Memorandum

To: Erin Keys, Director of Utilities
From: Todd McVicker, Utility Services Manager
Date: January 8, 2026

RE: Renewable Energy PPA Evaluations

With the potential removal of the three percent cap on renewable energy impact on rates due to the revision of the renewable energy ordinance, a method to evaluate the feasibility and impact of renewable energy purchase power agreements (PPA) is needed. An evaluation rubric for method of performance and an evaluation metric for cost have been drafted to evaluate renewable energy purchase power agreements (PPA) in order to help the utility determine whether a PPA is reasonable and actionable.

This memorandum is a summary of these two evaluations for the Water and Light Advisory Board and has specific feedback requests for the board to use in the finalization of the two evaluations.

PPA Rubric for Method of Performance

The rubric is broken into four sections, with Section(s) III - Existing Resource and Section IV - Proposed Resource only being available as either/or. Scoring is therefore done in three categories for each PPA, with each section taking approximately a third of the score. This rubric does not consider the costs of the PPA, as that is evaluated separately in the PPA Metric for Cost Evaluation.

Section I - Proposed Resource:

- Preference in scoring is given to larger systems and how soon the power will be available. Large systems are preferred as it requires less overhead and increases operational efficiency. Grainbelt delays prompted the preference for the timeframe of power availability, as having contracts without receiving power adds to uncertainty.
- Feedback Wanted:
    - Should we be giving preference to systems that can provide power sooner or should we prioritize PPAs that provide power closer to expiration of existing contracts?

Section II - Location Preference:

- Not all available power will be in MISO Zone 5 or directly interconnected. However, there can be advantages to having the PPAs in Zone 5 or directly interconnected. Therefore, preference is given to PPAs located in Zone 5 and/or directly interconnected.
- Feedback Wanted:
    - Does the Board agree that Zone 5 and/or directly interconnected is preferred?
    - Is there a preference between Zone 5 vs directly interconnected PPAs?

- Some additional consideration is given to those systems that include battery storage at the generating facility. Although batteries are preferred, they are not currently given as much weight as a system being located in Zone 5 or directly interconnected.

Section III - Existing Resource:
(PPAs can score only in this category or in Section IV - Planned Resource, not both)

- This is for existing generating facilities. Power is already being produced or construction is nearing completion, so there is a value to eliminating the risk where the system is not yet constructed or might get delayed.
- Wind is given a slight preference over solar, due to the expected reduction in capacity credits for solar. Other renewable option sources will also be considered, but since wind and solar are the most mature technologies, both of them would receive higher scores
- Given current market trends, it is expected that most new contracts will be solar, but there is still the potential for the renewal of existing wind contracts.
- Feedback Wanted:
    - Does the Board agree with preference given to wind if we were to receive PPAs from both wind and solar facilities?

Section IV - Planned Resource:
(PPAs can score only in this category or in Section III - Existing Resource, not both)

- This is for generating facilities that are not yet producing power or construction is not yet nearing completion.
- Preference is given to systems that are further along in the RTO interconnection queue or are able to bypass the queue altogether. This is to help reduce the likelihood of a delay in construction or project cancellation.
- Additional preference is given to systems being developed by companies that have a successful track record in developing, constructing, and providing power from the particular generation type.
- While this is not a preference, additional consideration is given to systems with a focus on a sustainable built environment, such as being pollinator friendly or using agrivoltaics.
- Feedback Wanted:
    - With the built environment evaluation, the scoring is minimal. Should this section be given more of a preference?
    - Does the Board agree with these preferences or should additional preferences be included?

PPA Metric for Cost Evaluation

Cost is a very important part of the PPA evaluation process. Therefore, the utility is looking at multiple factors to try and have an “apples to apples” cost comparison of PPAs, which can vary widely in offerings.

In most cases a PPA will have multiple associated costs and factors:

- Cost for energy
- Cost for capacity
- Node cost differences
- Contract length
- Cost escalators

To compare these costs, the system is modeled to provide the estimated energy, seasonal capacity (as currently rated by MISO), and the node cost difference; to provide a cumulative estimated cost of the PPA in Year 1 and through the life of the contract. For the life of the contract, cost escalators and deemed system degradation are modeled. This is then compared to the total operating expenses for the electric utility to see what the PPA impact would potentially have on annual operating expenses.

This modeling also provides an *estimated* cost per MWH for the deemed energy, capacity and node difference, to compare to other energy sources from the utility and as a baseline to compare future PPAs.

Feedback Wanted:

- Does the Board have additional considerations on PPA cost that staff should use for cost evaluation?