Solar FIT Update and 2014 Pricing Options

Agenda

- Solar FIT status
- Options for Solar FIT Program in 2014
- Costs and bill implications

Why the Solar FIT?

- Accelerate deployment of solar in Gainesville and allow opportunity for many participants
- Encourage early private investment/ innovation
- Promote job growth
- Achieve renewable energy/ carbon reduction goals
- Balance solar PV as a good long-term (20 year) investment for both investors and our customers

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Solar FIT Program Highlights

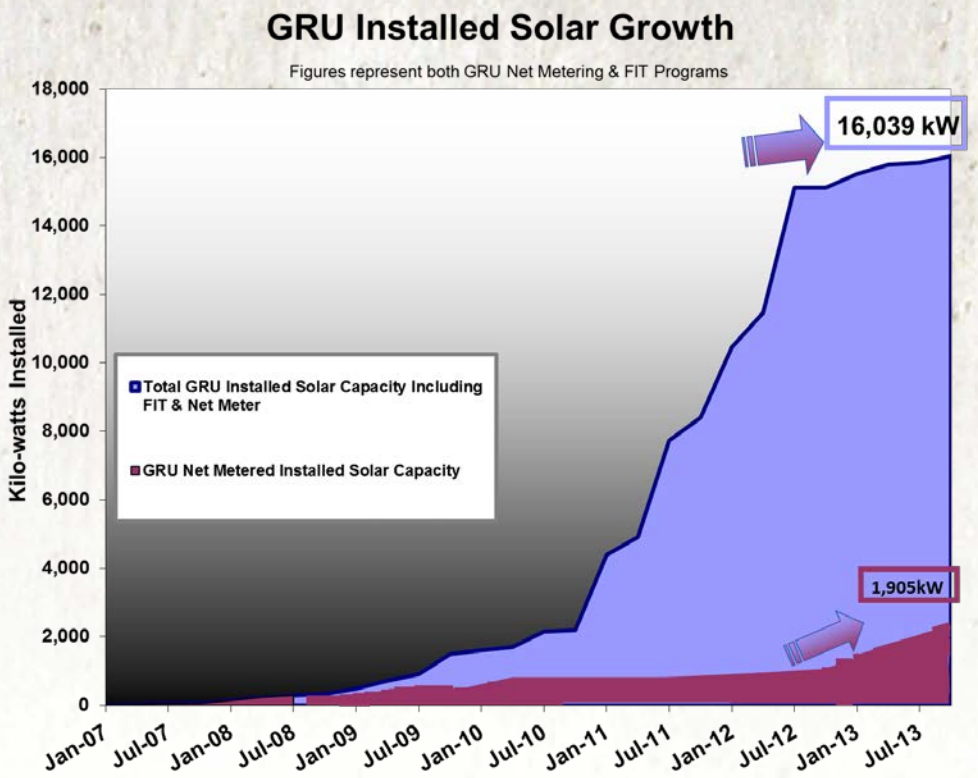
- Over 14 MW installed through Sept 2013 – additional 4.4 MW currently under construction
- Hundreds of participants in program
- Estimated over $60 million of capital investment by FIT project owners
- Steadily offer decreased annual solar rate paid while still maintaining local demand and interest

What Has Changed…

- Solar costs have come down significantly but remain more expensive than GRU's traditional generation
- GRU electric rates are not competitive and adding more solar puts more upward pressure on electric rates
- GRU has excess generating capacity during the intermediate planning horizon
- Recently approved changes to the net metering policy should keep a high level of interest/ incentive for customers that want to offset their GRU electric usage and can afford the capital cost

