

The logo for GRU100, featuring the letters 'GRU' in white and '100' in blue, all contained within a dark blue rectangular box.

100 YEARS of SERVICE | 1912-2012

GRU Solar FIT Update and 2013 Pricing Recommendations

October 18, 2012



Solar FIT Status Update



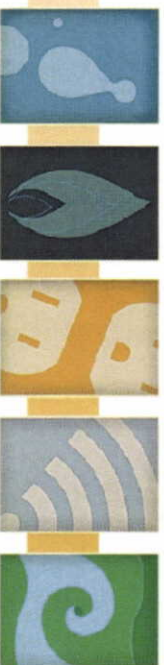
Why the Solar FIT?

- 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 investment for both investors and our customers



Solar FIT Program Highlights

- Approximate 14 MW installed through Sept 2012
- 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

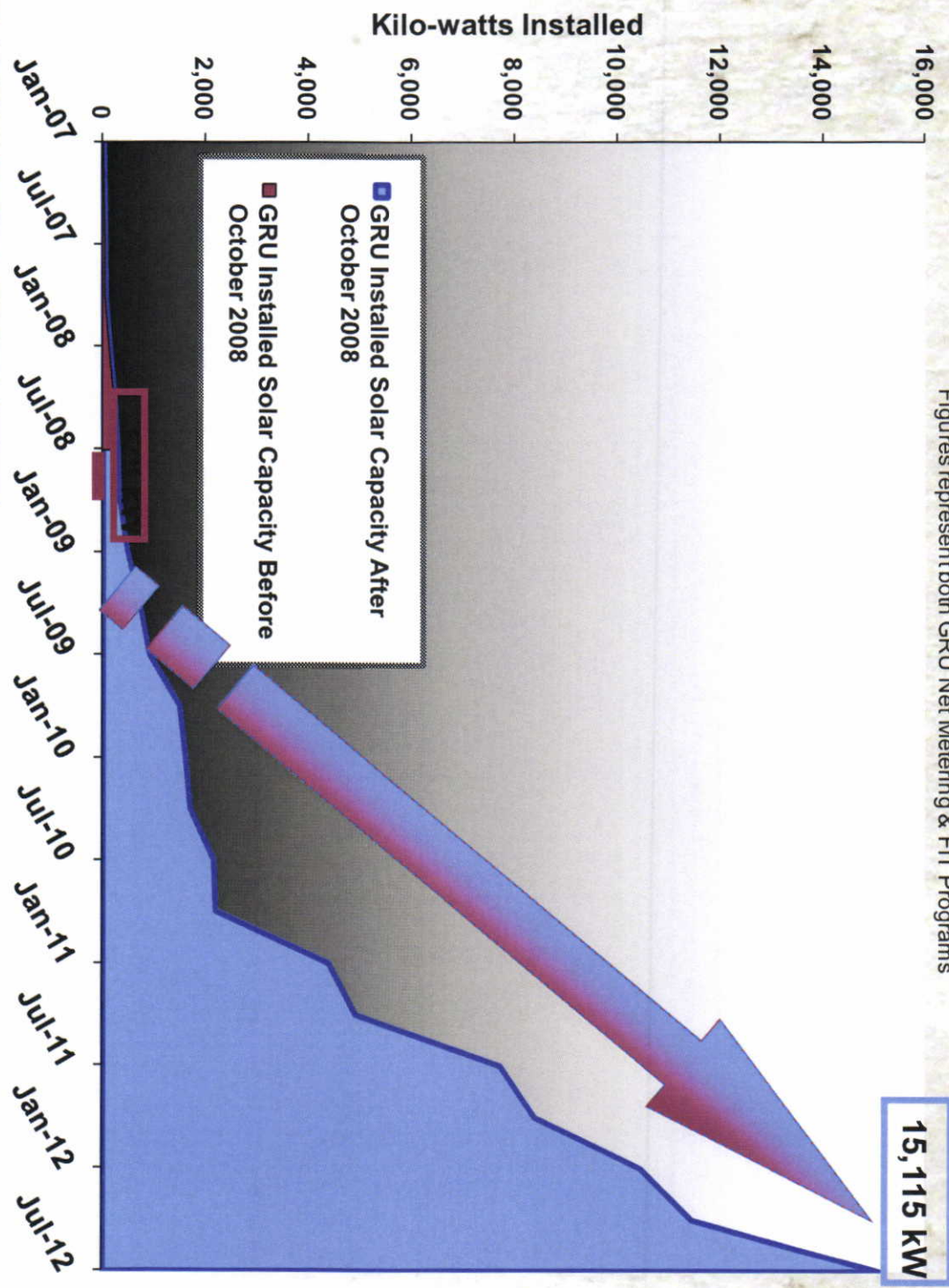


GRU100

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GRU Installed Solar Growth

Figures represent both GRU Net Metering & FIT Programs



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



2012 Status and Future Options

- Projects must be completed by October 31 (rooftop) or December 31 (ground mount)
- 1 MW installed from 2.25 MW* allotted 2012 capacity
- 1.25 MW pending construction completion from 2012 capacity
- In 2013, 3 MW capacity committed from original queue –1 MW available to open solicitation for Jan 2013 if approved
- Annual capacity addition has long-term upward rate pressure
- Unused capacity could be:
 - Rolled over and included in next solicitation
 - Added to a later year
 - Retained

