
SOLAR DISTRIBUTED GENERATION PROGRAM UPDATE

*PRESENTED BY: CRIS EUGSTER
ACTION: APPROVAL
DATE: MAY 19, 2014*

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EXECUTIVE SUMMARY

CPS Energy proposes to significantly expand its Solar Distributed Generation (DG) Program by 25MW

- Solar DG helps CPS Energy achieve our Vision 2020 goal to save 771MW
- \$21M of additional funding to expand rooftop, community solar, and solar leasing
- Proposal increases the price CPS Energy pays for excess solar power to the grid
- Way to recover our cost of service to solar customers while keeping net metering
- Proposal phases out rebates and phases in facilities fee over time
- **New Solar DG transitions solar from incentive-based to market-based model**

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CPS ENERGY SUCCESS TO DATE

“San Antonio Ranks 6th in Nation for Solar Energy”

Environment Texas Research & Policy Center, April 2014

“Doyle Beneby receives Solar Hero award”

Solar San Antonio, 2011

“San Antonio ranks among top 10 cities for solar

power” – National Renewable Energy Laboratory, March 2014

“Residential solar use up with CPS rebate, tax credit”-

San Antonio Express News, July 8, 2012

“CPS Energy has commissioned a massive solar energy project that aims to build five solar power plants over the next several years that will produce a combined 400 megawatts of solar electricity”

– Houston Chronicle, July 2013

“Doyle Beneby - 2012 Utility CEO of the Year”

– Solar Electric Power Association, July 2012

“2012 Utility Solar Champion” -

Vote Solar Initiative, April 2012

“Alamo I - The Biggest PV installation in Texas” -

PV Magazine, Phase I of 400 MW Texan Solar Project Complete, December 2013

“San Antonio a model for the nation”-

EPA Administrator Gina McCarthy, February 2014

“Solar deal for CPS set to bring 805 jobs” -

San Antonio Express News, July 23, 2012

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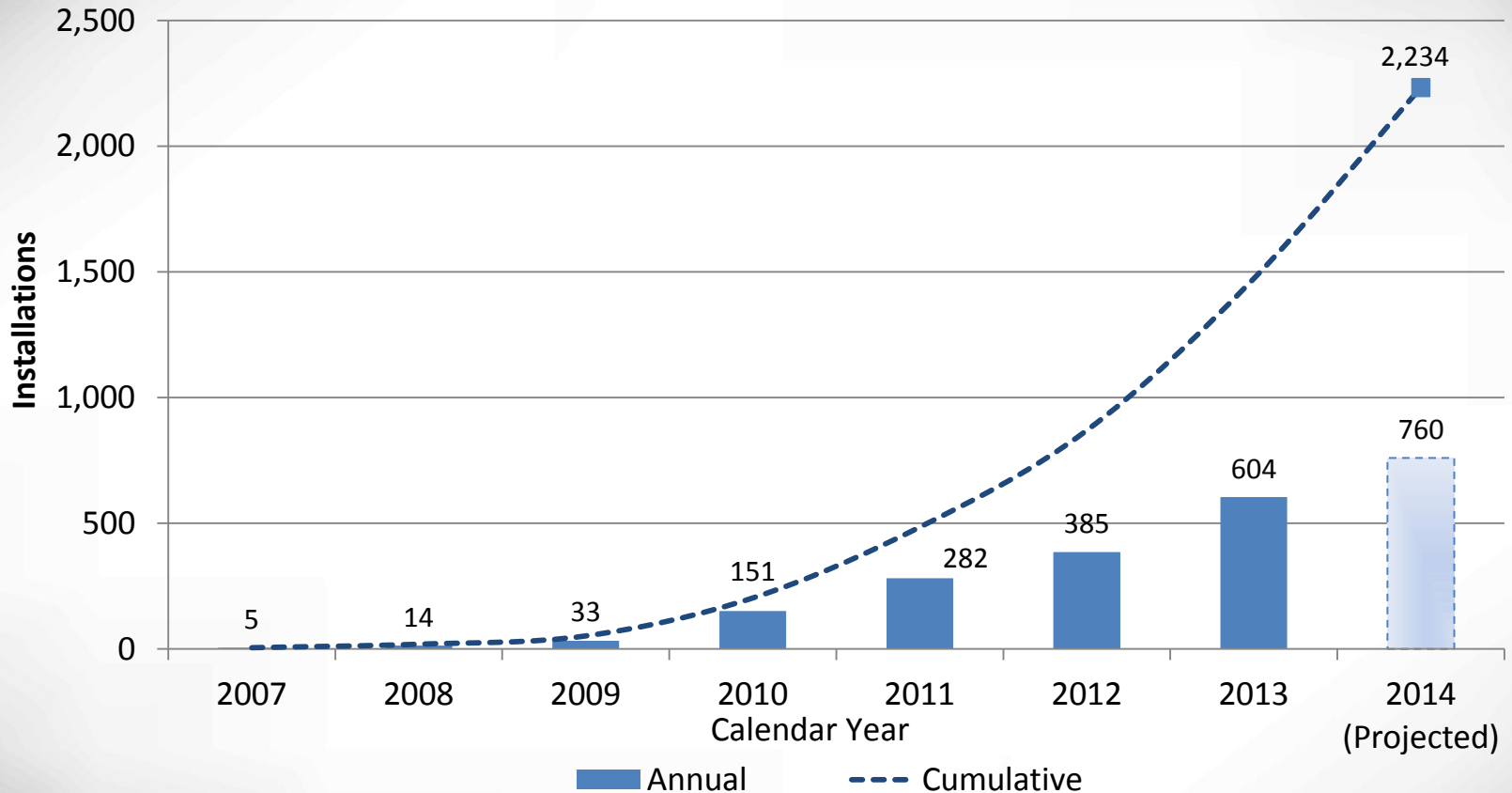
BENEFITS OF SOLAR