Solar…

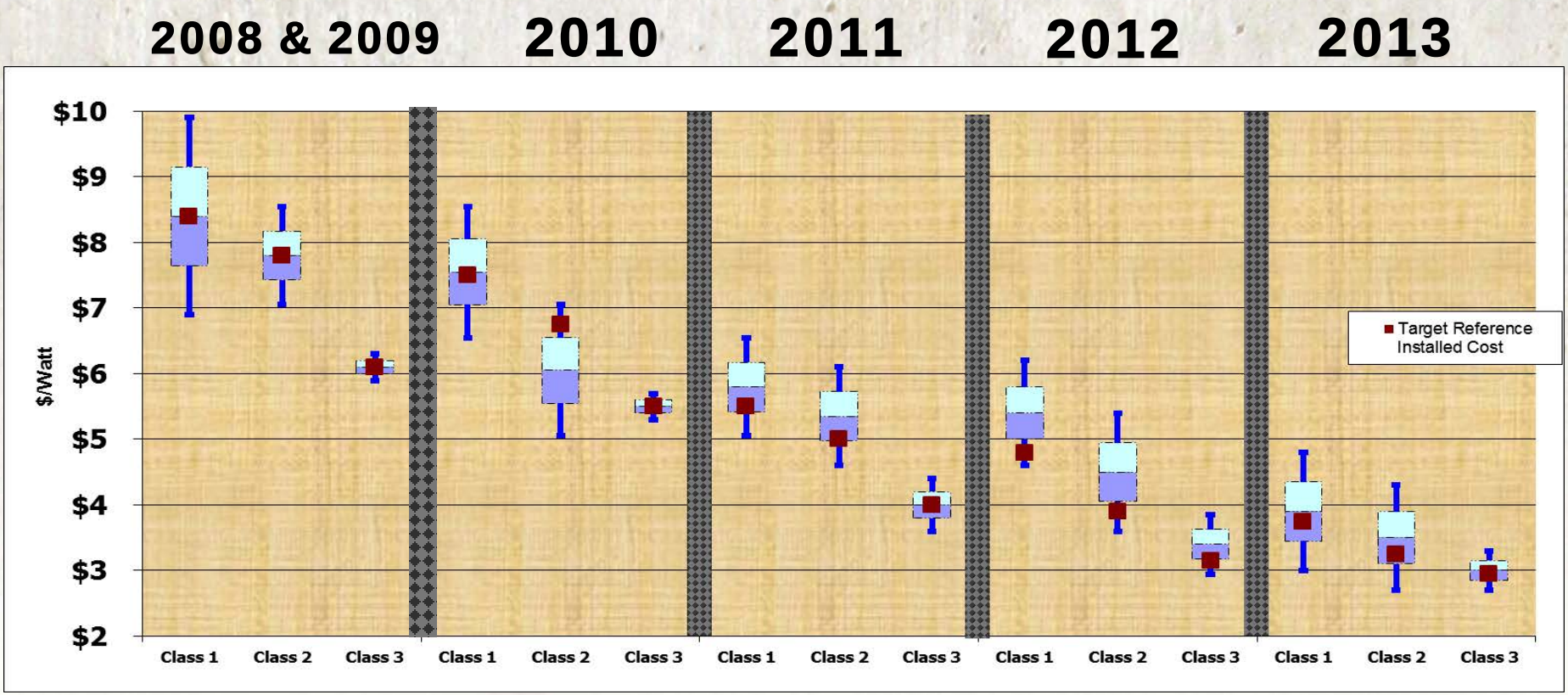
- Policies developed to lead the market
- Programs implemented successfully
- Solar markets are changing and costs have declined; as designed GRU has paid lower rate over time



Three classes of FIT projects

- **Class 1:** Small rooftop and ground mount 10 kW or less
- **Class 2:** Large rooftop greater than 10 kW and less than 300 kW; small ground mount 10 to 25 kW
- **Class 3:** Large ground mount greater than 25 kW

GRU Solar Installed Cost Data



2014 Proposed FIT Pricing

Contract Entered into Under This Policy During Calendar Year	Fixed Rate per kWh Applied Uniformly From the Date of Installation Through December 31,	Fixed Rate $/kWh Over Life of Contract			Reference Installed Solar Cost per Watt		
		Class 1	Class 2	Class 3	Class 1	Class 2	Class 3
2009	2029	N/A	$0.32	$0.26	$7.50	$7.50	$6.10
2010	2030	N/A	$0.32	$0.26	$7.50	$7.50	$6.10
2011	2031	$0.32	$0.29	$0.24	$7.50	$6.75	$5.50
2012	2032	$0.24	$0.22	$0.19	$5.50	$5.00	$4.00
2013	2033	$0.21	$0.18	$0.15	$4.80	$3.90	$3.15
2014	**2034**	**$0.18**	**$0.16**	**$0.14**	**$3.75**	**$3.25**	**$2.95**

