Review of LADWP Feed-In-Tariff Status Report & Recommendation

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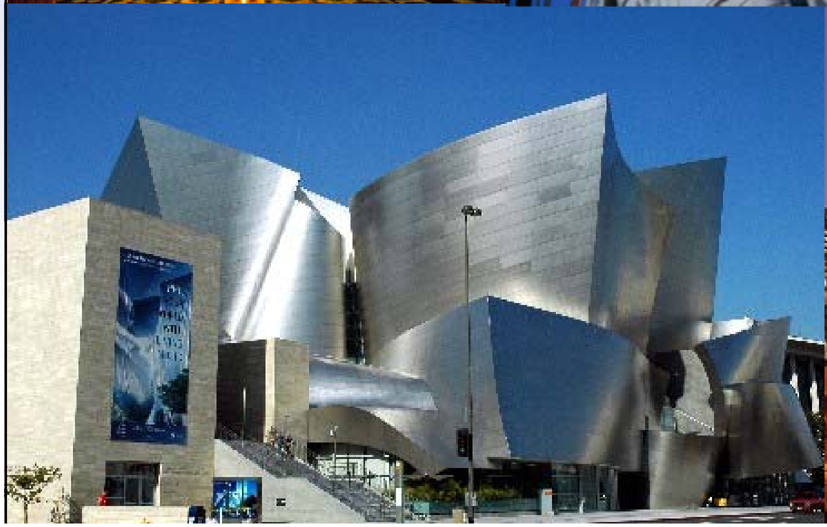
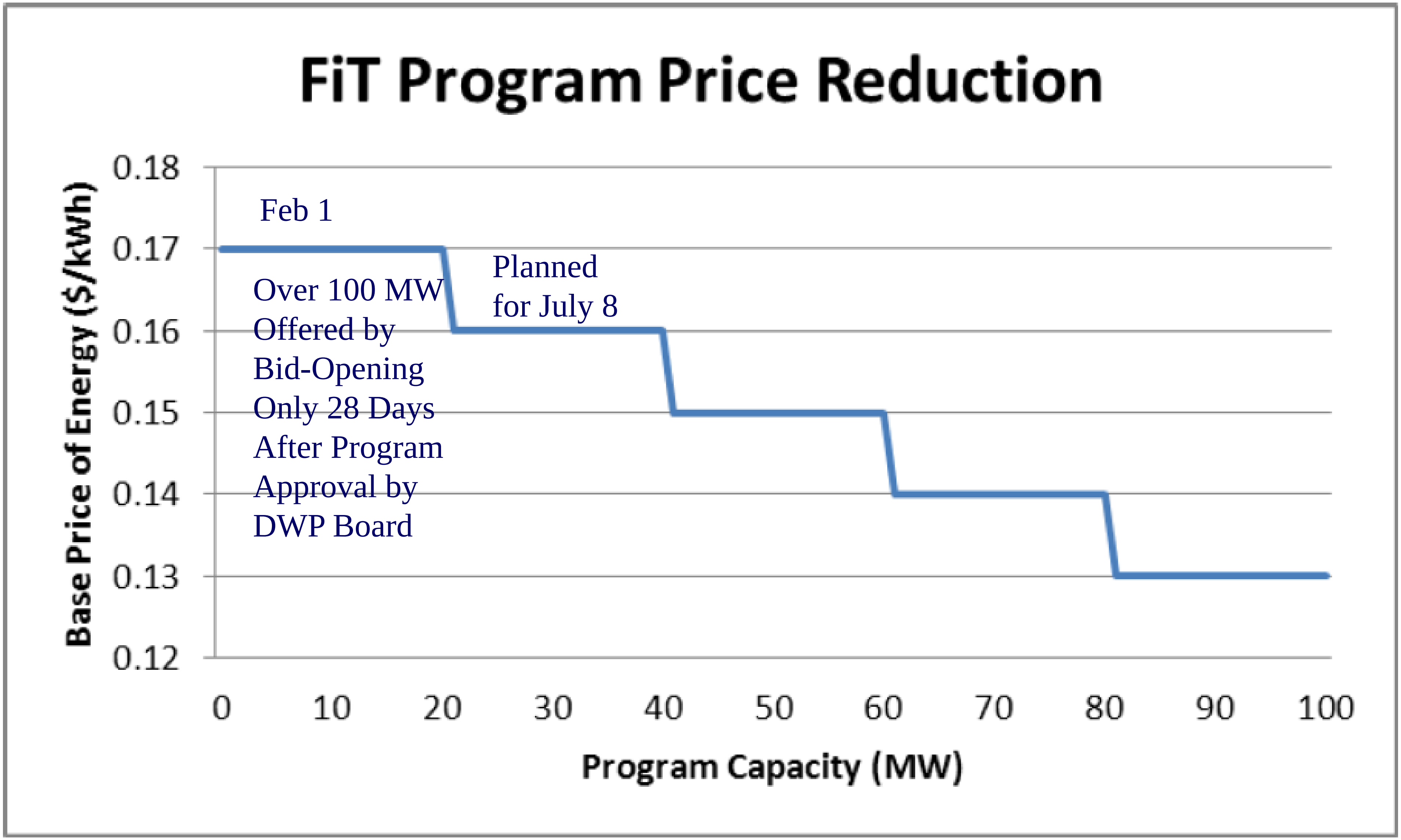