- Produces power during peak hours
- Customers can lower their bills
- Zero water consumption
- Clean power with zero emissions
- Hedge against uncertainties around environmental regulations
- Further diversifies our generation portfolio

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CPSE SOLAR DG INSTALLATIONS



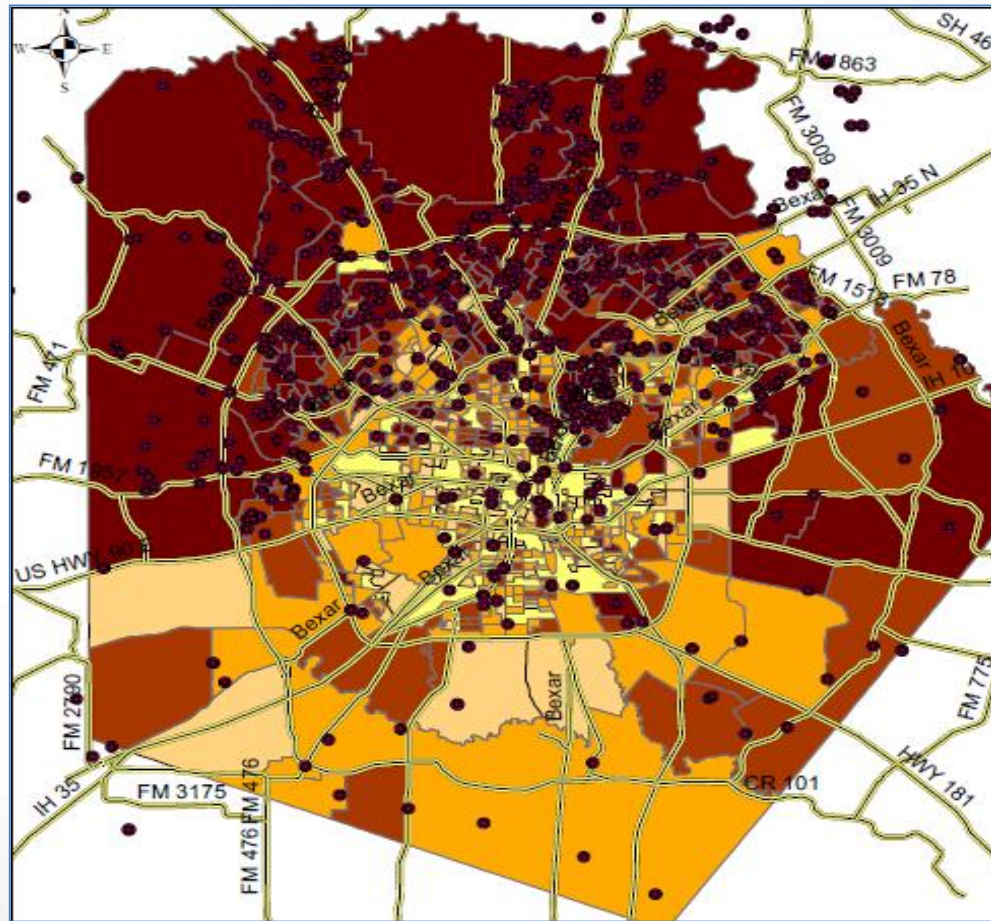
Solar DG installations have accelerated due to falling panel prices, local rebates, & federal tax credits

