



BOARD/COMMISSION RECOMMENDATION

Electric Utility Commission

Recommendation No. 20140721-028

Residential Solar Tariff

WHEREAS, the algorithm used to calculate the current Value of Solar (VoS) tariff was originally developed in 2006 in a study commissioned by Austin Energy;

WHEREAS, through much public debate regarding the development of the algorithm used to calculate the VoS tariff including what variables to adopt in the calculation, it was determined the algorithm in the 2006 study was fair and should be adopted. As such, the algorithm was approved by city council in the 2012 rate case;

WHEREAS, Austin Energy in the fall of 2013 proposed revising the algorithm used to calculate the VoS tariff which, after calculated, led to a 20% drop in the VoS rate for 2014;

WHEREAS, the revisions to the algorithm included using the levelized cost of wholesale power prices on the ERCOT market from 2011 and 2012 and obtaining a hypothetical price quote on a 25 year guaranteed natural gas fuel contract, thus leading to a lower 2014 VoS rate;

WHEREAS, at the EUC meeting on June 16, 2014, Austin Energy presented its findings for the 2015 VoS tariff assessment, and in addition included specific recommended changes to the residential solar tariff program;

WHEREAS, Austin Energy in the 2015 VoS assessment obtained a new price quote (received March 26, 2014) for the 25 year natural gas fuel contract which is 25% lower than the quote used in the 2014 assessment (received September 23, 2013);

WHEREAS, the payback period for a solar system is highly influenced by the VoS rate and thus directly impacts the achievability of local solar goals set by City Council;

WHEREAS, while the Commission agrees with some of the new recommended program changes, it rejects the 25 year gas quote as unrealistic and undervalued, and the Commission will work to propose an alternative and more balanced solution to City Council at its next meeting; and

WHEREAS, the Commission further desires an additional change to the program be made setting a floor to the VoS rate which will instill market confidence and ensure solar customers are treated fairly under the VoS program.

NOW THEREFORE, BE IT RECOMMENDED BY THE ELECTRIC UTILITY COMMISSION TO CITY COUNCIL THAT:

The City Council and City Manager accept the following changes to the Residential Solar Tariff:

- a) remove the year-end credit sweep allowing credits to roll-over until participant ceases to be AE customer;
- b) remove the twenty (20) kW tariff cap;
- c) set a floor on the VoS tariff tied to the residential electric rate for that customer;
- d) allow leased system “hosts” to receive VoS credits; and
- e) adopt five (5) year rolling average in calculating annual VoS assessment.


BE IT FURTHER RECOMMENDED,

The City Council and City Manager reject the price quote on the 25 year guaranteed fuel price (\$5.28 per MMBtu) proposed by Austin Energy for the 2015 rate assessment.

Date of Approval: July 21, 2014

Record of the vote: Approved by the Electric Utility Commission on a vote of 4-2-1 with Heidebrecht and Shaw against, and Fath abstaining.

Attest:


Jeff Vice, Staff Liaison