Why Comment the Feed-In Tariff ("FiT") Status Report?

- State requires a FIT program, but it does not require pricing above renewable market prices (more than "avoided cost").
  - This initial FiT100 phase is for a total of 100 MW of projects sized 30 kW to 3,000 kW, or 6 to 600 times the size of a typical single family home solar PV system.
  - OPA comments here are not concerned with the FiT 50 program as currently proposed, given the requirement for competitive auctions, combining small in-basin and large projects.
  - This is not about residential or business solar net metering programs.
- Proposed DWP FIT100 program prices are far above market prices, placing an incremental $231-268 million burden on ratepayers over a 20 year period. The same carbon reduction can be accomplished via large scale solar projects.
  - It is transfer of funds from the average LADWP ratepayer to commercial, industrial, and energy project development interests.
  - It has additional negative, macro-economic job impacts in the City of Los Angeles.
  - It lacks competitive bidding for almost $550 million in energy over 20 years.
- Based on changed circumstances, the Office of Public Accountability / Ratepayer Advocate recommends review of the FiT100 program before beginning the next 20MW allocation:
  - The prices of other solar renewables now are below 9 cents/kWh for small projects and below 8 cents/kWh for larger projects.
  - DWP ratepayers have taken on almost $1 billion in increased burdens approved by this Board since January, not including the FIT100 program: the Navajo & IPP coal elimination, and the unanticipated short-term purchased water increase.

Where are we? Program Pricing by 20 MW Block Allocation



Re-Assessment Is Needed

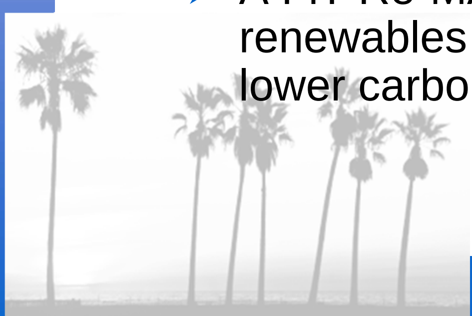
- In the January 11 DWP Board review presentation on the FiT100, the OPA recommended that the program should be assessed in 6 months.
  - In particular, the OPA noted that if the FiT100 program is moving to full subscription, an extension at lower pricing may be warranted.
- The total allocation and all sub-categories in the first 20 MW FiT 100 allocation have been all been substantially over-subscribed.
  - A Gold Rush: In spite of bidding beginning only 20 days after program approval by the DWP Board, the program bids exceed 5x the 20 MW allocation.
- Comparable solar / renewable pricing:
  - Large solar project bids appear to be under 8 cents/kWh delivered to major transmission.
  - CPUC reports that accepted project bids for the 2011-2012 Renewable Auction Mechanism (“RAM”, for 1.0-20.0 MW renewable projects) average under 9 cents/kWh from areas generally adjacent load centers.
  - The CPUC, via its Renewable Market Adjusting Tariff (“Re-MAT”) approach for SDG&E, PG&E, and SCE, has indexed the pricing for smaller FiT projects to the RAM pricing results. The CPUC has recently decided on a standard contract to support the Re-MAT transaction process.