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SOLAR ADOPTION LEAVING OUT MANY CUSTOMERS

- Solar DG concentrated in more affluent neighborhoods
- CPS Energy paid out \$30 million in rebates to date
- Funding for rebates covered by all ratepayers



Median Income:

>\$50,000
\$40,001 - \$50,000
\$30,001 - \$40,000
\$25,000 - \$30,000
< \$25,000
NoData

AFFORDABLE : RELIABLE : INNOVATIVE



CURRENT SOLAR DG PROGRAM

- Rebate
 - Residential - \$1.60 / Watt up to 50% of the cost of the solar system; **average CPS rebate check = \$10,617**
 - Commercial - \$1.60 / Watt up to 50% of the cost of the solar system; **average CPS rebate check = \$61,079**
 - Schools - \$2.00 / Watt up to 50% of the cost of the solar system; **average CPS rebate check = \$64,203**
 - Facilities Charge (for infrastructure) – None
 - Commissioning Fee – None
 - Excess Solar Power – at avoided cost
 - Variable cost, fuel cost and line loss
-

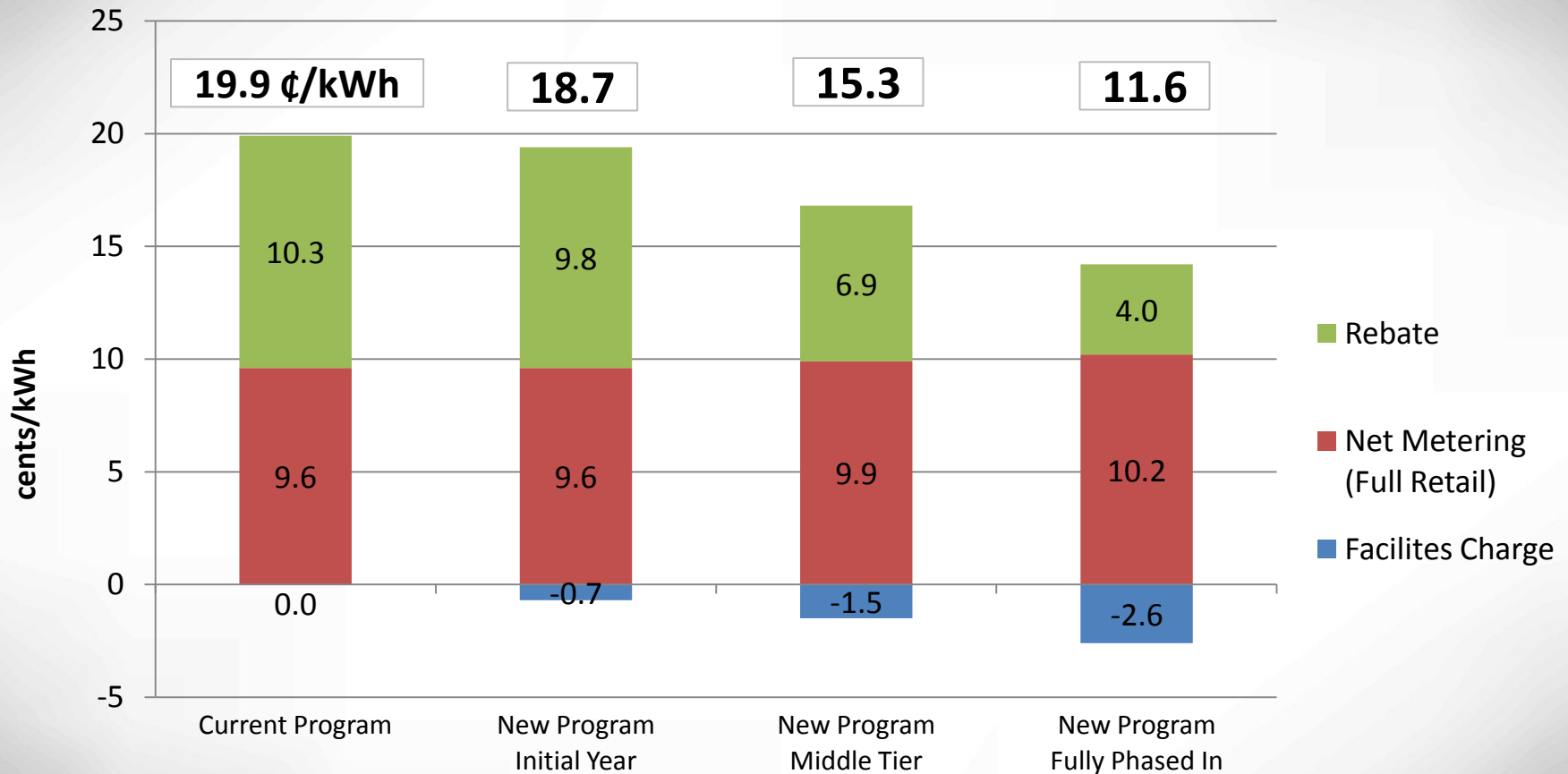
SOLAR DG MODIFICATIONS

CPS Energy Solar DG Rate Components		
	<u>Current Program</u>	<u>Proposed Program</u>
Net Metering Solar Generation	Full retail rate (net metering)	Full retail rate (net metering)
Rebate*		All Classes:
Residential	\$1.60 / Watt \$25,000 Max	Up to 10 MW \$1.60 / Watt
Commercial	\$1.60 / Watt \$80,000 Max	10 to 20 MW \$1.15 / Watt
Schools	\$2.00 / Watt \$80,000 Max	20 to <25 MW \$0.70 / Watt
Facilities Charge	\$0	Up to 10 MW \$1.00 / kW-mo 10 to 20 MW \$2.00 / kW-mo 20 to <25 MW \$3.50 / kW-mo
Commissioning Fee	\$0	\$450 for Residential Systems Actual Cost for Larger Systems
Excess Solar Power	1-2 cents / kWh	