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Solar FIT Effect on Rates

- Solar FIT payments are classified as purchased power fuel expenses
- Program cost impact is cumulative
  - Premiums paid are compounded as annual solar generation increases (although at decreasing levels due to yearly payment decreases and projections of increases in traditional fossil fuels over time); also assumes GRU will eventually need new generation capacity addition within next 10-15 years
- The 4 MW cap limits impact on rates

2014 FIT Program Options

- **Option 1 (4.5 MW):** Offer full 4 MW + .5 MW rollover at recommended 2014 pricing
  - 2.65 MW capacity in existing queue
  - 1.35 MW capacity expected to be available for 2014 open solicitation
  - .5 MW estimated capacity not constructed in 2013
- **Option 2 (4.0 MW)** : Offer full 4MW at recommended 2014 pricing
  - 2.65 MW capacity in existing queue
  - 1.35 MW capacity expected to be available for 2014 open solicitation
- **Option 3 (2.65 MW):** Offer only existing queue capacity at recommended 2014 Pricing
  - 2.65 MW capacity potential from existing queue
  - 0.00 MW capacity from 2014 open solicitation
- **Option 4 (0 MW):** Offer no capacity in 2014
  - 0.00 MW capacity from existing queue
  - 0.00 MW capacity from open solicitation

Historical FIT Purchased Power Costs

Calendar YR	FIT Program Capacity (MW)	FIT Purchased Power (MWh)	% FIT of NEL	FIT Purchased Power ($)	% FIT of Total Fuel & Purchased Power Costs	FIT Purchased Power ($/MWh)	Estimated Avoided Fuel Cost from FIT* ($)	Purchased Power Costs from FIT ($)
2009/2010	6.66	1,650	0.0%	$513,000	**0.2%**	$311	($69,000)	**$444,000**
2011	6.18	7,269	0.4%	$2,230,000	**2.0%**	$307	($275,000)	**$1,955,000**
2012	1.24	15,839	0.8%	$4,580,000	**4.6%**	$289	($432,000)	**$4,148,000**
2013 (Estimated)	4.47①	20,100	1.1%	$5,576,000	**5.7%**	$277	($681,000)	**$4,895,000**
Total 2009-2013	18.55	44,858	0.4%	$12,899,000	**2.3%**	$287	($1,457,000)	**$11,442,000**

* Avoided Fuel Costs estimated on average annual commodity natural gas costs from GRU Combined Cycle Unit with average net heat rate of 8.8 mmbtu/ MWh.

-2009: $4.85 * 8.8 = $42.68/MWh
-2010: $4.60 * 8.8 = $40.48/MWh
-2011: $4.30 * 8.8 = $37.84/MWh
-2012: $3.10 * 8.8 = $27.28
-2013: $3.85 * 8.8 = $33.88
-2014: $4.00 * 8.8 = $35.20

① approx 0.50 MW dropped from 2013 capacity

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Estimated Cost Impact of 2014 FIT Program - Four Variations

Calendar YR	FIT Program Capacity (MW)	FIT Purchased Power (MWh)	FIT Purchased Power ($)	FIT Purchased Power ($/MWh)	Estimated Avoided Fuel Cost from FIT* ($)	Estimated Increased Purchased Power Costs from 2014 FIT Capacity Options (YR 1)	Estimated Increased Purchased Power Costs from 2014 FIT Capacity Options (20 YRS)
2009-2013 Previous Program Commitment	18.55	25,200	$6,400,000	$254	($887,000)	**$5,513,000 (Prior Commitment)**	**$74M-$84M (Prior Commitment)**
2014 Option 1	4.5	6,701	$1,050,000	$157 (Blended Avg)	($236,000)	**$814,000**	**$7.5M-$10.5M**
2014 Option 2	4	5,956	$929,000	$156 (Blended Avg)	($210,000)	**$719,000**	**$6.7M-$9.2M**
2014 Option 3	2.65	3,946	$602,000	$152 (Blended Avg)	($139,000)	**$463,000**	**$4.2-$5.8M**
2014 Option 4	0	0	$0	$0	$0	**$0**	**$0**

