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DATE: September 6, 2023
TO: Public Utilities Board
FROM: Bill Shepherd, DME Executive Manager of Business Services
THROUGH: Tony Puente, DME General Manager
SUBJECT: Purchase Power Agreement (PPA) requirements for Large Commercial Solar installations

A question was asked by Member Taylor about the process or guideline that is used for commercial customers with large solar installations to enter into PPAs with DME.

Currently, most residential and small commercial customers that install PV systems are doing so at sizes 20 kW or smaller. These systems are automatically enrolled in the Distributed Generation Rate (DGR) Schedule ordained in the DME rate book. The DGR is the net billing rate that pays slightly above the tariff rate for any generation that flows back to DME. It's important to note that the threshold between Small Commercial and Medium Commercial customers is also 20kW. For those larger commercial facilities who may have the roof space to install larger systems, DME has the option of requiring a PPA for the energy that may flow back from the customer.

Typically, when systems larger than 20kW are installed, it's on a facility that uses much more energy than what the PV system can generate on a regular basis. Most, if not all, the energy generated on these system gets used up by the facility's own load and never makes it back to DME. This is the most optimal use for that generation, in that it is offsetting electricity that would have otherwise been purchased from DME. This is, and should be, the basis for the customer's economic analysis of whether to install the system. Some commercial customers, however, choose to install solar for other reasons such as corporate environmental initiatives.

Even though these large customers are absorbing most of their PV output, there is a small chance that a business may have to shut down operations and just opt to leave the solar activated. This would result in a large amount of excess solar generation to flow back to DME which DME would have to pay a credit for. If these customers were allowed to be on the DGR Schedule, DME would be overpaying for essentially the same renewable energy it's already obligated to provide for it's customers through Renewable PPAs in the ERCOT Market. The PPA option for large systems provides a level of risk mitigation for DME while at the same time pays a more appropriate and equitable amount to that customer for any excess energy sent back. Specific terms of the PPAs are confidential, however, DME uses the average amount it pays in the market for it's renewable PPAs as a basis for the customer PPA pricing. Currently we have 2 customers with PPAs; Embassy Suites and Toyota of Denton.