

Electricity Prices Paid in Spotsylvania County Will Not Increase Because of the sPower Project

There will be no increase in rates paid for electricity in Spotsylvania County (“County”), or by customers of Virginia electric utilities in general, as a result of the sPower project. sPower will not be selling the output of its solar generation facility directly to any utility in Virginia, so no utility will have to pass on the specific cost of the sPower facility to its customers. Indeed, the State Corporation Commission specifically noted in its Order approving the sPower facility that “our finding of economic benefits takes into consideration that this is a non-utility generating project and the capital costs of this project will be born by private investors, not by a utility's customers.”¹ Moreover, the costs of the improvements that may be required to ensure that the grid that sPower is connecting to remains reliable will be borne by sPower alone, so no utility such as Dominion will have to incur increased costs to build these improvements.² Specifically, there are two utilities that provide electricity in the County—Rappahannock Electric Cooperative (“REC”) and Dominion Energy Virginia (“Dominion”). These utilities have the exclusive right to sell electricity to consumers within their respective areas of the County. Neither REC nor Dominion will be entering into any agreements to purchase the output of the sPower facility, so the costs of the facility or its power will not be passed on to the customers of either utility directly.

Instead of selling the electricity generated directly to any utility, sPower has entered into a common type of contract for renewable energy with certain large consumers of electricity in Virginia that require sPower to sell the electricity generated by the facility directly into the PJM Interconnection, LLC (“PJM”) wholesale market.³ PJM operates a wholesale market that supplies power to over 65 million people in 13 states and the District of Columbia.⁴ Rather than entering into individual contracts with generation facilities, utilities across the 13 state region can purchase power from the PJM market at a price determined by the market, not by the generator. As described by PJM:

The clearing price for electricity in [PJM] is determined by an auction in which generation resources offer in a price at which they can supply a specific number of megawatt-hours of power. ... If a resource submits a successful bid and will therefore be contributing its generation to meet demand, it is said to “clear” the market. The cheapest resource will “clear” the market first, followed by the next cheapest option and so forth until demand is met. When supply matches demand, the market is “cleared,” and the price of the last resource to offer in (plus other market operation charges) becomes the wholesale price of power.

Accordingly, the price that sPower receives for its electricity is set by the market, not sPower. If sPower tries to offer its electricity into the market at a price that is higher than the market will pay, they will not be able to sell the power. Additionally, the electricity produced by sPower could be purchased by utilities or other power suppliers at this market determined price anywhere across the entire 13 state region, not just in Virginia.

¹ Order Granting Certificates at 16, *Application of Pleinmont Solar, LLC et al., For certificates of public convenience and necessity for a 500 MW solar generating facility in Spotsylvania County pursuant to §§ 56-46.1 and 56-580 D of the Code of Virginia*, Case No. PUR-2017-00162 (Aug. 8, 2018) (“SCC CPCN Order”).

² SCC CPCN Order at 15.

³ See Attachment EJW-5 to the Prefiled Testimony of Earnest J. White, Jr., Utilities Analyst with the State Corporation Commission’s Division of Public Utility Regulation, Case No. PUR-2017-00162, Filed April 23, 2018. While the electricity will be sold into the market, these contracts provide the large customers with the right to the “renewable” aspect of the power, typically referred to as a renewable energy certificate or “REC”, to meet corporate goals or priorities.

⁴ <https://www.pjm.com/-/media/about-pjm/newsroom/fact-sheets/the-value-of-pjm-markets.ashx?la=en>.