



# Austin Energy Utility Oversight Committee

June 25, 2015

Resource Plan Update: Solar RFP & Independent Review



## Resource Plan to 2025 approved December 2014

The Plan adopts and acts immediately on:

- 1) **Commencing a third party economic and environmental review to replace the Decker steam units and Fayette Power Plant as described in Appendix A.**
- 2) Supporting creation of a cash reserve fund for Fayette Power Project retirement. Reserves would be approved through the budgeting process and targeted to retire Austin's share of the plant beginning in 2022. Retiring Austin's portion of Fayette is contingent upon cash available to pay off debts and other costs associated with retirement while maintaining affordability.
- 3) **Issuing a Request for Proposal for up to 600MW of utility scale solar to commence the process towards a generation portfolio consisting of 55 percent renewable energy.**
- 4) Maintaining the current goal of 800 MW of energy efficiency and Demand Response by 2020, and adding an incremental 100 MW of Demand Response to achieve a total of at least 900 MW of Demand Side Management (DSM) by 2025.
- 5) Developing an implementation plan for distribution connected local storage of at least 10 MW complemented by as much as 20 MW of thermal storage.



## Progress

- Two key activities are underway:
  - Independent review of the Decker Gas Plant Replacement
    - Subsequent development activities to follow as appropriate
  - RFP for up to 600 Megawatts of Solar
- Each will be coming to council for consideration
  - June 25, 2015 Independent Review Consultant Selection
  - Solar RFP Recommendation, date to be determined



# Independent Review

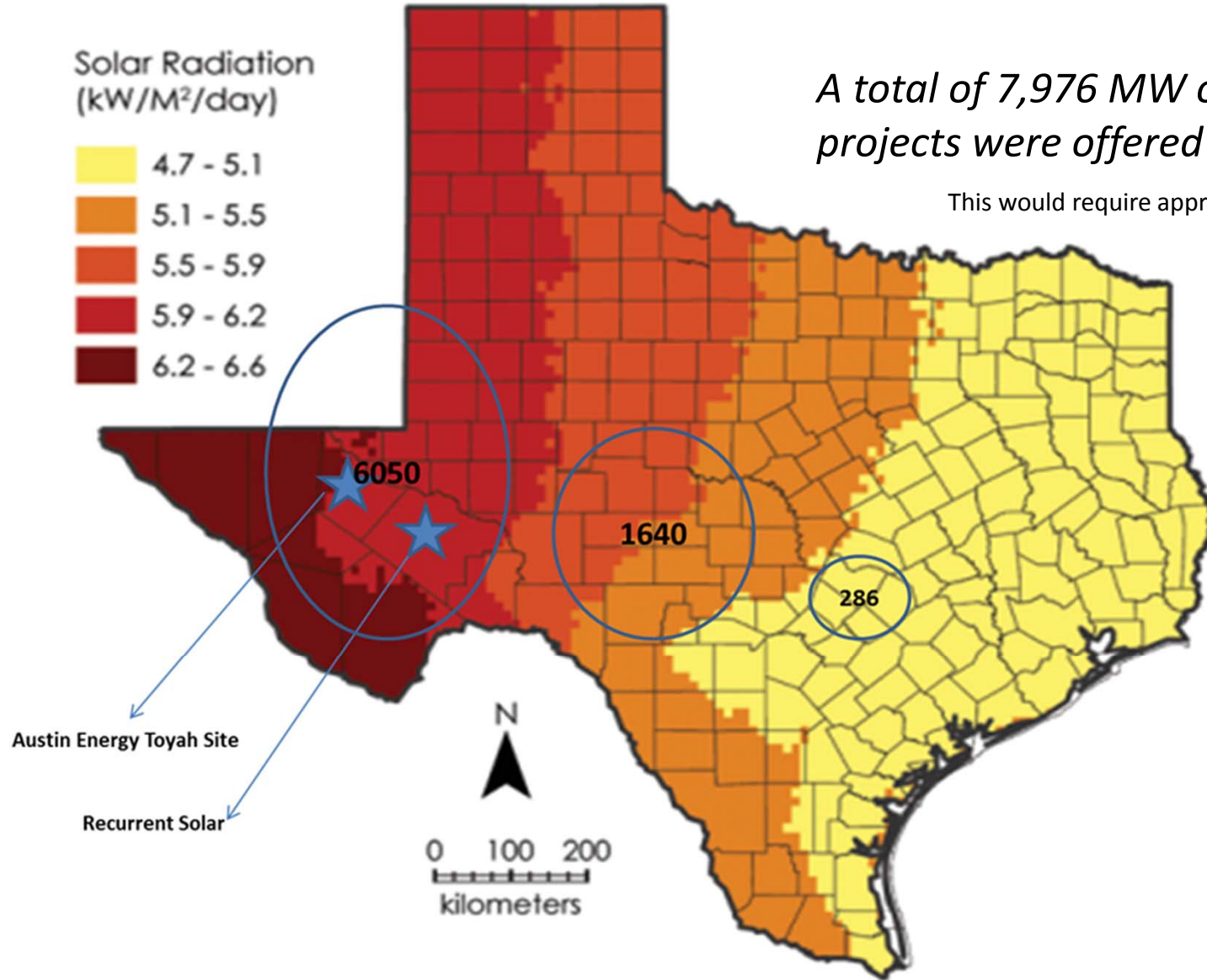
- AE committed to sponsor an independent economic and environmental review of the new gas plant and look at an alternative scenario that would involve storage, renewables and demand response
  - Received scope input from EUC, finalized in January
  - RFP to hire consultant issued January 22
  - Responses received February 27
  - Evaluation and Vendor Protest Resolution March - May
  - Scheduled for Council consideration at today's meeting
  
