



LPSC B&E Mtg – 08/16/2023

# Discussion



- 1803 Electric Cooperative is continuing to make good progress in preparation of power supply obligations for its 5 Member Cooperatives.
  - Beauregard Electric Cooperative
  - Claiborne Electric Cooperative
  - Northeast Louisiana Power Cooperative
  - South Louisiana Electric Cooperative Association
  - Washington – St. Tammany Electric Cooperative

# 1803 Capacity Needs



- ~ 100 mW capacity per the initial certification of 1803 power supply. (Slide 10)
- ~ Loss of summer capacity due to termination of Bayou Galion Solar PPA.
- ~ MISO changes to resource capacity accreditation and capacity requirements.

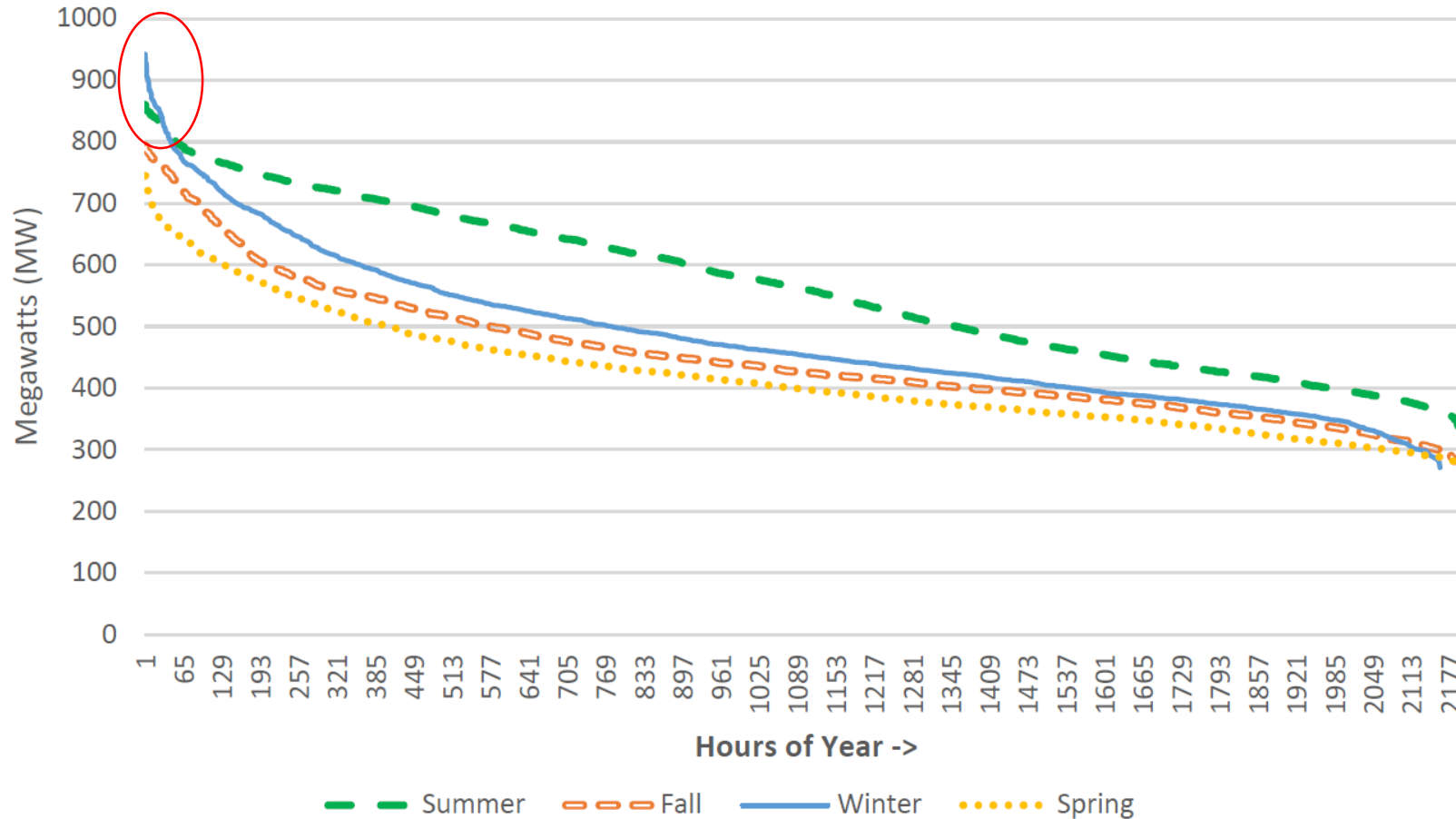
## **Nets to a Summer Capacity Need of approximately 114 mW**

