: fair, done in good faith, and corresponding to commonly accepted commercial practices

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PURPA implementation

Section 58-41-20 (D) A small power producer shall have the right to sell the output of its facility to the electrical utility at the avoided cost rates and pursuant to the power purchase agreement then in effect **by delivering an executed notice of commitment to sell form to the electrical utility**. The commission shall approve a standard notice of commitment to sell form to be used for this purpose that provides the small power producer a reasonable period of time from its submittal of the form to execute a power purchase agreement. In no event, however, shall the small power producer, as a condition of preserving the pricing and terms and conditions established by its submittal of an executed commitment to sell form to the electrical utility, be required to execute a power purchase agreement prior to receipt of a final interconnection agreement from the electrical utility.

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COMPETITIVE PROCUREMENT

Section 58-41-20(E)(2) The commission is authorized to open a generic docket for the purposes of creating programs for the **competitive procurement of energy and capacity from renewable energy facilities** by an electrical utility within the utility's balancing authority area if the commission determines such action to be in the public interest.

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COMPETITIVE PROCUREMENT

Issues/Lessons from North Carolina

Utility Participation

Independent Administrator/Utility Control

Interface with Interconnection Process

Dispatch/Curtailment

Power Purchase Agreement and Other Contract Documents

Information Sharing by Utility

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VOLUNTARY RENEWABLE ENERGY PROGRAM

Section 58-41-30 (A) Within one hundred and twenty days of the effective date of this chapter, . . . **each electrical utility shall file a proposed voluntary renewable energy program** for review and approval by the commission.

Section 58-41-10 (16) **'Voluntary renewable energy program'** means a tariff filed with the commission by an electrical utility that enables a participating commercial or industrial customer to receive and pay for electric service, that reflects the program cost, and that includes the environmental attributes specified in the participating customer agreement and renewable energy contract, including a generation credit for such renewable energy, from the electrical utility pursuant to the terms of the tariff.

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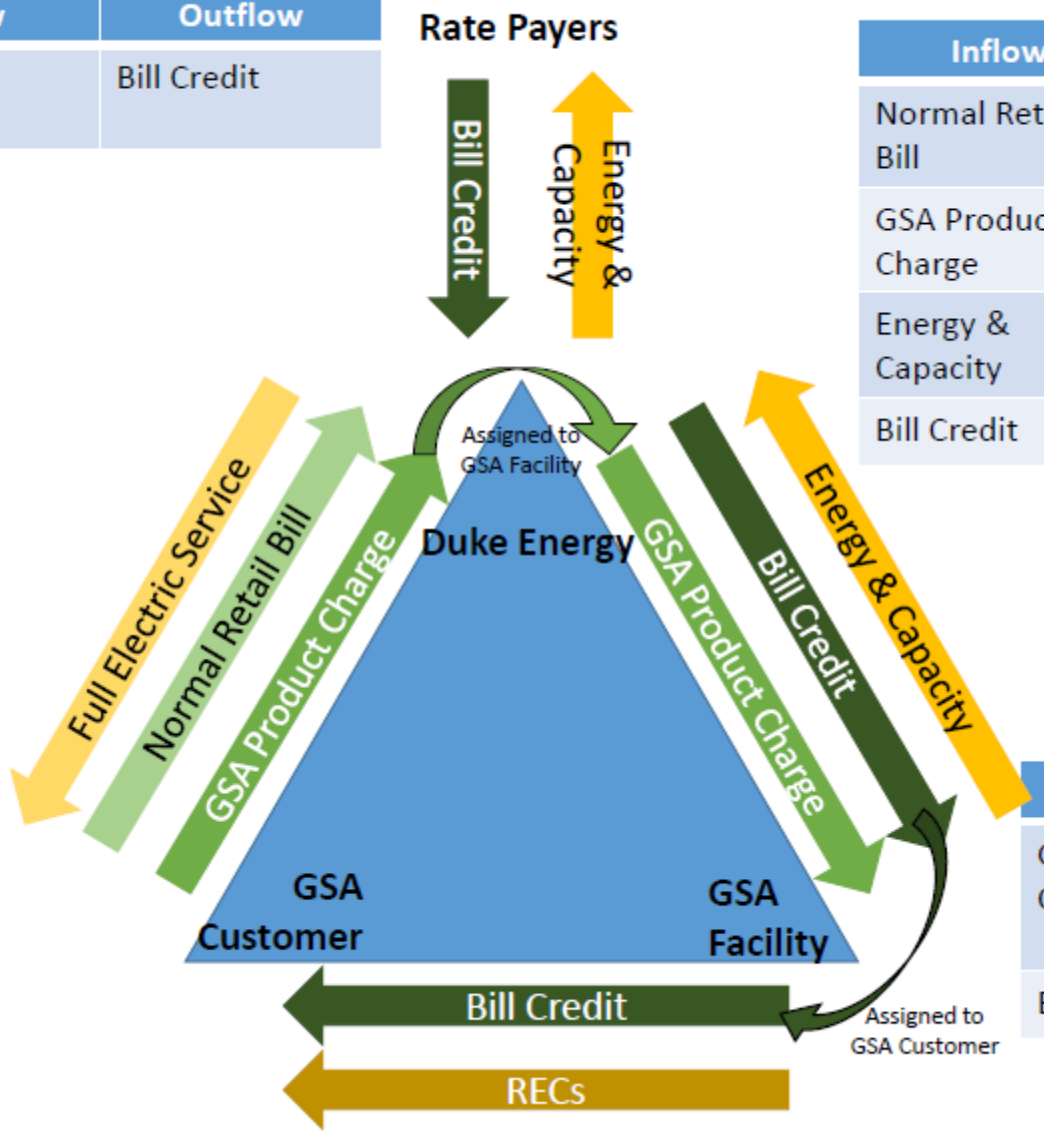
Assignment of Payments, Energy & Capacity, and RECs under Duke's Compliance Filing

