



MEMORANDUM

TO: Mayor and City Council Members

CC: Marc A. Ott, City Manager
Electric Utility Commission
Resource Management Commission

FROM: Larry Weis, General Manager *LW*

DATE: June 16, 2014

SUBJECT: Solar Program Changes

Austin Energy is authorized under Council Resolution to set rebate and incentive levels for the Solar Rebate Program. Current conditions indicate that a change in rebate levels is necessary and Austin Energy (AE) is adjusting the residential solar rebate from \$1.25 per Watt to \$1.10 per Watt. In addition, the commercial solar Performance Based Incentive (PBI) will be lowered from \$0.10 per kWh to \$0.09 per kWh. These changes will take effect today at 3:00 p.m. We will be communicating these changes via email to all our registered solar installers and we will be meeting with them at our regular monthly meeting on June 19, 2014 to answer any questions they have. The EUC, RMC and solar contractor community are being alerted today as well. Additionally, as we move forward, rebate reductions will occur more frequently and in smaller increments in order to lessen the impact of rebate reductions. Starting in FY2015, we will implement a capacity-based rebate adjustment mechanism in order to provide better surety to customers and solar contractors, and maintain stable program budgets.

Solar Market Growth

As designed, the solar rebate program has rapidly stimulated the development of a strong solar installation industry in Austin and has resulted in more than 3,500 residential and commercial solar installations, and nearly 20 MW of customer-sited solar PV installed in Austin as of May 31, 2014. The number of solar installers in Austin has increased from 4 to 40 in the past nine years. According to Solar Austin, a local non-profit organization, over 600 jobs have been created in Austin as a result of the local solar market. By all accounts, the AE Solar Rebate Program has been a success. However, from time to time modifications to the Solar Rebate Program are needed to ensure its continued success.

Residential Rebate

As of May 31st the Residential Rebate Program has paid \$4.6M in rebates this fiscal year to date, for 2.5 MW-ac, and has an additional \$1.6M in outstanding commitments through Letters of Intent (LOI's) for 950 kW-ac, and another \$0.5M, for 300 kW-ac, in applications that have not yet received LOI's. The current stock of LOI's will be paid over the next four months as projects are completed which will allow AE to achieve our annual goals and spend the current FY residential budget of \$6M plus any leftover commercial funds. Any additional LOI's written in the remainder of FY14 will likely be paid from the FY15 Budget as those projects will likely be completed after September 30st. In order to manage the amount of "carryover" committed funds from FY14 to FY15, a rebate reduction is required. This also

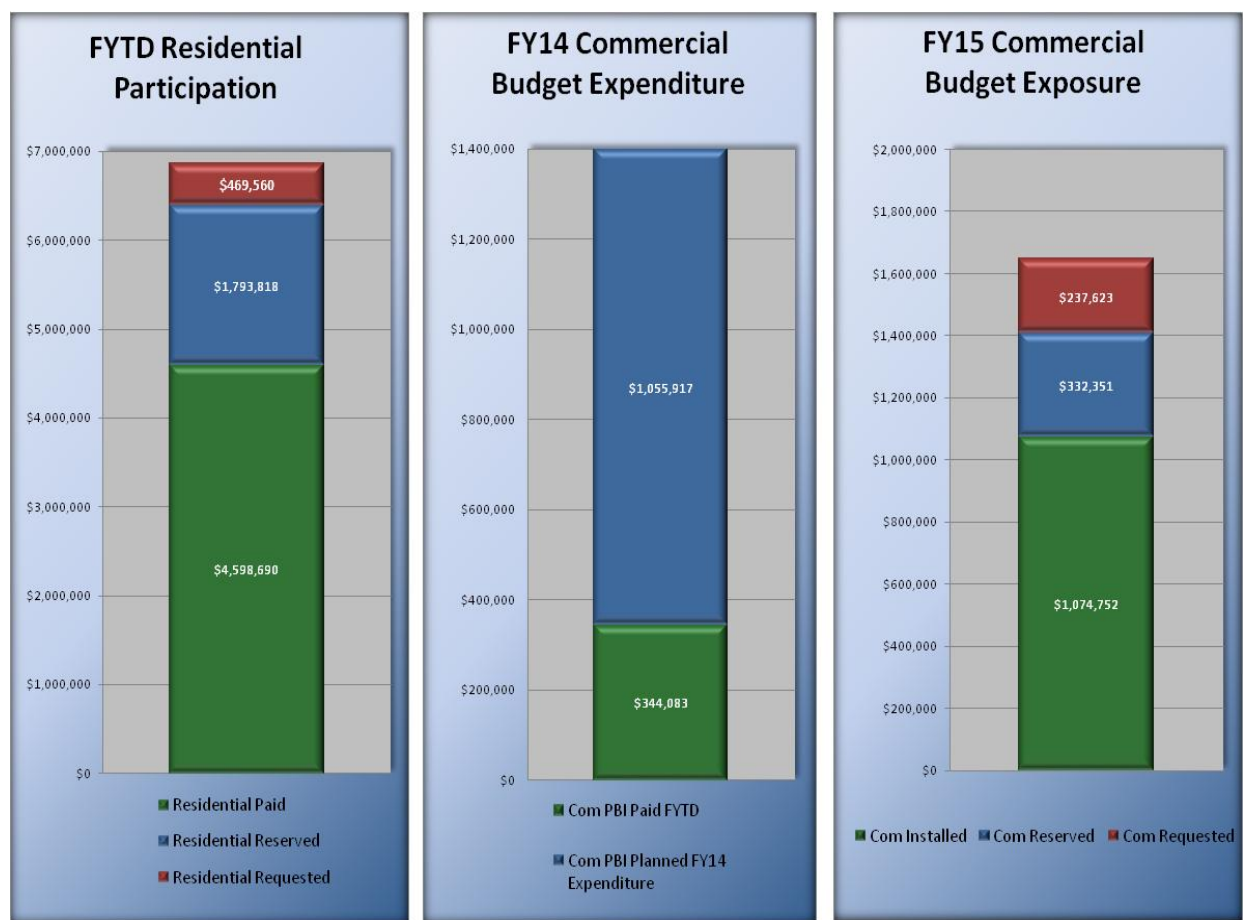
allows AE to ensure continuity of rebates and spreads out the rebate funds to a larger amount of participants. Combined with a slight reduction in installed costs, the payback for a residential customer installing a new solar system is still roughly ten years.

Commercial Performance Based Incentive (PBI)

The Commercial PBI program has experienced increasing popularity in recent months. In FY14, 3.4MW-ac has been added to the distribution grid, as of May 31st. Due to construction delays causing partial year production, the impact to the FY14 budget will be less than expected. However it is necessary to consider future year budget commitments as the PBI is paid out over a period of ten years. There are currently over 1.5MW-ac worth of projects that have received LOI's and another 1.25MW-ac in requests. If all requested PBI projects are installed in FY14, the annual budget impact for FY15 will be \$1.64 million and a lowering of the PBI is needed to ensure that we manage within the FY15 projected budget of \$2 million.

Applications for commercial incentives have increased markedly since the 20kW cap was removed. Our analysis shows that lowering the PBI incentive from \$0.10 per kWh to \$0.09 per kWh will provide a reasonable return on investment for the customer and will also help align the solar program with the current and proposed FY15 budgets, while enabling more customers to receive incentives.

The charts below reflect program activity year-to-date, versus approved FY14 and projected FY15 budgets. Bear in mind that there are over three months remaining in FY14.



Austin Energy will prepare presentations for both the Electric Utility Commission and the Resource Management Commission on this program change. Please let me know if you have any questions.