- ~ 100 mW capacity noted in the initial certification of 1803 power supply.
- ~ 40 mW winter peak above summer peak for MISO capacity requirements.
- ~ 144 mW increased capacity reserve requirements in the winter
- ~ 150 mW loss of solar capacity due to MISO seasonal capacity construct

## **Nets to a Winter Capacity Need of approximately 434 mW**

# Seasonal Load and Capacity Needs

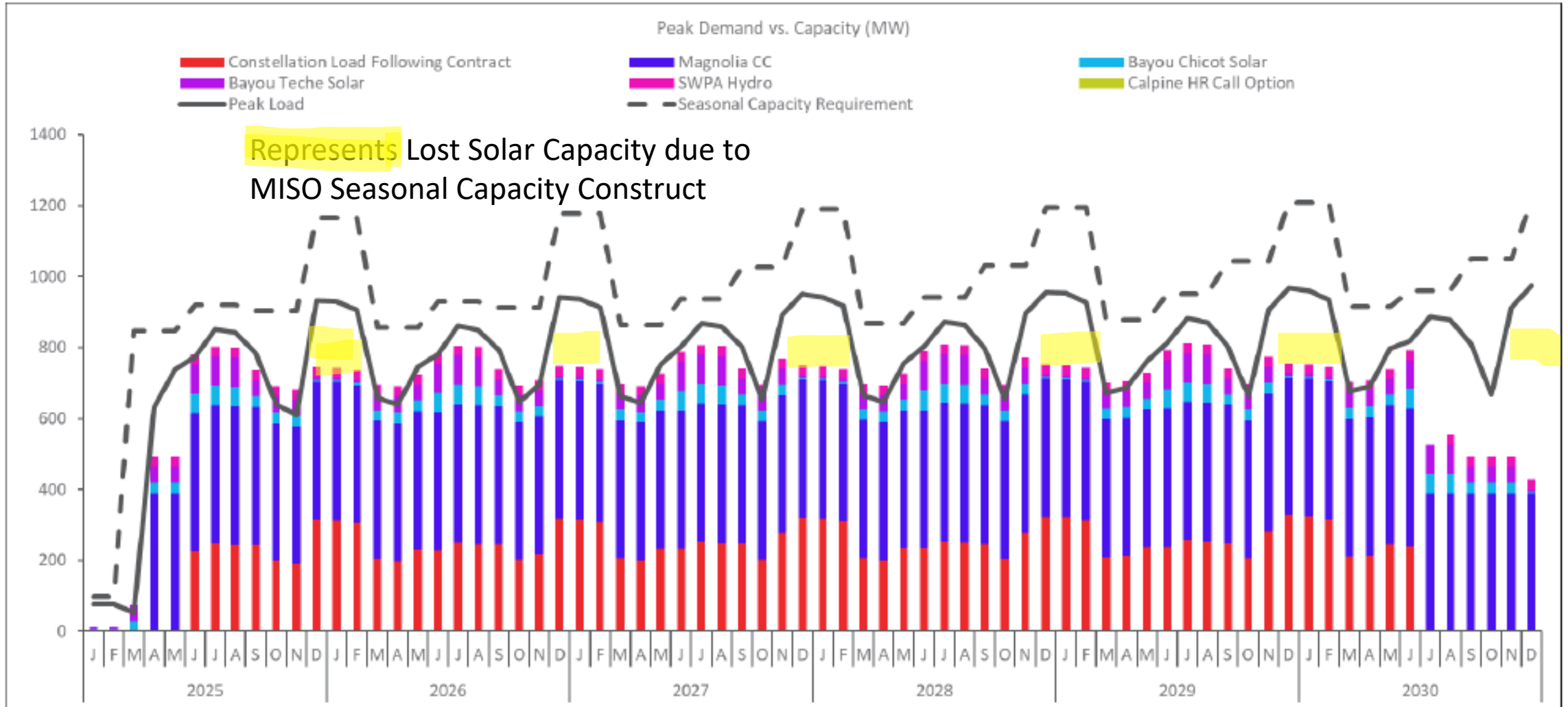
1803 Seasonal Load Duration Curves (2026)



MISO capacity requirements used to be based on the peak of the green line (summer) but now is based on each of the four seasons.