- Review will take approximately three months with feedback to EUC and Council in the September/October time frame
  - Final scope was expanded with a broader array of scenarios given EUC feedback
  - This is a complex analysis which mirrors work performed by AE over the course of a year
  - Will use pricing from solar RFP to update solar inputs
  
- Findings of the review are tied to the overall plan including gas and solar additions – a portfolio decision
  - In AE's analysis gas plant revenue helped meet affordability objectives while allowing AE to advance its renewable goals



# 2015 Solar RFP

- RFP Issued April 8th
- Responses received May 15th
- Review and analysis are underway:
  - 33 Proposers offered 149 separate proposal variations / options
  - A total of 7,976 MW of unique projects were offered
  - 1,295 MW offered at prices below AE's 2014 150 MW Recurrent Solar Project
  - Majority are located in West Texas

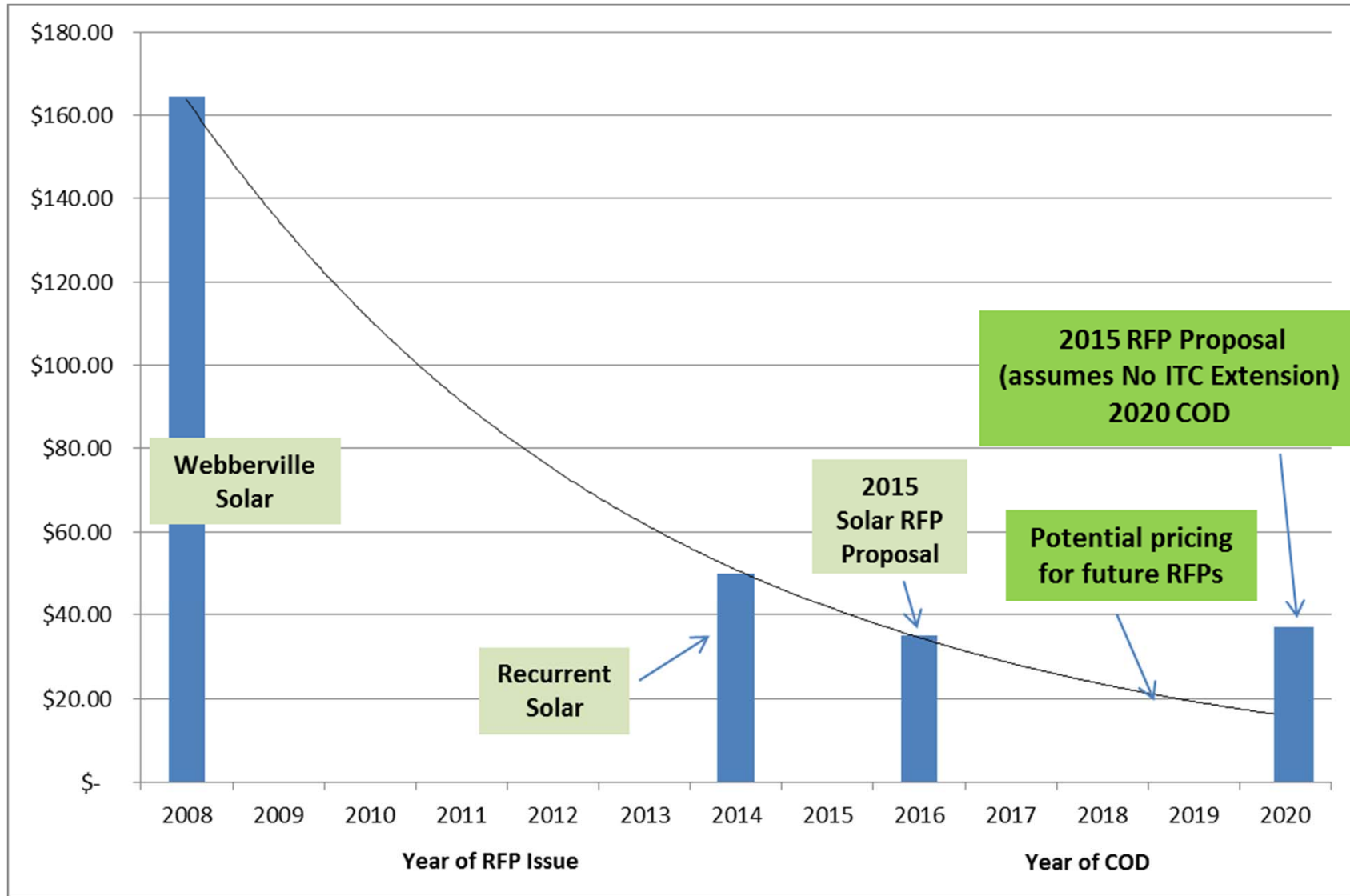
# Proposed Projects



*A total of 7,976 MW of unique projects were offered*

This would require approximately 66,000 acres of land

# The Cost of Solar Continues to Decline





## 2015 Solar RFP – Initial Takeaways

- Solar continues to exhibit a steady cost decline as the technology improves and matures – good news (and “bad”)
- “Bad” news – 18 months after our last solar contract, prices are ~20% lower
  - Illustrates the risk of early / over-commitment to rapidly changing technologies
- Good news – a clear trend shows costs have declined and will continue to improve
