LUS Power Generation
September 2017
Purpose of the Presentation

• LPUA, Council members and the Administration have received e-mails from constituents concerning future electric generation plans for Lafayette
  
  • It appears that these officials received less than 24 e-mails, with almost identical wording
  
  • The purpose of this presentation is to address the substance of these e-mails and to provide LUS’s recommendations for future electric generation
Listing of the Expressed Concerns in these E-mails

• Opposition to LUS budget item to spend $120 million on a natural gas power plant

• While LUS residential rates are very low, LUS commercial rates are high

• Demand for more Renewable Power for Lafayette
LUS Budget for $120 million for New Generation

• 2016 – LUS budget approved for $120 million to replace retired Doc Bonin Plant

• $26 million to demolish the old plant/oil storage tanks, plus engineering costs

• Remaining $94 million will be used to build 72 Megawatts of new generation
  • MISO requires its members to provide sufficient **Capacity** to serve its load
  • LUS is currently purchasing 73 MW of Capacity to meet MISO requirements
  • Projections are that Capacity purchase prices may increase significantly

• LUS wants to construct these Natural Gas units before Capacity prices escalate

• EPA suspension of Clean Power Plan has temporarily delayed the urgency to build these units, as MISO-required Capacity is still widely available

• As such, LUS is not moving forth with the construction of these new units…yet
LUS Commercial Rates

• Commercial customer operations vary significantly (ranging from 24 hour operations to 8-to-5 schedules)...

• From industrial complexes in areas like Baton Rouge and Lake Charles, to a simple single sewage system pump, there are a number of variables that impact commercial rates

• Commercial Rate Comparisons (July 2017)

  • Lake Charles and Baton Rouge (Entergy) 7.55 cents/kWh
  • LUS 8.29 cents/kWh
  • New Iberia (CLECO) 9.56 cents/kWh
  • Shreveport (SWEPCO) 9.66 cents/kWh
  • Alexandria 10.02 cents/kWh
  • New Orleans (Entergy New Orleans) 10.31 cents/kWh
Commercial Customers Demand Reliable Service

- Commercial customers are very sensitive to any disruptions in electric service
  - While a residential customer may suffer inconvenience due to power outages,
  - Commercial Customers are Out-of-Business when Power is Out
- LUS’s Electric Reliability consistently ranks the “Best in the State”, because LUS has the Fewest Outages and the Shortest Outages
- These means Lafayette business owners can be more secure that their businesses won’t be Out-of-Lights
- According to a Reliability Calculator funded by Lawrence Berkeley National Laboratory and the Department of Energy, Lafayette (mostly businesses) is saving over $90 million per year due to LUS’s superior system reliability
Lafayette Should Move To Renewable Energy

- LUS joined MISO in 2013 (despite local environmental community objections)
- By 2015, LUS rates dropped by 11%
  - Note: 14% of current MISO market is Renewable
- MISO’s cost to LUS is 3.2 cents per kilowatt-hour
- As compared to Indicative Pricing for Solar to Lafayette of:
  - 5.5 Cents per kilowatt-hour (2016)
  - 4.4 Cents per kilowatt-hour (2017)
- This means 2017 Solar is 37% more expensive
- If LUS bought more Solar energy Today, ALL LUS customers would pay more
Popularity of Rooftop Solar In Lafayette Has Faded

- Rooftop Solar was popular while it was subsidized 30% (Federal) and 50% (State of Louisiana – for a total subsidy of 80%)
  - $25,000 rooftop solar residential installation cost the owner $5,000 after rebates
- Louisiana has eliminated its generous 50% solar tax credit
  - The number of new solar installations have plummeted
  - Suggesting the major driver for Solar units was these Tax Credits
- LUS has 260 customers with Rooftop Solar (out of 67,033 customers – or 4/10ths of 1%)

New Net Meter Customers (by Year)
Lincoln, Nebraska Has Been Held Up As A Model

- Some have suggested that Lincoln Electric System has reduced their rates even after heavily investing in Renewables.

- A detailed comparison between LUS electric rates Lincoln’s rates suggest LUS rates are consistently lower.

- Lincoln had more dependency on Coal than Lafayette.

- Lincoln opted out of ownership in one of its coal plants because one of the other owners wanted to buy them out.

- Even after that sale, Lincoln’s generation portfolio is divided evenly between Coal, Natural Gas and Renewables – while LUS’s dependency on coal is 39%.

- Key Point: LUS’s Rodemacher Plant provides LUS with 242MW of Capacity for MISO – nearly half the needed Capacity for LUS to retain the benefits of low MISO energy costs.
Lincoln, Nebraska Has Been Held Up As A Model

- Lincoln performed a survey of its customers to gauge interest in a Community Solar Program

- Survey results - Over 50% of the respondents indicated they were willing to pay $1 or more per month to incorporate additional renewable resources in Lincoln

- As it turned out, only a very small portion of their customers actually participated in their Community Solar Program
  - More than half of the 1,200 participants were Residential Customers

- Proportionately, that would equate to about 335 LUS residential customers – which is not much more than the current 260 LUS rooftop solar customers
While Renewable Energy Costs Are Slowly Dropping, There Are Good Reasons To Proceed With Caution

• California has the most installed utility-scale solar capacity in the US
  
  • In fact, it has more solar than the rest of the Top 10 combined

• California’s average residential rate is 19.39 cents/kWh (More than twice LUS)
  
  • Los Angeles
    
    • Residential bill (1,000 kWh) = $183.13 (vs. LUS $88.97)
    
    • Reliability – Outages last 5 times longer than LUS
      
      • Outages occur about 37% more often than LUS
California Issues Statewide Flex Alert
Due to Heat Wave

“Consumers are urged to conserve electricity especially during the late afternoon when air conditioners are typically at peak use...

Persistent hot temperatures and tight supply can strain the power grid as air conditioner use increases.”
LUS Is Listening

• LUS is owned by the City of Lafayette – Its customers are the citizens and business owners of Lafayette

• We have a tradition of bringing in the best experts to help us plan for the future
  • Experts who have also been involved in many successful Renewable deployments

• We understand some concerned citizens want to see more Renewables

• But, we are also sensitive to other customers who are concerned about reliability and impacts to their utility bills

• LUS will reach out to the broader community to receive comprehensive input concerning Renewables

• Even with the project in the approved budget, LUS cannot move forward with the construction of new power plants without multiple additional actions by the LPUA and Council