Additionally, the capacity reserve margin for the winter season increased significantly.

# Impact of MISO Seasonal Reserves



# 1803 Solar PPAs



- Because of changes to the MISO capacity construct, with or without the solar PPAs 1803 needs capacity, especially during winter.
- As has been presented to this Commission, the Bayou Galion 98mW solar PPA has been terminated pursuant to contract terms.
- For clarity, that solar PPA, with MISO changes, would provide no winter capacity.
- 1803 has two remaining solar PPAs in the portfolio:
- Bayou Chicot – 150 mW (Evangeline Parish) and Bayou Teche – 95 mW (St. Mary Parish).
- Due to the MISO capacity changes, neither of these PPAs provide winter capacity.
- The value of the solar PPAs changed. Lost winter capacity value.
- The energy from solar is not subject to fuel price volatility, so does have value, but that **value is dependent on the actual solar price per mWh.**
- Solar \$35/mWh equals \$4.67/MMBtu natural gas price at a 7,500 Btu/kWh heat rate.
- Solar \$45/mWh equals \$6.00/MMBtu natural gas price at a 7,500 Btu/kWh heat rate.

# Bayou Teche and Bayou Chicot Solar PPAs



- Termination of the Bayou Galion solar PPA has given rise to questions by this Commission regarding the remaining two solar PPAs.
- 1803 maintains on-going communications with the developer of the Bayou Teche and Bayou Chicot solar projects.
- ibV Energy Partners is a leader in the development and operations of utility-scale solar and integrated solar + storage power plants across the United States.
- Currently 8 gW in their development pipeline, in 18 states, with 30 projects currently in development.
- To be clear these two solar projects are experiencing similar cost increases due to supply chain issues, especially related to solar panels, increased interest rates, labor supply and increased cost due to overall inflation.

# Bayou Teche and Bayou Chicot Solar PPAs



## Solar PPA Termination Provisions

- These PPAs were signed in March 2021 with expected Operation in January 2025.
- Significant time risk, 46 months – a lot of time for things to change.
- 1803 received required LPSC approvals on August 9, 2022. (LPSC Order Number U-36268)
- 17 months passed between execution and a binding agreement.
- Due to this significant time and risk, protections exist in the contract for the developer and for 1803 rate payers.
- To protect 1803 members/rate payers, the contract ensures that if regulatory approvals were not received or costs increased to an unacceptable level, 1803 would have the option to terminate the PPA.
- To protect the developer, if costs increased and the project could not get financed at the contract rate, and 1803 not agree to increased rate, developer would have the option to terminate the PPA.



# Summary of Termination Rights



- Failure to realize any Condition Precedent:
  1. **Financial Closing - closing of financing for the construction and operation of the Facility.**
    - Bayou Teche – Financial closing set for 4<sup>th</sup> Quarter 2023.
    - Bayou Chicot – Financial closing set for early 2024.
  2. The Interconnection Agreement shall have been executed and the MISO “affected system” impact study shall demonstrate the injection capacity required in accordance with this PPA.
    - Bayou Teche – Interconnection Agreement complete.
    - Bayou Chicot – Interconnection Agreement still in MISO process, planned for year end 2023.**
  3. Seller shall have executed easements, rights-of-way and other real estate contracts necessary for the interconnection transmission line.
    - Bayou Teche – interconnection easements, rights-of-way, and other real estate on schedule.**
    - Bayou Chicot – no additional interconnection real estate rights required.
- 1803 Regulatory Approval shall have occurred (Satisfied August 9, 2022).
- **Continuing Uncured Event of Default (60 – 90 Days, termination rights with damages).**
- **Continuing Uncured Force Majeure (365 Days) – termination rights.**

# Next Steps



- Recent industry articles have begun indicating that solar prices have fallen during 2<sup>nd</sup> quarter 2023, and that the number of solar panels entering the US through customs has begun to increase.
- Year end 2023 early 2024 ibV will seek financing to enable construction.
- Continue to work on supply chain issues, review whether any benefits are available under the Inflation Reduction Act or other programs that could help mitigate cost increases, review materials and labor costs at that time.
- Determine if a change in contract price is necessary to make the projects financeable.
- Determine if such price and proposed timeline is acceptable to 1803.
- When 1803 is faced with that decision, we will have obtained proposals from the RFP process to help inform that decision. We will have a view to alternatives.
- **Delaying this decision until financing is required provides the opportunity to make the best, most informed, decision for our Member Cooperatives and rate payers.**

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- QUESTIONS