Inflow	Outflow
Energy & Capacity	Bill Credit



Inflow	Outflow
Normal Retail Bill	Full Electric Service
GSA Product Charge	GSA Product Charge
Energy & Capacity	Energy & Capacity
Bill Credit	Bill Credit

Inflow	Outflow
Full Electric Service	Normal Retail Bill
Bill Credit	GSA Product Charge
RECs	

Inflow	Outflow
GSA Product Charge	Energy & Capacity + RECs
Bill Credit	Bill Credit

Public Staff's April 8, 2019 Comments in Docket Nos. E-2, Sub 1170 and E-7, Sub 1169

VOLUNTARY RENEWABLE ENERGY PROGRAM

Issues/Lessons from North Carolina

Program Size

Customer Participation Level

Standard Agreement

Renewable Energy Suppliers

Generation Credit

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VOLUNTARY RENEWABLE ENERGY PROGRAM

Program Size

No statutory guidance.

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VOLUNTARY RENEWABLE ENERGY PROGRAM

Customer Participation Level

Section 58-41-30 (C) The commission may limit the total portion of each electrical utility's voluntary renewable energy program that is eligible for the program at a level consistent with the public interest. . .

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VOLUNTARY RENEWABLE ENERGY PROGRAM

Standard Agreement

Section 58-41-30 (C) The commission . . . shall provide standard terms and conditions for the participating customer agreement and the renewable energy contract, subject to commission review and approval.

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VOLUNTARY RENEWABLE ENERGY PROGRAM

Renewable Energy Suppliers

Section 58-41-10 (13) 'Renewable energy supplier' means the owner or operator of a renewable energy facility, including the affiliate of an electrical utility that contracts with a participating customer.

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VOLUNTARY RENEWABLE ENERGY PROGRAM

Generation Credit

Section 58-41-10 (6) 'Generation credit' means a credit applied by an electrical utility to the bill of a participating customer that is equal to the value of the energy and capacity avoided by the electrical utility as a result of procuring energy and capacity from a renewable energy facility.

Section 58-41-30 (B) The commission may approve a program that provides for options that include, but are not limited to, both variable and fixed generation credit options.

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QUESTIONS?

SOUTH CAROLINA
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