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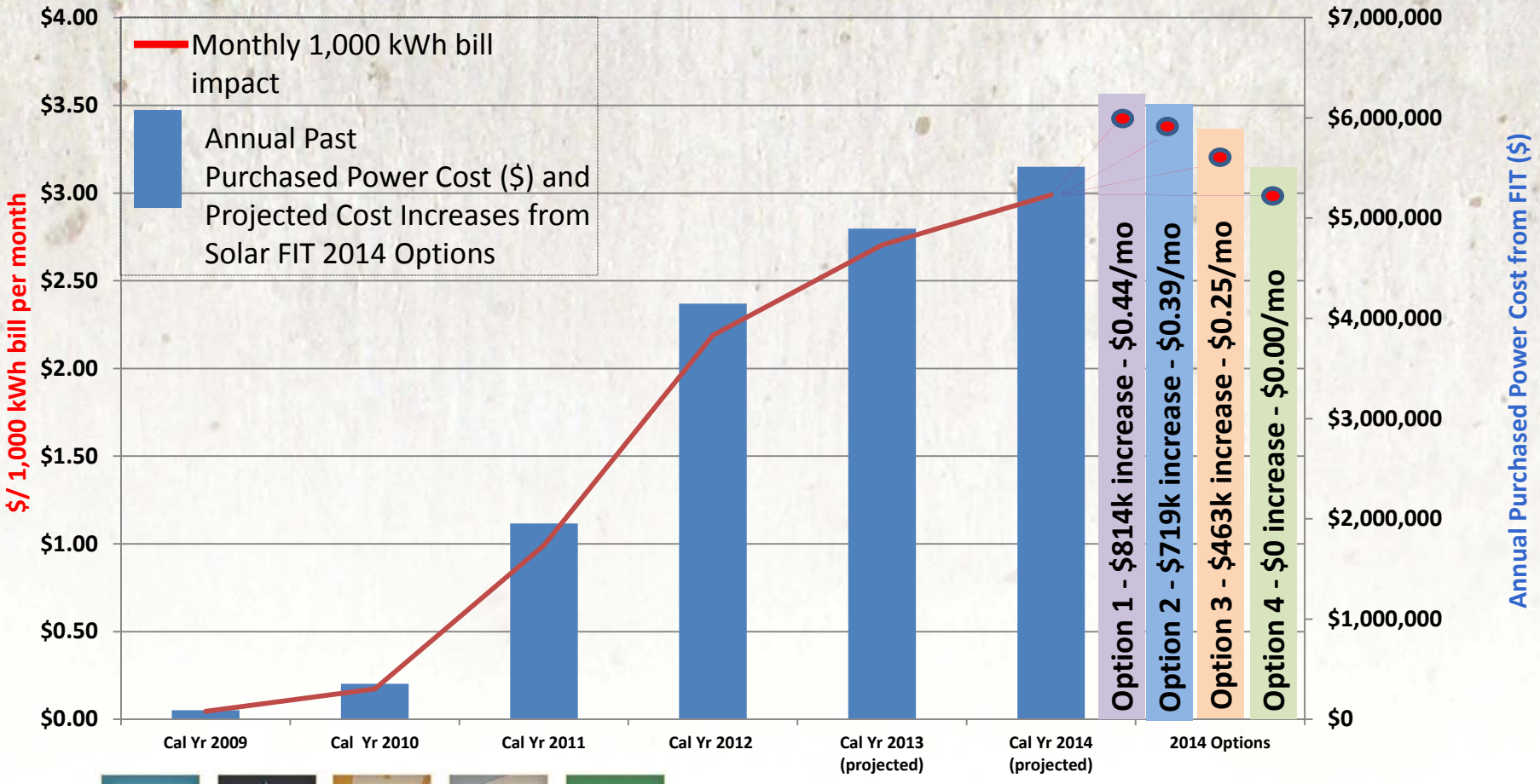
Solar FIT Cost Impact per Monthly 1,000 kWh Bill & Annual Increased Purchased Power Costs



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Recommendation

- The City Commission determine capacity allocation for 2014, and as needed, direct the City Attorney to draft, and City Clerk to advertise, any rate changes necessary to implement that option.

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