

Austin Energy Solar Incentive Program Changes

Progress toward Solar Goals

The 2014 update to the Resource, Generation and Climate Protection Plan includes a goal of 100 Megawatts (MW) of customer-sited local solar by 2025, and an interim goal of 70 MW of customer-sited solar by 2020. Pursuant to the Council Resolution, the solar incentive programs will sunset once the interim goal is achieved, or in 2020, whichever comes first. Austin Energy already has 33 MW of customer-sited local solar installed or approved; we need to complete another 37 MW to reach the 70 MW goal.

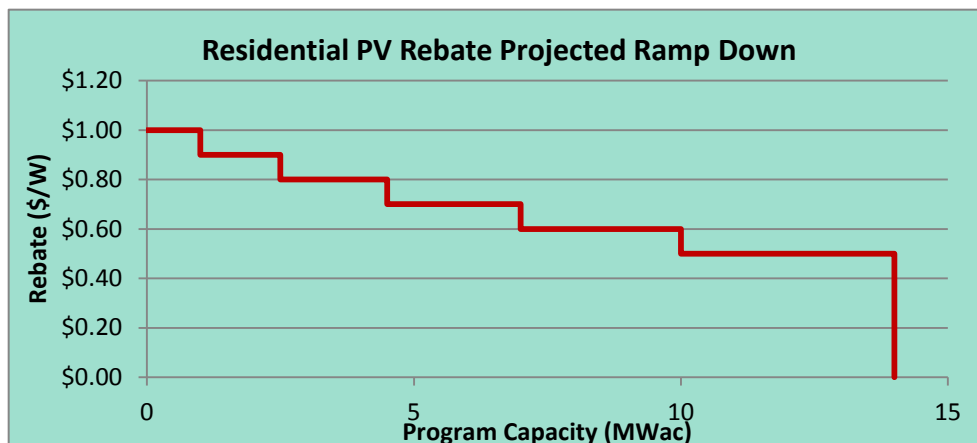
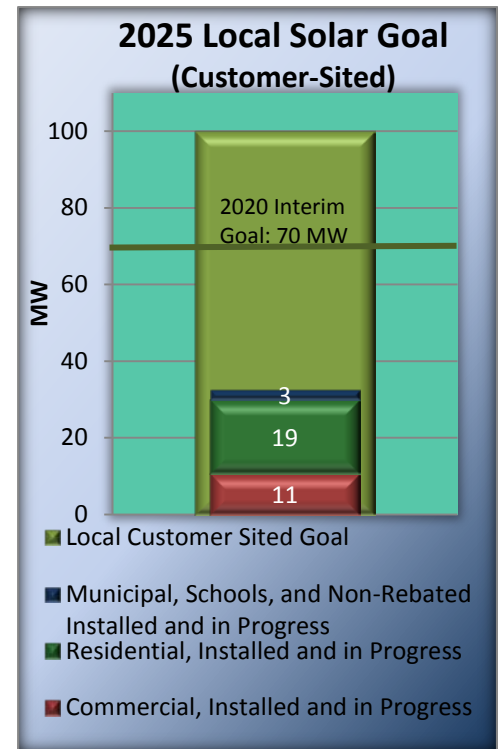
June Incentive Reduction & Budget Implications

As installed costs come down, Austin Energy reduces incentive levels to ensure that we are not over-incentivizing projects, and are able to provide incentives to more customers. With the announcement of the latest step-down in the solar incentives on June 26 (from \$1.10/watt to \$1/watt for residential, and \$0.09/kilowatt hour (kWh) to \$0.08/kWh for the commercial performance based incentive (PBI), we received a flood of applications, particularly on the commercial side of the program.

Given the scale and potential impact on the program budget of these applications, Austin Energy suspended approval of new commercial letters of intent (LOIs) for applications received after 3pm on June 26th in order to review program guidelines and gather feedback from stakeholders. Along with assessing budget and market projections, Austin Energy staff convened three stakeholder meetings with commercial solar contractors, customers and advocates, as well as solicited feedback by email. With input and support from the stakeholders, Austin Energy developed the following program changes.

Residential Rebates

The residential additions are roughly in keeping with annual projections, and there is sufficient funding in the proposed FY 2016 budget to provide these incentives. Austin Energy will implement the following residential incentive ramp down to meet the local customer-sited solar goal, which would add



Residential Rebate		
Step #	Rebate (\$/W)	Capacity (MW-ac)
1	\$1.00	1.0
2	\$0.90	1.5
3	\$0.80	2.0
4	\$0.70	2.5
5	\$0.60	3.0
6	\$0.50	4.0

14 MW of incentivized residential solar photovoltaic (PV) to the 19 MW already installed or reserved (for a total of 33 MW of residential solar). Staff has intentionally structured the ramp downs to occur in small increments in order to minimize the impact of these reductions to customers and contractors as they consider projects, and provide a gradual phase out of incentives. In addition, a ‘trigger tracker’ will be posted on the website to ensure transparency and provide forewarning of approaching reductions.

Commercial Incentives

The commercial programs pay incentives based on system production, over a 10-year period. Austin Energy will be implementing the following three changes to the commercial PBI program:

1) Increased Program Cap per Site

The Performance Based Incentive (PBI) project capacity cap per site will be increased from 200 kW (at present) to <1,000 kW, allowing customers to take advantage of economies of scale and receive better project pricing, reduce the administrative burden of repeated applications and meet program goals more efficiently.

