



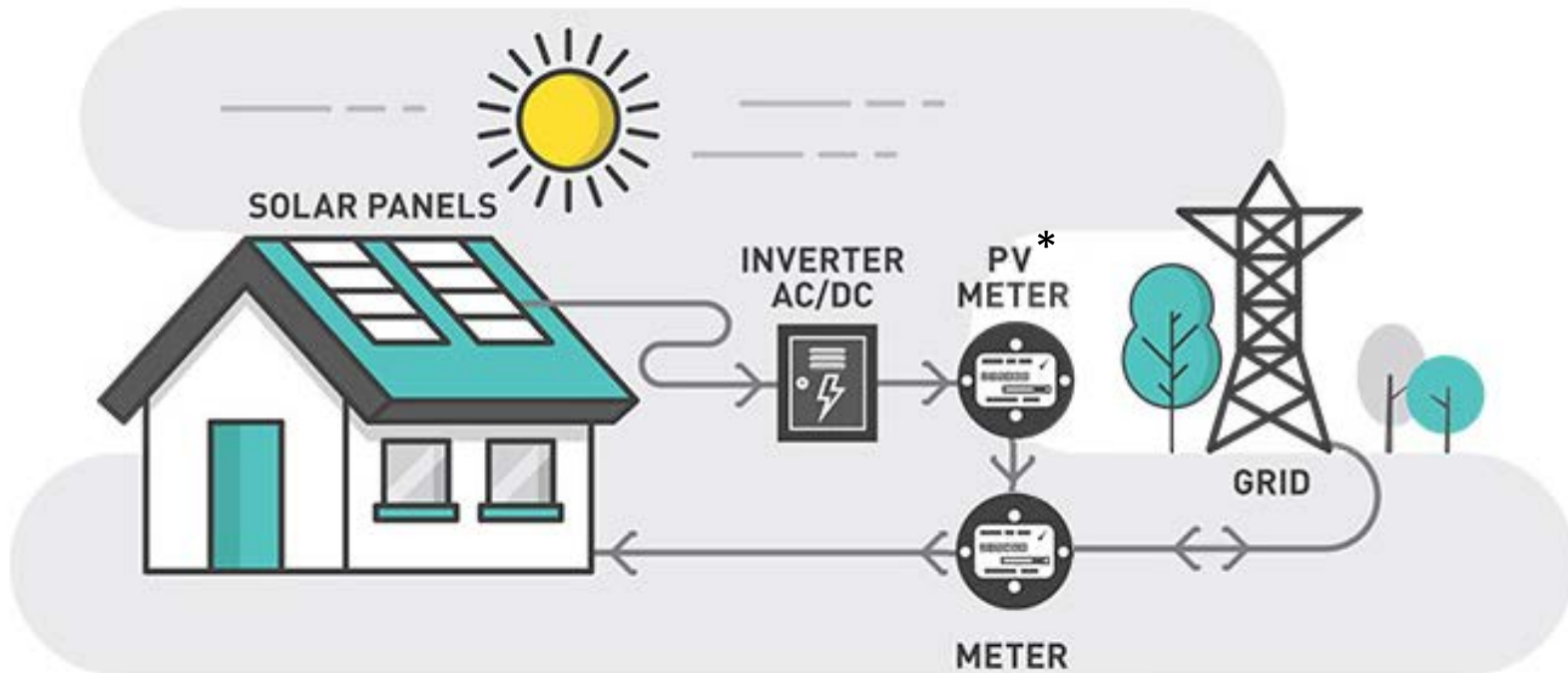
Value of Solar (VOS) Update



Austin Energy Utility Oversight Committee
June 19, 2017

How Value of Solar Tariff Works

- Value of Solar (VOS) and Performance Based Incentive (PBI) credits based on solar generation, measured by PV* meter
- Customer billed for all on-site electric use



- Demand rate customers will receive commercial VOS
- Non-demand rate customers will receive residential VOS

* PV - Photovoltaics

2018 VOS update - Highlights



- Energy market prices projected to remain at historic lows, largely driven by natural gas
- Transmission cost of service has gone up
- Environmental value updated using societal cost of carbon estimates
- Solar production profiles updated to reflect actual installed capacity across Austin Energy's territory
- Commercial Value of Solar rate developed in response to request by solar stakeholders in the rate case settlement agreement



Residential VOS Components

Value Component	Basis	2018 Value (\$/kWh)
Energy Value	Avoided cost of fuel, transmission & distribution losses for electric loads using local solar production profile	\$0.029
Plant O&M Value	Avoided cost of natural gas plant operations and maintenance by having local solar at peak periods	\$0.005
Capacity Value	Avoided capital cost of peaking natural gas plant by having local solar at peak periods	\$0.016
Transmission Value	Avoided transmission cost from reduction in peak load by local solar	\$0.020
Environmental Value	Societal cost of carbon	\$0.015

2018 Assessment: \$0.085



Residential VOS Rate

Year	VOS Assessment (cents/kWh)	VOS Rate (cents/kWh)
2012 (Oct – Dec)	12.8	12.8
2013	12.8	12.8
2014	10.7	10.7
2015	10.0	11.3
2016	9.7	10.9
2017	9.7	10.6
2018	8.5	9.7

Rolling average of VOS assessment was used to set VOS rate from 2015-2017. Moving forward, 2018 rate (9.7 cents/kWh) will stay in place until next cost of service study



Commercial Value of Solar

- Uses current ERCOT market design - energy only market where capacity value is in energy prices
- Calculated similar to residential value of solar only capacity and plant O&M are replaced with the historical scarcity premium in energy prices
- Has following components:
 - Energy value
 - Transmission value
 - Environmental value

* *ERCOT - Electric Reliability Council of Texas*

* *O&M - Operations & Maintenance*



Commercial VOS Components

Value Component	Basis	2018 Rate (\$/kWh)
Energy Value	Avoided cost of fuel, transmission & distribution losses for electric loads using local solar production profile	\$0.032
Transmission Value	Avoided transmission cost from reduction in peak load by local solar	\$0.020
Environmental Value	Societal cost of carbon	\$0.015

2018 Value: \$0.067