Re-Assessment, Continued

- With comparable renewable pricing now 8 to 9 cents/kWh, the burden associated with the current FiT100 has ballooned:
  - The additional customer cost impact of first 20 MW allocation at 17 cents/kWh over 20 years versus other renewable programs at 8-9 cents/kWh: $68-61 million.
  - Total excess customer cost for continuation of all 100 MW of the five 20MW allocations (17 cents, 16 cents, 15 cents, 14 cents, and 13 cents) versus other renewables:
    - ✓ Other renewables at 8 cents/kWh: $268 million, and
    - ✓ Other renewables at 9 cents/kWh: $231 million.
- Incremental carbon impact reduction from FiT versus other solar renewables:
  - There are ZERO additional carbon benefits versus lower cost renewables.
- The current FiT100 strategy is "not Pareto optimal" versus cost or carbon reduction (i.e., we can do better than this program in achieving either goals of lower cost or carbon):
  - We could cut the cost by over $250 million via market pricing and buying additional large scale solar at under 8 cents/kWh with the same carbon savings;
  - Or, we attempt to move the IPP shutdown forward by an additional year (while also going to market pricing on FiT solar) for about the same cost but with greater carbon savings.
- Claimed PR benefits of "sharing impact of the generation" are very expensive and probably illusory in the context of the $1 billion in other DWP cost burdens added since January .
  - For example, the incremental cost impact of the first 20 MW allocation ($61-$68 million) exceeds all City 2013 primary and general election spending ($60 million).

Recommendation

- Given significant over-subscription of the first 20 MW FiT100 allocation and lower overall renewables market pricing, conduct a re-assessment of the program at the six month point as advised by my Office in January 2013. Request the OPA and the DWP, including the CLA/CAO, to conduct the re-assessment and to report back to the DWP Board and City Council in 75 days. Until the re-assessment is complete:
  - the DWP Board and Management should suspend the planned second 20 MW FiT 100 bidding now set to begin July 8;
  - the DWP should suspend execution of any further contracts in the first 20 MW FiT allocation; and
  - the study should consider, among other alternatives, having the DWP FiT100 program mirror pricing and contracting terms of the CPUC's Re-MAT program to minimize burdens on developers associated with multiple jurisdictions with differing programs.
- This is necessary because of changed circumstances.
  - DWP ratepayers have take on almost $1 billion in increased burdens approved by this Board since January, not including the FIT100 program:
    - ✓ the Navajo & IPP coal elimination added an anticipated $700 million or greater burden, and
    - ✓ the unanticipated short-term purchased water increase of over $250 million (versus (FY11-12).
  - A FiT Re-MAT program mirroring with the CPUC program and/or large scale renewables projects can meet the key cost and carbon reduction goals at lower cost, lower carbon emission, or both.



SUPPORTING ANALYSIS

Renewable Auction Mechanism – CPUC 2012 Q1Q2 Report – Under 9 cents/kWh

- In December 2010, the CPUC adopted the Renewable Auction Mechanism (RAM), a competitive solicitation mechanism for renewable DG projects up to 20 MW in size. The decision initially authorized the procurement of 1,000 MW (later increased to 1,299 MW) of renewable DG over four auctions.

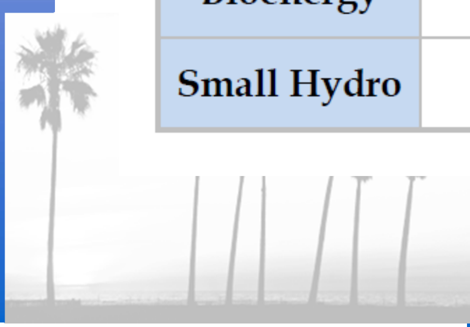
- The first RAM auction closed on November 15, 2011. The weighted average price of all of these contracts (post-time-of-delivery adjusted) was less than 9 cents/kWh.

