

THE INTERMOUNTAIN RURAL ELECTRIC ASSOCIATION
2018 RENEWABLE ENERGY STANDARD COMPLIANCE REPORT

May 29, 2019

INTRODUCTION

The Intermountain Rural Electric Association (IREA) submits this annual report in recognition of Colorado's renewable energy standards (RES), C.R.S. § 40-2-124(5.5), and Colorado Public Utilities Commission (Commission) Rule 3662.

IREA is a cooperative electric association that serves more than 158,000 meters within a service territory covering approximately 5,000 square miles in parts of eleven counties in Colorado. C.R.S. § 40-2-124(1)(c)(V.5) requires a cooperative electric association that provides electricity at retail to its customers and serves 100,000 or more meters to generate or cause to be generated at least 20% of the energy it provides to its customers from eligible energy resources in the years 2020 and thereafter.

C.R.S. § 40-2-124(1)(g)(II) provides that a wholesale customer can purchase eligible energy resources from its wholesale provider and receive the appropriate credit toward the RES as well as any associated renewable energy credits (RECs). In 2018, IREA received RECs associated with its purchases of energy from Public Service Company of Colorado (PSCo) and the Western Area Power Administration (WAPA). Additionally, IREA purchased all of the energy and associated RECs generated by Victory Solar, LLC from its 12.831 MW photovoltaic generation facility located north of the Town of Bennett in Adam's County, Colorado.

COMPLIANCE STATEMENT

Pursuant to the requirements of Commission Rule 3662, applicable as provided in Commission Rule 3650(b), the details of IREA's compliance are set forth as follows:

1. Commission Rule 3662(a)(I) – Total Megawatt Hours Sold by IREA to Colorado Retail Customers and Eligible Energy Required for Compliance

IREA sold 2,394,780 megawatt hours (MWh) of electrical energy to its Colorado retail customers in 2018. Pursuant to C.R.S. § 40-2-124(1)(c)(V.5), IREA anticipates demonstrating compliance with the RES for compliance year 2020.

2. Commission Rule 3662(a)(II) – Total Amount and Source of Eligible Energy and Renewable Energy Credits (RECs) Acquired for Compliance

In 2018, IREA acquired a total of 220,372 RECs in connection with wholesale power purchased from PSCo for resale to IREA's customers. Pursuant to the wholesale power purchase agreement between PSCo and IREA, PSCo transferred to IREA RECs equal to IREA's load ratio share times the energy from designated eligible energy resources (defined as PSCo energy obtained from solar, wind, geothermal, biogas, new hydroelectricity of ten megawatts or less, pre-2005 hydroelectricity of thirty megawatts or less, and recycled energy). IREA acquired the following vintage 2018 RECs from PSCo:

| Resource Type | RES Component | Early EER | |
|---------------|---------------|----------------|---------------|
| | | Quantity | EER Quantity |
| Wind | Non-DG | 177,045 | 19,185 |
| Wind | Wholesale DG | 1,090 | 0 |
| Solar | Non-DG | 0 | 13,450 |
| Solar | Wholesale DG | 3,790 | 0 |
| Biogas | Wholesale DG | 571 | 0 |
| Hydroelectric | Wholesale DG | 5,241 | 0 |
| Total | | 187,737 | 32,635 |

In 2010, IREA entered into a memorandum of understanding with WAPA regarding RECs for hydroelectricity generated by the Loveland Area Projects (LAP). Pursuant to this memorandum of understanding, WAPA assigned the following Colorado-eligible 2018 vintage RECs to IREA:

| Resource Type | RES Component | Early EER | |
|---------------|---------------|---------------|--------------|
| | | Quantity | EER Quantity |
| Hydroelectric | Wholesale DG | 43,662 | 0 |
| Total | | 43,662 | 0 |

In 2011, IREA entered into a memorandum of understanding with WAPA regarding the RECs for hydroelectricity generated by the Salt Lake City Integrated Projects (SLC-IP). Pursuant to this memorandum of understanding, WAPA assigned the following Colorado-eligible 2018 vintage RECs to IREA:

| Resource Type | RES Component | Early EER | |
|---------------|---------------|--------------|--------------|
| | | Quantity | EER Quantity |
| Hydroelectric | Wholesale DG | 1,124 | 0 |
| Total | | 1,124 | 0 |

In 2015, IREA entered into a power purchase agreement with Victory Solar, LLC to purchase solar photovoltaic energy and associated RECs. In 2018, IREA acquired the following vintage 2017 RECs from Victory Solar, LLC:

| Resource Type | RES Component | Early EER | |
|---------------|---------------|-----------|---------------|
| | | Quantity | EER Quantity |
| Solar | Wholesale DG | 0 | 29,686 |
| Total | | 0 | 29,686 |

In 2018, IREA acquired the following RECs through transactions with third parties through WREGIS:

| Resource Type | RES Component | Early EER | |
|-----------------|---------------|----------------|---------------|
| | | Quantity | EER Quantity |
| Recycled Energy | Wholesale DG | 0 | 53,146 |
| Biomass | Non-DG | 100,000 | 0 |
| Hydroelectric | Wholesale DG | 113,000 | 0 |
| Total | | 213,000 | 53,146 |

IREA interconnects customer on-site renewable energy generation facilities as net-metered customers pursuant to C.R.S. § 40-9.5-118 or qualifying facilities pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”). IREA has not differentiated between eligible energy generated by residential and non-residential and status as early eligible energy resources in its tracking system to date. In 2018, the following energy was generated by eligible energy resources that are located on the customer’s side of the meter and interconnected with IREA’s system:

| Resource Type | RES Component | MWh Quantity |
|---------------|---------------|--------------|
| Wind | Retail DG | 144 |
| Solar | Retail DG | 394 |
| Biogas | Retail DG | 19,906 |
| Total | | 20,444 |

3. Commission Rule 3662(a)(IV) – Eligible Energy Borrowed Forward from Previous Compliance Years

IREA has not borrowed forward any eligible energy or RECs from previous compliance years.

