



# Renewable Energy Transmission Initiative Phase 1B Work Group Meeting 3

**Black & Veatch**

**Phase 1B Work Group**

**June 12, 2008**

# Agenda

- Actions taken last meeting
  - Adoption of reference forecast
  - Adoption of high and low energy price scenario methodology
  - Review of net short calculation
- Resource Valuation Model

# Phase 1B Work Group Issues

- Energy price forecast –reference and sensitivities
- Net short calculation
- Resource valuation model review
- Project characterization & identification
- Transmission cost assumptions
- Uncertainty assumptions - cost and CF data by resource type
- Advise on sensitivity analyses and data



1 week

1 week

TBD

TBD

TBD

## Cost of Generation

### Very simple pro forma model to determine the after-tax cash flows for a project

- Designed to highlight differences between renewable energy projects
- Solves for an equity return “hurdle”.
  - The NPV of cash flows must be zero when discounted by the cost of equity (i.e. the project will return exactly the cost of equity)
- Implements the PTC, the ITC, and several different depreciation schedules

## For those following along at home ...

The spreadsheet takes advantage of the fact that the NPV of cash flows is linear with year 1 cost.

1. The TABLE() function runs two year 1 cost scenarios and finds the associated NPVs. This defines the line that relates the two variables.
2. The line is solved for  $NPV = 0$ , which gives the year 1 cost to populate the pro forma.
3. LCOE is calculated from the energy costs over the life of the project.



# Thank You!

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