2) Three-Tier PBI program

The PBI program will be split into three tiers: small, medium, and large commercial. All commercial PBI’s will be reduced over time to reflect installed cost reductions and the growing solar market, enabling more participants in the program, and helping Austin Energy meet solar goals at a lower cost. The projected ramp downs for each program tier are outlined below.

Small Commercial & Non-Profit PBI

Commercial projects up to 75kW, and owned by a customer who has not installed more than 400 kW on their properties, will be able to apply for the Small Commercial PBI program, which essentially continues the ramp down of the existing PBI program.

Non-profits who are not able to take advantage of federal tax credits and depreciation will also be eligible for this tier, for projects of up to 400 kW per site.

Small Commercial & Non-Profit		
Step #	PBI (\$/kWh)	Capacity (MW-ac)
1	\$0.08	0.5
2	\$0.07	1.0
3	\$0.06	1.5
4	\$0.05	2.0

We have allocated 5 MW of capacity to this tier, which should ensure access to the program for Austin’s small businesses as well as non-profits.

Medium Commercial PBI

A second tier PBI will be introduced for mid-sized commercial systems >75 kW and <400 kW. These mid-size systems receive somewhat better pricing than small commercial projects, but not quite the economies of scale achieved by larger projects. The majority of commercial projects are expected to fall in this size category, but once a customer has installed over 400 kW of solar, in aggregate, at their facilities, all new projects will be reviewed under the large commercial program, regardless of individual system size. This is because most customers installing multiple PV systems across their facilities are able to leverage the total project scale

Medium Commercial		
Step #	PBI (\$/kWh)	Capacity (MW-ac)
1	\$0.05	1.5
2	\$0.04	1.5
3	\$0.03	1.5
4	\$0.02	1.5

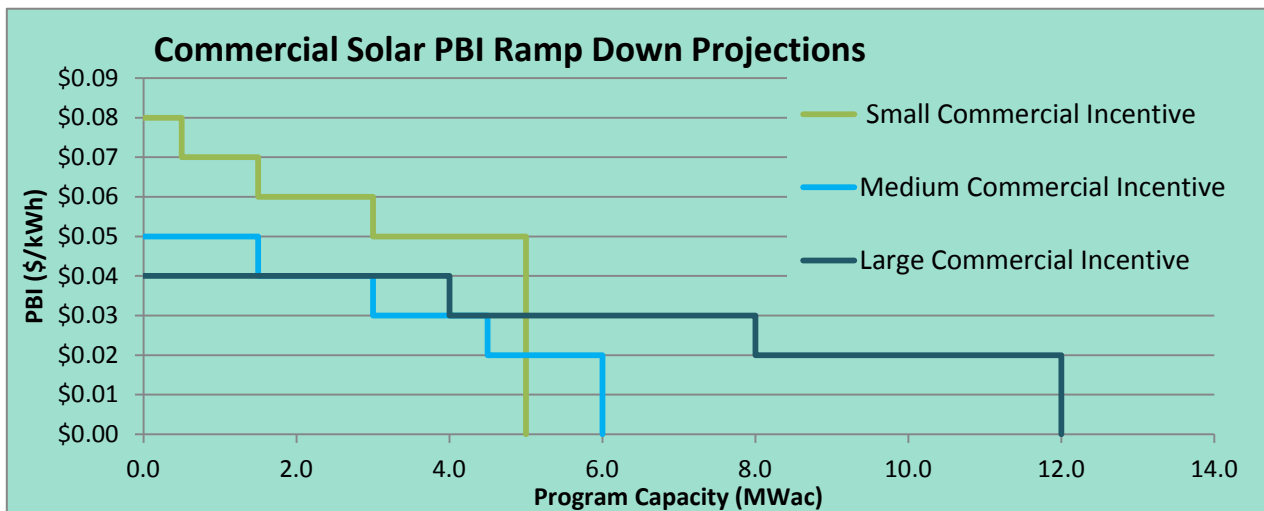
to achieve discounted pricing across all of their systems, and thus require fewer incentives to make the projects economically viable.

Large Commercial PBI

A third tier PBI will be introduced for large commercial systems over 400kW and less than 1 MW. These large projects will receive a lower PBI, due to the improved economies of scale achieved by projects or project portfolios of this size, and thus a faster payback for customers.

With the expiration of the 30% federal investment tax credit (ITC) at the end of 2016, and recent reductions in installed costs, we are anticipating increased demand on the program generally, and specifically for larger installations. We expect to be able to achieve considerable capacity through the large commercial program, at a much lower cost compared to the small and mid-sized commercial programs or residential rebate, and as such have allocated 12 MW to the large commercial program.

Large Commercial		
Step #	PBI (\$/kWh)	Capacity (MW-ac)
1	\$0.04	4.0
2	\$0.03	4.0
3	\$0.02	4.0



3) Limits by Customer

Finally, in order to ensure that a broad array of customers are able to take advantage of the solar incentives, no customer will be able to receive more than 20% of the allocated capacity in an incentive step in the large commercial program. If a project would exceed the 20% cap by customer or the remaining capacity in that step, that project will be considered at the next incentive step level.

Once a customer has received or will exceed 400kW of incented solar at their property or properties, all proposed or future projects will be subject to the prevailing Large Commercial incentive levels, even if subsequent projects are less than 400 kW.

These changes will take effect immediately, and all pending commercial applications received since June 26, 2015 will be reviewed and processed under the updated program guidelines. The Electric Utility Commission, Resource Management Commission, and solar contractor community are being alerted to the program changes today as well.