*Note: Rebate offers updated annually based on a cost calculation of 40% of the total cost of the solar system

Program keeps retail net metering for customers and enables CPS Energy to expand rooftop solar with innovative new solutions

HIGH SOLAR KWH VALUE TO THE SOLAR CUSTOMER



Notes:

1. "Middle Tier" is in 2015 dollars and "Fully Phased In" is in 2016 dollars.
2. Net metering for "Middle Tier" and "Fully Phased In" assumed to inflate at 3% per year due to fuel escalation and other factors.

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VIEW FROM THE CUSTOMER

	Current Program 2014	New Program Initial Year	New Program Fully Phased In
5.6 kW System Cost	\$21,104	\$21,104	\$17,094
CPS Rebate	\$9,039	\$9,039	\$3,955
Tax Credit	\$3,619	\$3,619	\$3,942
Commissioning Fee	\$0	\$450	\$477
Out-of-Pocket	\$8,445	\$8,895	\$9,675
Annual Net Bill*	\$558	\$618	\$802
Bill Savings due to Solar	\$823	\$763	\$664
Simple Payback	9 years	10 years	12 years
*Includes facilities charge of	\$0	\$60	\$210

The phasing-in of the facilities charge and reducing the rebate over time allows CPS Energy to recover its costs and provides time for the solar industry to adjust

SOLAR DG TIMELINE

- Next Steps
 - Board consideration for approval (May 19th)
 - Continue communication with stakeholders throughout the process
 - June 2014: City Council consideration of new Solar DG fee structure
 - Execution of Solar DG programs following council approval

BOARD ACTION

- Requesting Board action: Consideration of approval for new Solar DG rates
- Final consideration and approval pending City Council action