

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.