- The reduction of the Investment Tax Credit (ITC) from 30% to 10% at the end of 2016 isn’t a driver to act immediately or go big
  - Prices for 2017-2020 are lower still if the ITC is extended at 30% and only moderately higher if not:
    - A less than 4% adder compared to acquiring 600 MW now – this could easily be erased by continued cost declines
    - Direct build / ownership is also a tool to mitigate this – we retain the developer’s profit
- Trend clearly suggests a measured approach to adding new solar – consistent with our resource plan
- Future RFPs will likely garner even lower prices





## Solar Trends in the News

- In remarks at a conference this June, Jim Hughes, CEO of First Solar, one of the largest utility solar builders in the world said the following:
  - *Hughes called the expiration of the ITC "irrelevant," saying, "Within 18 months, we will overcome the cost delta resulting from the drop [of the ITC] from 30 percent to 10 percent.*
  - *"I fully believe that within 10 years we'll be talking about low-3-cent power on a peak basis."*



## Next Steps

Today

- Authorize Independent Review

August

- Complete Detailed Solar Analysis, Due Diligence and Negotiation with top offers

September

- Complete Independent Review — (using pricing from Solar RFP)

October

- Council Briefings & Recommendations for Both

- Solar is not a timeline driver
  - Best offer covers the Resource Plan addition of 200 MW in 2016 and is not contingent on executing a PPA at this time



End