

BEFORE THE PUBLIC SERVICE COMMISSION  
OF  
THE STATE OF MISSISSIPPI

AUG 17 2017

MISS. PUBLIC SERVICE  
COMMISSION

MISSISSIPPI POWER COMPANY  
EC120009700

DOCKET NO. 2017-UA-104

SR MERIDIAN III, LLC

IN RE: JOINT PETITION OF MISSISSIPPI POWER COMPANY AND SR  
MERIDIAN III, LLC FOR A CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY AUTHORIZING THE  
CONSTRUCTION, OPERATION AND MAINTENANCE OF SOLAR  
ENERGY GENERATING FACILITIES AND RELATED FACILITIES  
IN LAUDERDALE COUNTY, MISSISSIPPI

**FINAL ORDER**

THIS CAUSE came to be heard on the Joint Petition for Certificate of Public Convenience and Necessity ("Joint Petition") filed by Mississippi Power Company ("MPC" or the "Company") and SR Meridian III, LLC ("Silicon Ranch"<sup>1</sup> and, collectively, the "Petitioners"). The Mississippi Public Service Commission ("Commission"), being fully apprised in the premises and having considered the documents and record before it does hereby find and order as follows:

**BACKGROUND**

1. On June 9, 2017, the Petitioners filed their Joint Petition seeking a certificate of public convenience and necessity for Silicon Ranch's construction of a

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<sup>1</sup> As explained in the Joint Petition, SR Meridian III, LLC, is a special purpose entity created only for the purpose of owning and operating the solar generation facilities that the Petitioners request the Commission to certify in this proceeding. The single member of SR Meridian III, LLC is Silicon Ranch Corporation, a Delaware corporation which has executed or is executing several utility scale solar projects in Mississippi, including the 50 MW solar farm in Hattiesburg, Mississippi approved in MPSC Docket No. 2015-UA-64. For purposes of this Order, Silicon Ranch Corporation and SR Meridian III, LLC are referred to interchangeably.

52.25 MW AC (73 MW DC) solar facility located at a site situated in Lauderdale County, Mississippi (the "Project") to be owned, operated, and maintained by Silicon Ranch. In the same filing, MPC sought Commission approval to include in rates the cost of a 25-year power purchase agreement with Silicon Ranch, whereby MPC would take the entire output of the solar energy produced by the Project, as it is generated, in exchange for payments made on a rate per megawatt-hour of energy basis according to a fixed price schedule (the "PPA"). In conjunction with its filing, MPC mailed direct notice concerning the Project to each of its customers.

2. A full opportunity for discovery was afforded all parties and the record in this proceeding contains substantial evidence supporting the Commission's findings. The Mississippi Public Utilities Staff ("Staff") has evaluated the assumptions and projections underlying the Joint Petition, as well as the financing approach intended to support the Project's construction and operation.

3. An evidentiary hearing was held on July 6, 2017, directly following the Commission's previously scheduled monthly docket call and open meeting. All parties were provided an opportunity to participate.

#### LEGAL AUTHORITY

4. Pursuant to Sections 77-3-11, 77-3-13, and 77-3-14 of the *Mississippi Code of 1972, as amended*, the Commission is equipped with statutory authority to approve applications for certificates of public convenience and necessity. In addition, RP 7 of the Commission's Rules gives effect to these sections by prescribing the

specific filing requirements that must be met by a petitioner seeking a certificate.

Under Section 77-3-14(1):

no public utility or other person shall begin the construction of any facility for the generation and transmission of electricity to be directly or indirectly used for the furnishing of public utility service in this state ... without first obtaining from the commission a certificate that the public convenience and necessity requires, or will require, such construction.

When determining whether to grant such certificate, the Commission will:

take into account the utility's arrangements with other electric utilities for the interchange of power, pooling of plant, purchase of power and other methods for providing reliable, efficient and economical electric service.<sup>2</sup>

As a further condition to the issuance of a certificate, the Commission must approve the estimated construction costs for the proposed facility.<sup>3</sup> The Commission has previously approved a certificate, while waiving certain filing requirements, for an electric generator which, while not a "public utility", is nonetheless an "other person" within the meaning of § 77-3-14.<sup>4</sup>

5. The Commission is also authorized to approve utility requests to enter into, and include in rates, power purchase agreements. The Commission is charged with "exclusive, original jurisdiction over the intrastate business and property of public utilities."<sup>5</sup> MPC is a public utility.