Table 5. Number of Bids and Executed PPAs by Technology Type Across All IOUs

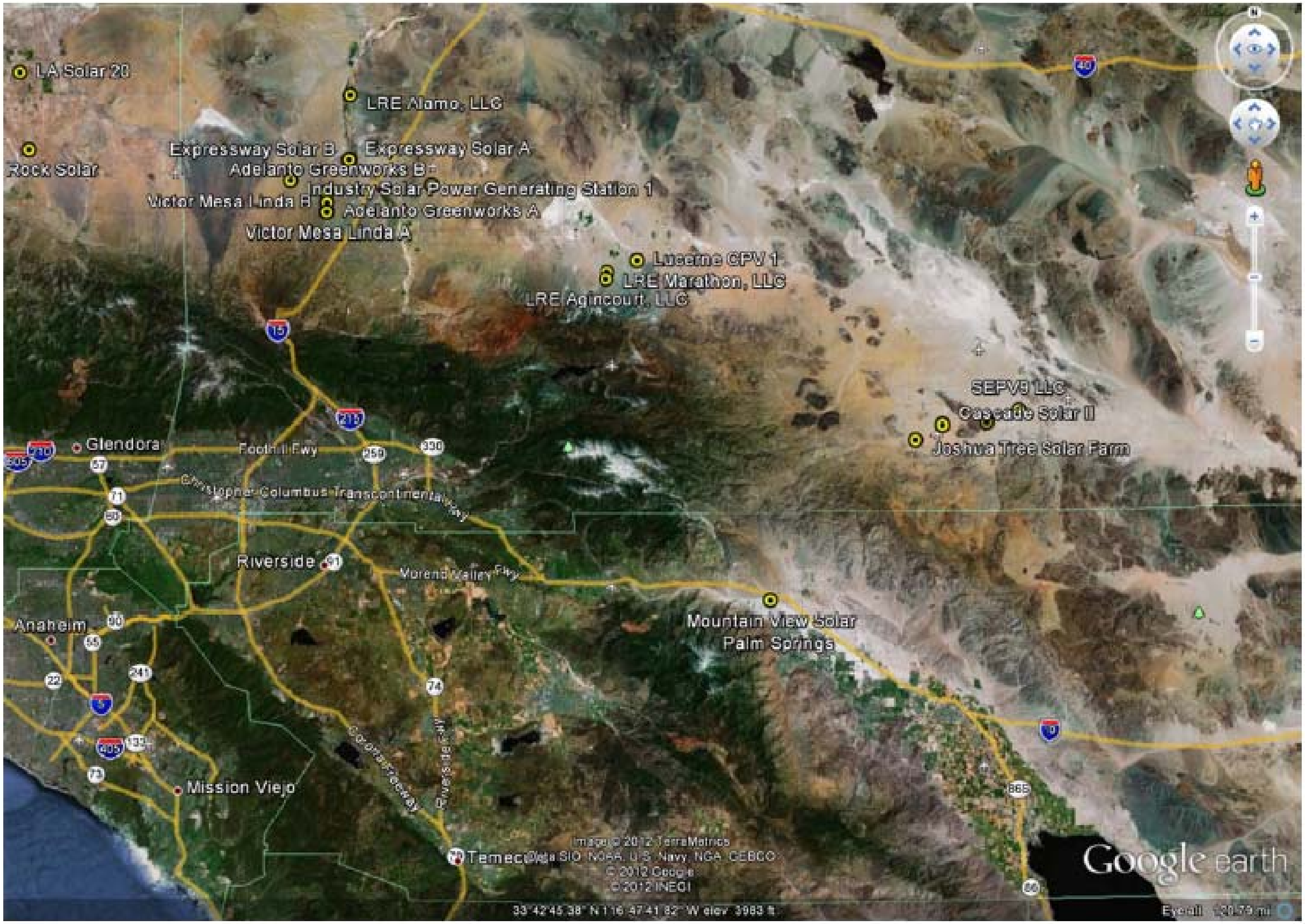
	# of Bids	# of Executed PPAs
Solar PV	235	11
Wind	1	1
Geothermal	3	1
Bioenergy	4	0
Small Hydro	3	0

Table 6. Number of Bids and Executed PPAs by Capacity Size (MW) Across All IOUs

Capacity (MW)	# of Bids	# of Executed PPAs
1-3	40	3
>3-5	15	1
>5-10	41	3
>10-15	30	2
>15-20	117	4



Renewable Auction Mechanism – SCE 1st RAM Report, SoCal only



Renewable Auction Mechanism – CPUC 2012Q3Q4 Report – Again Under 9 cents/kWh

- The second RAM auction closed on May 31, 2012. In Q3 2012, the weighted average price of all of these contracts (post–time-of-delivery adjusted) was again less than 9 cents/kWh.

- In Q3 2012, the CPUC approved 17 projects, representing 255 MW of capacity from the second RAM auction. Of these 17 contracts, 12 were for solar PV projects (208 MW of a total 255 MW).

Table 3. Number of Bids and Executed PPAs from Second RAM Auction by Technology Type Across All IOUs

	# of Bids	# of Executed PPAs
Solar PV	337	12
Wind	21	2
Geothermal	8	1
Bioenergy	9	1
Small Hydro	4	1

Table 4. Number of Bids and Executed PPAs from Second RAM Auction by Capacity (MW) Across All IOUs

Capacity (MW)	# of Bids	# of Executed PPAs
1-3	33	0
>3-5	31	2
>5-10	50	4
>10-15	44	1
>15-20	221	10

Renewable Auction Mechanism – SCE 2nd RAM Report

Appendix D
Location of Bids by County in Map Format