

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: December 14, 2017

Item Number: **003**

Austin Energy

Authorize negotiation and execution of a 15-year power purchase agreement with a subsidiary of INTERSECT POWER for the full output of electricity from a utility-scale solar generation facility with capacity of 150 to 180 megawatts, in an estimated amount of \$10,000,000 to \$12,000,000 per year, and a total estimated amount of \$150,000,000 to \$180,000,000.

Lead Department	Austin Energy
Fiscal Note	Funding will be provided through Power Supply Adjustment and Green Choice revenue.
For More Information	Jeff Vice, Director, Local Government Issues (512) 322-6087; Erika Bierschbach, Interim Director, Energy and Market Operations (512) 322-6476
Council Committee, Boards and Commission Action	December 11, 2017 - To be reviewed by the Electric Utility Commission. December 12, 2017 - To be reviewed by the Resource Management Commission.

Additional Backup Information:

On April 20, 2017 Austin Energy issued a Request for Proposals (RFP) for solar-sourced energy generation. The solar purchase recommended in this action, with existing renewable energy commitments, is projected to result in Austin Energy reaching a generation portfolio of approximately

51% renewable energy after the project begins commercial operation in 2020, and will move the utility to 753 megawatts (MW) of installed utility-scale solar capacity.

On October 2, 2017, the Austin City Council approved the Austin Energy Resource, Generation, and Climate Protection Plan to 2027, which updated the strategic energy policy for Austin Energy. The updated plan includes a goal of achieving an overall renewable energy portfolio of approximately 65% of Austin Energy's generating fleet by 2027. As a part of that renewable goal, installed solar capacity would increase to at least 950 megawatts (MW) by 2025.

This utility-scale contract will provide for the purchase of the full output of a 150 MW solar power project to be constructed in the Electric Reliability Council of Texas (ERCOT) West Zone. In addition, the contract provides a mechanism for the parties to increase the facility capacity to 180 MW with the same pricing if agreed by a deadline provided in the contract. Austin Energy frequently canvasses the market for renewable resources. Should this increase in facility capacity compete favorably in the next resource evaluation, Austin Energy may be able to utilize this mechanism to obtain additional capacity. The agreement will not require Austin Energy to invest any funds in the construction, operation, or maintenance of the project. The agreement will provide for a non-escalating fixed price per megawatt-hour (MWh) of energy that allows Austin Energy to realize a pricing benefit from the federal solar investment tax credit (ITC) available to solar developers, which is set to begin declining in 2020. The quantity of production will vary in accordance with the actual availability of solar resources at any given time. The agreement is projected to have a beneficial impact on the Power Supply Adjustment given current market prices and projected future price expectations.

PRICE ANALYSIS

- a. Adequate competition.
- b. Forty-five respondents offering over 400 proposals from 83 separate projects.

APPROVAL JUSTIFICATION

- a. Top evaluated proposal.
- b. The recommended proposer meets the requirements of the RFP.

RECOMMENDATION FOR COUNCIL ACTION**Posting Language:**

Approve an ordinance amending Austin Energy's rates and fees included in the Fiscal Year 2017-2018 Budget (Ordinance No. 20170913-002) to add a Customer Assistance Program customer community solar rate.

Fiscal Note:

Funding is available in the Customer Assistance Program portion of the Community Benefits Charge.

Prior Council Action:

October 5, 2017 – Approved Resolution No. 20171005-033 regarding solar programming for underserved markets. September 13, 2017 – Approved Ordinance No. 20170913-002, adopting Austin Energy rates and fees in the Fiscal Year 2017-2018 Budget.

For More Information:

Jeff Vice, Director, Local Government Relations (512) 322-6087; Debbie Kimberly, Vice President, Customer Energy Solutions (512) 322-6327.

Council Committee, Boards and Commission Action:

December 11, 2017 – To be reviewed by the Electric Utility Commission.

This action requests City Council to conduct a public hearing to amend Austin Energy's rates in the Fiscal Year 2017-2018 Budget, by adding a Customer Assistance Program customer community solar rate.