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<sup>2</sup> MISS. CODE ANN. § 77-3-14(3)(Rev. 2011).

<sup>3</sup> MISS. CODE ANN. § 77-3-14(4)(Rev. 2011).

<sup>4</sup> See *HKCR, LLC*, Docket No. 2014-UA-266, Order Granting Facilities Certificate (February 19, 2015).

<sup>5</sup> MISS. CODE ANN. § 77-3-5(Rev. 2011).

6. Since the PPA does not include a capacity payment for which MPC can request a return on capacity, approvals under Sections 77-3-91 through 77-3-95 of the *Mississippi Code of 1972, as amended*, are not required.

COMMISSION FINDINGS

7. The Commission finds that it has jurisdiction over the parties and subject matter in this proceeding.

8. Petitioner, Silicon Ranch, is not, and does not intend to become, a public utility under the laws of the State of Mississippi. Even though Petitioner, Silicon Ranch, is not a public utility, it is an “other person” within the meaning of § 77-3-14.

9. Petitioner, Silicon Ranch, has reasonably complied with all applicable filing requirements and has provided information sufficient for this Commission’s and Staff’s consideration of this matter. The Commission specifically finds that Items 3, 5, 7, 9, 10, 11, 12, and 17 of Appendix “A”, Schedule 1, to the Commission’s Rules are not applicable to Petitioner, Silicon Ranch, because Silicon Ranch is not a public utility under the laws of the State of Mississippi and does not intend to operate as a public utility in the State of Mississippi.<sup>6</sup> Therefore, for good cause shown this Commission hereby waives all other requirements that may be prescribed by the Public Utility Act and the Commission’s Rules not otherwise provided by Petitioner, Silicon Ranch.

10. During its investigation, the Staff propounded data requests to MPC covering various aspects of the Company’s filings. MPC responded to each of the data

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<sup>6</sup> See *supra* note 4.

requests in accordance with this Commission's procedural Rules. No party has contested or otherwise sought relief concerning the discovery process in this case. Therefore, this Commission finds that a full opportunity for discovery was afforded all parties and that the record in this proceeding contains substantial evidence supporting the Commission's findings.

11. The evidence before the Commission indicates that the Project and the PPA are in the public interest. In reaching this finding, the Commission has taken into account the utility's arrangements with other electric utilities for the interchange of power, pooling of plant, purchase of power and other methods for providing reliable, efficient, economical service, and the statements of the sole intervener. This analysis is supported by the Company's reliance upon an actual projected hourly avoided cost analysis over the life of the PPA term. The Commission also finds that the construction cost estimate is reasonable and, as will be discussed below, is largely irrelevant to MPC's retail customers because MPC will purchase energy from the Project at an already-determined rate.

12. In addition, the Commission finds that the Project and the PPA present an opportunity for Mississippi Power to add additional fuel diversity to its fleet and to capture the benefits of solar generation for all of its customers. Further, the PPA presents an opportunity to put long-term downward pressure on MPC's rates over the life of the PPA term. The large-scale of the Project and the concerted efforts of Petitioners have created an opportunity for Mississippi to further demonstrate its

commitment to renewable energy while deploying cost-effective resources that meet important, strategic goals.

13. The Commission also finds, however, that the Project's price projections are not without risk. Put differently, the Project's benefit projections are just that—projections—and the underlying assumptions (particularly MPC's projected gas prices and MPC's alternative generation options) may change. Even in this case, however, the Project will be in the public interest, given the increased fuel diversity, strategic benefits, and risk mitigation opportunities the Project will offer MPC's customers throughout the PPA's 25-year term. Fuel diversity matters, particularly because fuel price stability matters. The Project offers additional solar generation to MPC's generation fleet and this generation source has no fuel cost. Because solar generation facilities create energy from the sun, there is no need to purchase fuel and the cost associated with these projects is due, instead, to capital costs and maintenance cost requirements.