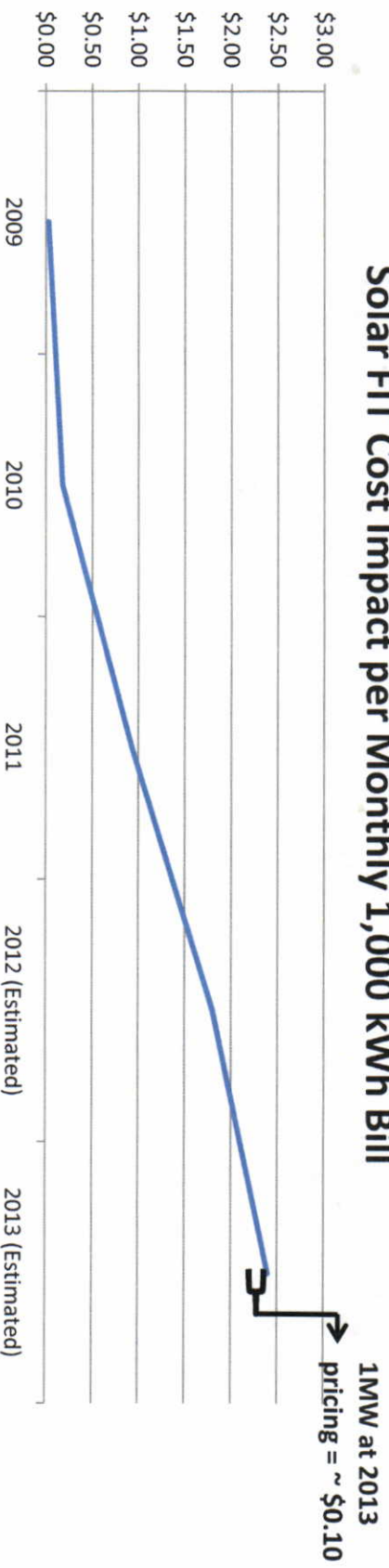
* 1.75 MW of 2012 capacity placed into 1MW 2011 supplemental capacity opening to remain cost neutral



Solar FIT Cost Impacts

- Solar FIT payments are classified as purchased power fuel expenses
- Solar cost payments contain cost premium over conventional forms of fossil fuels used to generate electricity (reason 4 MW annual cap was placed)
- Program cost impact is cumulative – meaning the premiums paid are compounded as annual program capacity is increased (although at decreasing levels of impact as GRU FIT rates drop, and costs for traditional generation options increase)

Solar FIT Cost Impact per Monthly 1,000 kWh Bill



2013 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		
		Class 1	Class 2	Class 3
2009	2029	N/A	\$0.32	\$0.26
2010	2030	N/A	\$0.32	\$0.26
2011	2031	\$0.32	\$0.29	\$0.24
2012	2032	\$0.24	\$0.22	\$0.19
2013	2033	\$0.21	\$0.18	\$0.15



Solar FIT 2013 Pricing Recommendations



Solar Market Cost Trends

- Multiple drivers contribute to PV module/panel costs falling 35-45% in 2012 vs. 2011
- Global market supply and demand dynamics
 - Dropping costs of raw materials
 - Maturing industry; manufacturing process efficiency gains realized
 - Significant downward pressure on European program incentives (lower rates, quotas)
- Global manufacturing overcapacity leading to high levels of inventory



