

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	31382	Agenda Number	2.
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Meeting Date:	3/20/2014	Department:	Austin Energy
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Subject

Authorize negotiation of a power purchase agreement with SunEdison, for a term of up to 25 years for up to 150 megawatts of solar-generated electricity, in an estimated amount of \$21,000,000 per year, for a total estimated contract amount of \$525,000,000.

Amount and Source of Funding

Funding will be provided through Power Supply Adjustment revenue or future Green Choice revenue.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:

Prior Council Action:

For More Information:

Jeff Vice, Director, Local Government Issues (512) 322-6087; Pat Sweeney, Director, Energy and Market Operations (512) 322-6292; Khalil Shalabi, VP, Energy Market Operations & Resource Planning (512) 322-6520.

Boards and Commission Action:

March 17, 2014 - To be reviewed by the Electric Utility Commission.

MBE / WBE:

Related Items:

Additional Backup Information

The recommended contract will provide for the purchase of the full output of a solar photovoltaic power project of up to 150-megawatts (MW) to be constructed by SunEdison in West Texas. The design is expected to include over 500,000 photovoltaic cell modules. Austin Energy selects this area of the state due to high levels of insolation yielding strong solar production. The new solar project is expected to come online in 2016. The agreement will run for a term of up to 25 years and will not require Austin Energy to invest any funds in the construction, operation, or maintenance of the project during that period. The contract is expected to have a neutral impact to the power supply adjustment (PSA).

This recommendation is the culmination of a Request for Proposal (RFP) process initiated in October 2013 in an effort to continue progress on Austin Energy's 2020 renewable energy goals. Those goals include 35% renewable energy and 200 MW of solar, including 100 MW from solar resources in the Austin Energy service area, half of which will come from customer-owned resources.

The recommendation reflects several key considerations:

- Long-term fixed pricing in the range of \$45/MWh to \$55/MWh which is competitive with expected market prices for on-peak energy.
- Pricing that takes maximum advantage of the current federal Investment Tax Credit (ITC) for solar energy which is scheduled to be reduced from the current 30% to 10% after 2016. This reduction risks higher prices for solar acquired in the 2016-2020 time frame.
- A scale (up to 150 MW) that satisfies the utility component of the 200 MW 2020 solar goal and eliminates pricing risk for utility scale solar additions planned later in the decade.

PRICE ANALYSIS

- a. Adequate competition.
- b. Thirty-six respondents to RFP; over 125 proposals from 66 separate projects offered at prices per MWh between \$45 and over \$100 depending on project size, location and term.

APPROVAL JUSTIFICATION

- a. Top evaluated proposal.
- b. The recommended proposer meets the requirements of the RFP.