14. The Commission finds that MPC's customers are protected from the risk of construction cost overruns with respect to the Project. Under the PPA, the Company is paying only for energy received and, therefore, no capital investment or fixed cost will be required.

15. The Company's analysis utilized a scenario approach whereby the Project's net present value was modeled under a range of reasonable fuel and carbon compliance forecasts. The Commission finds that the use of a range of scenarios to evaluate the relative economics of the Project was a prudent and effective approach.

Further, although the Company relies upon assumptions, these assumptions are reasonable.

16. The Commission finds that the natural gas price assumptions relied upon by the Company are reasonable. The Company compared the Company's gas price forecasts to the EIA AEO gas price forecasts. Although the EIA AEO's price forecasts are imperfect, they provide an acceptable litmus test by which to evaluate the reasonableness of MPC's projections. In light of MPC's gas price forecasts, the Commission's expert knowledge, and the input of the Staff, we find that the low, moderate, and high forecasts used in MPC's analyses are reasonable and that the Project will benefit customers under a broad range of future scenarios. Although the carbon compliance costs—if any—likely to face the Company during the PPA's term are uncertain, the Project will only become more attractive for MPC's customers in scenarios where carbon compliance costs are imposed. Because the Project generates energy from the sun, there will be no carbon emissions associated with its operation, which we find serves to enhance the value of the Project for MPC's customers. Additionally, the Commission understands that MPC will have exclusive rights to all environmental attributes which it may use to either serve its customers with renewable energy or to sell to third parties for the benefit of customers.

17. Based on the foregoing, the Commission hereby approves the certification of the Project and authorizes MPC's recovery of its costs associated with the PPA.

**IT IS THEREFORE, ORDERED**, that, based upon all of the above, including all of the filed testimony in this proceeding, the data request responses, and other documents contained in the record, and all of the oral testimony provided at the hearings in this matter and as found by this Commission as is more fully described in this order, the public convenience and necessity requires and will require the construction, acquisition, operation, and maintenance of the Project. Therefore, the Commission hereby grants SR Meridian III, LLC, a certificate of public convenience and necessity for the construction, acquisition, operation, and maintenance of the Project. It is further,

**ORDERED**, that Petitioner, Silicon Ranch, is not a public utility and the Project is not utility property under the laws of the State of Mississippi. It is further,

**ORDERED**, that Petitioner, Silicon Ranch, is not subject to the Commission's jurisdiction except for the requirement of obtaining a Certificate of Public Convenience and Necessity as set forth in § 77-3-14. It is further,

**ORDERED**, that Petitioner, Silicon Ranch, has complied with all of the rules and regulations of the Commission concerning the issuance of such Certificate of Public Convenience and Necessity; and that Petitioner, Silicon Ranch, should be and hereby is granted a Certificate of Public Convenience and Necessity for the construction and operation of the Project for the generation, transmission, and wholesale sale of electricity in interstate commerce. It is further,

**ORDERED**, that the Joint Petition filed in this cause, as provided for herein, be, and is hereby, granted. It is further,



**ORDERED**, that the Company is hereby permitted to recover its costs associated with the PPA through rates, by way of its Fuel Recovery Clause as authorized by § 77-3-42.

This Order shall be deemed issued on the day it is served upon the parties herein by the Executive Secretary of this Commission who shall note the service date in the file of this Docket.

Chairman Brandon Presley voted aye; Vice Chairman Cecil Brown voted aye; and Commissioner Samuel F. Britton voted aye.

SO ORDERED by this Commission on this the 17<sup>th</sup> day of August, 2017.

MISSISSIPPI PUBLIC SERVICE COMMISSION



[Signature]  
BRANDON PRESLEY, Chairman

[Signature]  
CECIL BROWN, Vice Chairman

[Signature]  
SAMUEL F. BRITTON, Commissioner

ATTEST: A TRUE COPY

[Signature]  
KATHERINE COLLIER, Executive Secretary

Effective this the 17<sup>th</sup> day of August, 2017.