

# MEMORANDUM



February 21, 2025

## BACKGROUND

On December 2, 2024, management of the Salt River Project Agricultural Improvement and Power District (SRP) published the proposed “QF-24 Standard Rate for Qualifying Facilities and Standard Rate Contract for Qualifying Facilities of 100kW or Less” (the “Original Proposed Documents”). On January 29, 2025, in response to feedback and internal review, SRP management published the proposed Revised QF-24 Standard Rate for Qualifying Facilities and Revised Standard Rate Contract (the “Revised Proposal”).

Since publishing the Revised Proposal, SRP noticed and offered opportunities for verbal and written public comment on the proposal. Upon consideration of the comments received and after further review, on February 21, 2025, SRP published additional revisions to the Revised Proposal (the “Second Revised Proposal”), which revises the previously published documents and replaces them in their entirety. Revisions made in the Second Revised Proposal are summarized below.

## THE SECOND REVISED PROPOSAL – QF-24 STANDARD RATE FOR QUALIFYING FACILITIES

### Availability

The QF-24 Standard Rate *Availability* section has been revised to clarify that the primary energy source of a Qualifying Facility, including the energy storage system, must meet federal regulatory requirements under 18 C.F.R. § 292.204(b). 18 C.F.R. § 292.204(b) requires that the primary energy source of the Qualifying Facility be biomass, waste, renewable resources, geothermal resources, or any combination thereof. While the Original Proposed Documents included a citation to the regulations, upon further review, SRP management determined that incorporating the regulatory language in the text of the QF-24 Standard Rate may help potential Qualifying Facilities determine whether the QF-24 Standard Rate is available to their facility.

### Compensation for As-Available Energy

Changes made to the *Compensation for As-Available Energy* section of the QF-24 Standard Rate are for sentence fluency and to clarify that SRP will compensate Qualifying Facilities at the hourly Western Energy Imbalance Market External Load Aggregation Point (ELAP) market price, determined as of the date on which the market price is initially made public, and adjust the energy payment for an avoided loss factor of 5.76%. In addition, SRP management proposes adding language to address SRP’s potential transition to a different market.

### Compensation for Energy or Capacity Pursuant to a Legally Enforceable Obligation

Changes made to the *Compensation for Energy or Capacity Pursuant to a Legally Enforceable Obligation* section of the QF-24 Standard Rate are for sentence fluency, to clarify that SRP will compensate Qualifying Facilities at the hourly Western Energy Imbalance Market External Load Aggregation Point (ELAP) market price, determined as of the date on which the market price is

initially made public, and adjust the energy payment for an avoided loss factor of 5.76%. SRP management proposes adding language to address SRP's potential transition to a different market.

In response to public comment and to provide Qualifying Facilities added price certainty for capacity payments, SRP management proposes increasing the term of the standard rate contract from two years to five years. Further, SRP management received public comment opposing the proposal to defer capacity payments for two years when SRP has an identified capacity need. In response to such comments, SRP management proposes making a capacity payment immediately upon implementation of the QF-24 Standard Rate, according to the terms of the QF-24 Standard Rate.

Upon further internal review, SRP management also proposes reducing the continuous output requirement for Qualifying Facilities providing capacity to SRP from four hours to two hours. This change is proposed to account for the capabilities of residential storage systems today.

#### Terms, Conditions and Additional Provisions

The *Terms, Conditions and Additional Provisions* section has been revised to clarify that SRP may charge Qualifying Facilities for scheduling, system control, dispatch, and administrative services, and for taxes, fees, or charges imposed by a governmental authority. While SRP management does not anticipate that the wholesale purchase of a Qualifying Facilities output would incur a governmental tax, fee or charge, SRP management is proposing to include this language in case a governmental authority imposes such a tax, fee, or charge. In addition, SRP management anticipates that most Qualifying Facilities may pay for scheduling, system control, dispatch and administrative services through a price plan with SRP, but if the Qualifying Facility's price plan does not address these expenses, or the Qualifying Facility does not receive service from SRP under a price plan, SRP management proposes this change to make sure SRP is adequately recovering costs.

### **THE SECOND REVISED PROPOSAL – STANDARD RATE CONTRACT**

#### Effective Date and Term

In response to public comments provided to SRP management and to provide Qualifying Facilities with longer price certainty for capacity payments, SRP management proposes increasing the term of the standard rate contract from two years to five years.

#### Guaranteed Capacity, Netting, Start Date, and Exhibit A

To administer the QF-24 Standard Rate program and account for a Qualifying Facility's hourly capacity commitment to SRP, SRP management proposed changes to the Section 3.2 *Guaranteed Capacity* and revised Exhibit A. Section 4.2 *Start Date* is revised to remove undefined terms and Section 7.3 *Netting* is revised to clarify that a Qualifying Facility may request SRP issue a check for their capacity payment, instead of applying the capacity payment as a credit to their retail bill.

