

1 State of Arkansas As Engrossed: H3/20/15 H3/24/15

2 90th General Assembly **A Bill**

3 Regular Session, 2015 HOUSE BILL 1633

4

5 By: Representative Sabin

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7 **For An Act To Be Entitled**

8 AN ACT TO ALLOW A UTILITY TO ENTER INTO A POWER
9 PURCHASE AGREEMENT; AND FOR OTHER PURPOSES.

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12 **Subtitle**

13 TO ALLOW A UTILITY TO ENTER INTO A POWER
14 PURCHASE AGREEMENT.

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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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19 SECTION 1. Arkansas Code Title 23, Chapter 18, Subchapter 1, is
20 amended to add an additional section to read as follows:

21 23-18-108. Power purchase agreement.

22 (a) As used in this section:

23 (1) "Power purchase agreement" means an agreement between a
24 generator of electricity and a utility for the sale of electricity,
25 generation capacity, or ancillary products to the utility; and

26 (2) "Utility" means an electric utility subject to the
27 jurisdiction of the Arkansas Public Service Commission.

28 (b) A utility may enter into a power purchase agreement.

29 (c) A utility shall not enter into a power purchase agreement for a
30 term of more than five (5) years or recover the cost of the power purchase
31 agreement in rates unless the commission finds that:

32 (1) The generation capacity of the generator party is greater
33 than twenty megawatts (20 mW);

34 (2) The cost of the power purchase agreement is reasonable and
35 prudent;

36 (3) The power purchase agreement will provide savings for retail



1 customers as compared to other generation and power supply options over the
2 term of the power purchase agreement;

3 (4) The power purchase agreement is required by public
4 convenience and necessity;

5 (5) The power purchase agreement is necessary to supplement or
6 replace the utility's existing generation sources; and

7 (6) Approval of the power purchase agreement is in the public
8 interest.

9 (d) After making the findings required under subsection (c) of this
10 section, the commission may enter an order approving the power purchase
11 agreement and providing for the utility to recover the costs of the power
12 purchase agreement over the term of the power purchase agreement.

13 (e)(1)(A) If the commission approves a power purchase agreement under
14 this section, the commission may authorize the utility to recover an
15 additional sum as determined by the commission in recognition of the unique
16 characteristics of the power purchase agreement if the commission finds that
17 including the additional sum is in the public interest.

18 (B) However, an additional sum is not appropriate if the
19 generator party to the power purchase agreement is an affiliate of the
20 utility.

21 (2) In determining the additional sum allowed under subdivision
22 (e)(1) of this section, the commission may consider:

23 (A) The risks of the power purchase agreement;

24 (B) A commensurate return on the power purchase agreement
25 as would be allowed for an equivalent investment in a power plant;

26 (C)(i) An equitable sharing of any savings between the
27 utility and the retail customers of the utility.

28 (ii) However, the retail customers' share shall not
29 be less than seventy-five percent (75%); and

30 (D) Any other reasonable mechanisms for determining the
31 additional sum that:

32 (i) Are in the public interest;

33 (ii) Equitably balance the interests of the utility
34 and the retail customers of the utility; and

35 (iii) Provide results that are comparable to the
36 criteria described in subdivision (e)(2)(B) or (C) of this section.