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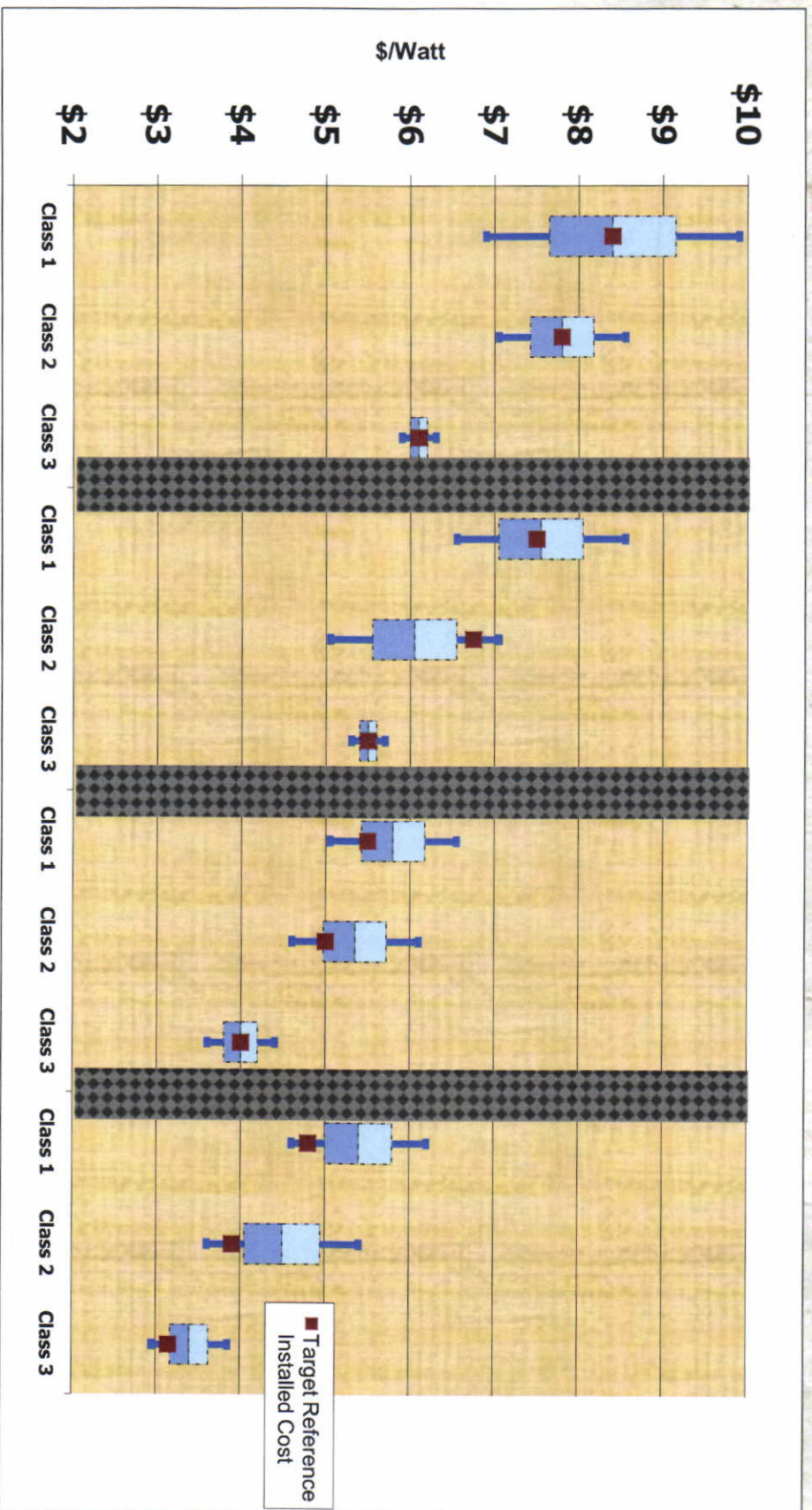
GRU Solar Installed Cost Data

2008 & 2009

2010

2011

2012



Solar Financial Model Notes

- Federal tax incentives still eligible to those who qualify (in lieu of cash grant expiration)
- Cost decreases observed in solar market supply chain support continual year-over-year reductions in GRU Solar FIT pricing rate offered
- After-tax cash flow yields long term rate-of-return given verified lower reference solar cost data



2013 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



Recommendation

- The City Commission direct the City Attorney to draft, and City Clerk to advertise ordinances to adopt the recommended 2013 Solar Feed-In-Tariff rates for contracts entered into during Calendar Year 2013.