4. Commission Rule 3662(a)(V) – Eligible Energy Borrowed Forward from Future Compliance Years

IREA has not borrowed forward any eligible energy or RECs from future compliance years.

5. Commission Rule 3662(a)(VI) – Eligible Energy Carried Back from the Year Following the Compliance Year

IREA is not carrying back eligible energy or RECs from the year following the compliance year.

6. Commission Rule 3662(a)(VII) – Eligible Energy Carried Forward from Prior Calendar Years to Apply in the Current Compliance Year

IREA carried forward 815,210 RECs from previous calendar years for the following components of the RES:

| Vintage | Non DG | Wholesale DG | Retail DG |
|---------|---------|--------------|-----------|
| 2013 | 0 | 37,775 | |
| 2014 | 0 | 49,318 | 4,309 |
| 2015 | 0 | 53,695 | 6,935 |
| 2016 | 113,173 | 120,472 | 13,258 |
| 2017 | 244,426 | 154,724 | 17,125 |
| Total | 357,599 | 415,984 | 41,627 |

7. Commission Rule 3662(a)(VIII) - Eligible Energy Proposed to be Carried Forward to Future Years

IREA is carrying the following RECs forward for use in future years for each component of the RES:

| <u>Vintage</u> | <u>Non DG</u> | <u>Wholesale DG</u> | <u>Retail DG</u> |
|----------------|---------------|---------------------|------------------|
| 2014 | 0 | 49,318 | 4,309 |
| 2015 | 0 | 53,695 | 6,935 |
| 2016 | 113,173 | 120,472 | 13,258 |
| 2017 | 244,426 | 154,724 | 17,124 |
| 2018 | 171,044 | 250,220 | 20,444 |
| Total | 528,643 | 628,429 | 62,070 |

IREA has available 1,219,142 RECs to carry forward to future years. IREA intends to retire RECs using a first-in-first-out method in future years while reserving the discretion to sell the RECs in the marketplace.

8. Commission Rule 3662(a)(IX) – Eligible Energy Counted Toward Compliance

IREA is not retiring any RECs for calendar year 2018. As discussed in Section 7, IREA will carry forward RECs to future years.

9. Commission Rule 3662(a)(X) – Renewable Energy or RECs Acquired Pursuant to the Standard Rebate Offer Program

The standard rebate offer program codified in C.R.S. § 40-2-124(1)(e) and implemented by Commission Rule 3658 does not apply to IREA.

10. Commission Rule 3662(a)(XIII) – Investment in Eligible Energy Resources

In 2015, IREA entered into a power purchase agreement with Victory Solar, LLC, to purchase solar photovoltaic energy from a 12.831 MW generation facility located north of the Town of Bennett in Adams County, Colorado. The facility began commercial operation on December 6, 2016.

In 2018, IREA entered into a power purchase agreement with Pioneer Solar, LLC, to purchase the energy and RECs from an 80 MW generation facility to be located near the Town of Bennett in Adams County, Colorado. The facility has self-certified as a Qualifying Facility with the Federal Energy Regulatory Commission and is expected to begin commercial operation in 2020.

11. Commission Rule 3662(a)(XV) – Retail Rate Impact Calculation

The retail rate impact of incorporating renewable energy into IREA’s system was derived by comparing IREA’s current purchased power costs with the costs of purchased power that would have been incurred absent eligible energy resources. Based on information currently available, IREA calculated the purchase power, transmission, and backup power rates less the increased coal cycling, system operations, and gas storage costs incurred by PSCo to incorporate eligible energy resources; the increased transmission investment required by PSCo to incorporate eligible energy resources; and a portion of the opportunity costs incurred by PSCo due to the purchase of energy from eligible energy resources in lieu of other possible resources. The amounts of energy that IREA purchased from PSCo and WAPA were then adjusted to reflect the portion of WAPA hydro that was generated from eligible energy resources. Using the calculated rates and adjusted energy purchases, IREA determined what its purchase power costs would have been without renewable sources, and the difference between the actual purchased power costs and the adjusted purchase power costs was calculated. The difference is the increased purchased power cost of complying with the RES.

IREA’s increased coal cost due to “ramping” down Comanche 3 in order to incorporate PSCo wind resources was added, and revenue collected from IREA’s REC sales was subtracted to determine the total cost of complying with the RES. The total cost was then divided by energy sales revenue to determine the retail rate impact.

IREA’s administrative costs and a portion of PSCo’s lost opportunity costs are not included in the calculation.

12. Commission Rule 3662(b) – Compliance Statement

IREA is not subject to a RES for 2018 but is preparing to achieve compliance for calendar year 2020.

Submitted this 29th day of May, 2019.



Pam Feuerstein, Chief Operating Officer
Intermountain Rural Electric Association