Austin Energy's community solar program enables renters, multifamily residents, and homeowners with shaded roofs or lacking access to capital, to access local solar without putting it on their own roof. The 2.5 megawatt (MW) La Loma Community Solar Project, located northeast of Airport and Springdale Boulevards in Council District 3, is expected to come online this winter.

Austin Energy proposes to reserve half of the La Loma Community Solar Project for income-verified Customer Assistance Program (CAP) customers. Subscriptions would be available on a first come, first served basis, and based on the production from the facility, would serve roughly 200 CAP participants.

Participants in CAP would receive a discounted rate of \$0.0277/kilowatt hour (kWh) which is 1.5 cents below the current Community Solar adjustment, and slightly less than the current Power System Adjustment (PSA), which it replaces on the participant's bill. Participants lock in the rate for 15 years, protecting them from fluctuations in the PSA. The CAP participants in this

project may take the subscription with them if they move within Austin Energy territory, and cancel any time. Participants who cease to be CAP customers can elect the non-discounted community solar tariff or the PSA.

The low-income community solar discount program will be funded out of the Community Benefits Charge at a cost of roughly \$33,000 annually.

The low-income discount program will support [Council Resolution No. 20171005-033](#), which called for Austin Energy to target \$500,000 of its Fiscal Year 2018 budget for incentives and programs designed to expand access to solar energy to underserved markets, including low-income households and renters.

The Community Solar Program will also assist in meeting the local solar goals included in the [Austin Energy Resource, Generation and Climate Protection Plan to 2027](#).

City Code Section 2-5-45 requires a public hearing prior to the City Council approving changes in electric, water, wastewater, and solid waste collection rates.

ORDINANCE NO. _____

1 AN ORDINANCE AMENDING THE COMMUNITY SOLAR RIDER OF
2 ORDINANCE 20170913-002 TO CREATE A COMMUNITY SOLAR RATE
3 FOR CUSTOMER ASSISTANCE PROGRAM CUSTOMERS.
4

5 BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:
6

7 **PART 1.** The Council adopts the amended Community Solar Rider attached here as
8 “Attachment A” and incorporates it into the Electric Tariff included in Ordinance
9 20170913-002.
10

11 **PART 2.** This ordinance takes effect on December 25, 2017.
12
13

14 PASSED AND APPROVED
15

16 _____, 2017
17

§
§
§

18 _____
19 Steve Adler
20 Mayor
21

22
23 **APPROVED:** _____
24

Anne L. Morgan
City Attorney

25 **ATTEST:** _____
26

Jannette S. Goodall
City Clerk
27
28

Community Solar Rider

Application:

Applies to any Residential Service account that subscribes to a community solar program, and is available on a first-come, first-served basis, until the program is fully subscribed. Once fully subscribed, no new customers will be allowed to take service under this rider until additional community solar projects are added to the program.

Terms and Conditions:

Customer subscription must be for 100 percent of the customer's master revenue meter's monthly energy usage. Customers may unsubscribe at any time; however, a customer that unsubsribes may not re-subscribe for Community Solar Rider for a period of 12 months. Service under this rider is considered portable within Austin Energy's service territory, meaning that if a customer subscribes at one premise and moves to another, the customer may remain a subscriber. Subscriptions support Austin Energy's inclusion of local community solar photovoltaic systems in its power generation portfolio.

Customer receiving service under the Community Solar Rider cannot combine services with ~~either~~ the Value-of-Solar Rider or GreenChoice® Rider; or participate in any time-of-use rates.

Discounts:

Eligible residential Customer Assistance Program (CAP) participants that subscribe to community solar qualify for a reduced Community Solar Adjustment charge.

Community Solar Charges:

While subscribed to the Community Solar program, a customer will be billed a Community Solar Adjustment in lieu of the Power Supply Adjustment (PSA) that would otherwise apply to the customer's subscribed energy usage.

<u>Subscriber Eligibility</u>	<u>Effective Date</u>	<u>Community Solar Adjustment (\$/kWh)</u>
<u>Residential Service</u>	<u>January 1, 2017</u>	<u>\$0.04270</u>
<u>Residential CAP Participants</u>	<u>February 1, 2017</u>	<u>\$0.02770</u>