

LAZARD'S LEVELIZED COST OF ENERGY ANALYSIS—VERSION 9.0

LAZARD

Introduction

Lazard's Levelized Cost of Energy Analysis ("LCOE") addresses the following topics:

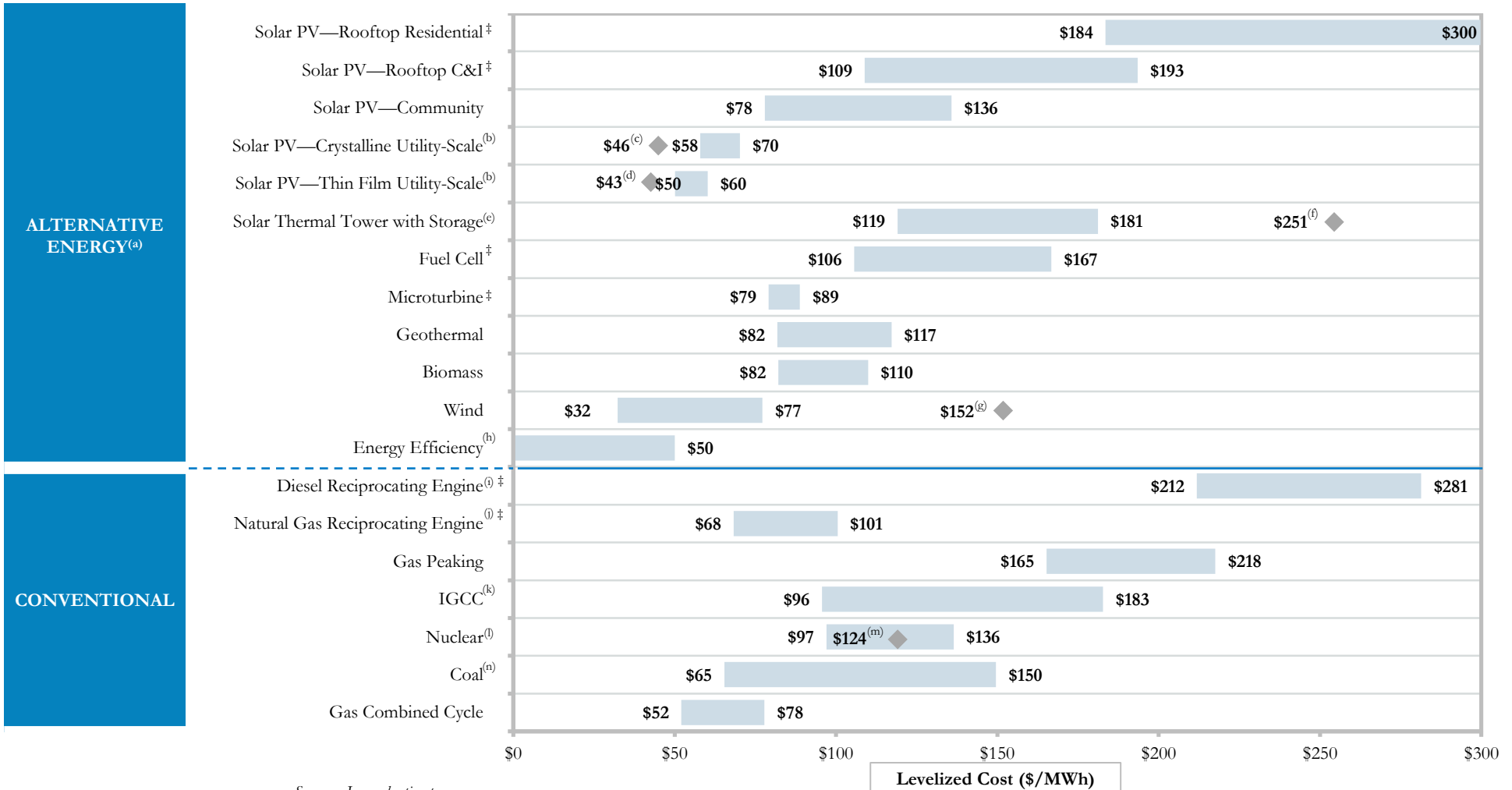
- Comparative "levelized cost of energy" for various technologies on a \$/MWh basis, including sensitivities, as relevant, for U.S. federal tax subsidies, fuel costs, geography and cost of capital, among other factors
- Comparison of the implied cost of carbon abatement for various generation technologies
- Illustration of how the cost of various generation technologies compares against illustrative generation rates in the largest metropolitan areas of the U.S.
- Illustration of utility-scale and rooftop solar versus peaking generation technologies globally
- Illustration of how the costs of utility-scale and rooftop solar and wind vary across the United States, based on average available resources
- Illustration of the declines in the levelized cost of energy for various generation technologies over the past several years
- Comparison of assumed capital costs on a \$/kW basis for various generation technologies
- Illustration of the impact of cost of capital on the levelized cost of energy for selected generation technologies
- Decomposition of the levelized cost of energy for various generation technologies by capital cost, fixed operations and maintenance expense, variable operations and maintenance expense, and fuel cost, as relevant
- Considerations regarding the usage characteristics and applicability of various generation technologies, taking into account factors such as location requirements/constraints, dispatch capability, land and water requirements and other contingencies
- Summary assumptions for the various generation technologies examined
- Summary of Lazard's approach to comparing the levelized cost of energy for various conventional and Alternative Energy generation technologies

Other factors would also have a potentially significant effect on the results contained herein, but have not been examined in the scope of this current analysis. These additional factors, among others, could include: capacity value vs. energy value; stranded costs related to distributed generation or otherwise; network upgrade, transmission or congestion costs; integration costs; and costs of complying with various environmental regulations (e.g., carbon emissions offsets, emissions control systems). The analysis also does not address potential social and environmental externalities, including, for example, the social costs and rate consequences for those who cannot afford distribution generation solutions, as well as the long-term residual and societal consequences of various conventional generation technologies that are difficult to measure (e.g., nuclear waste disposal, environmental impacts, etc.)

While prior versions of this study have presented the LCOE inclusive of the U.S. Federal Investment Tax Credit and Production Tax Credit, Versions 6.0 – 9.0 present the LCOE on an unsubsidized basis, except as noted on the page titled "Levelized Cost of Energy—Sensitivity to U.S. Federal Tax Subsidies"

Unsubsidized Levelized Cost of Energy Comparison

Certain Alternative Energy generation technologies are cost-competitive with conventional generation technologies under some scenarios; such observation does not take into account potential social and environmental externalities (e.g., social costs of distributed generation, environmental consequences of certain conventional generation technologies, etc.) or reliability-related considerations (e.g., transmission and back-up generation costs associated with certain Alternative Energy technologies)



Source: Lazard estimates.

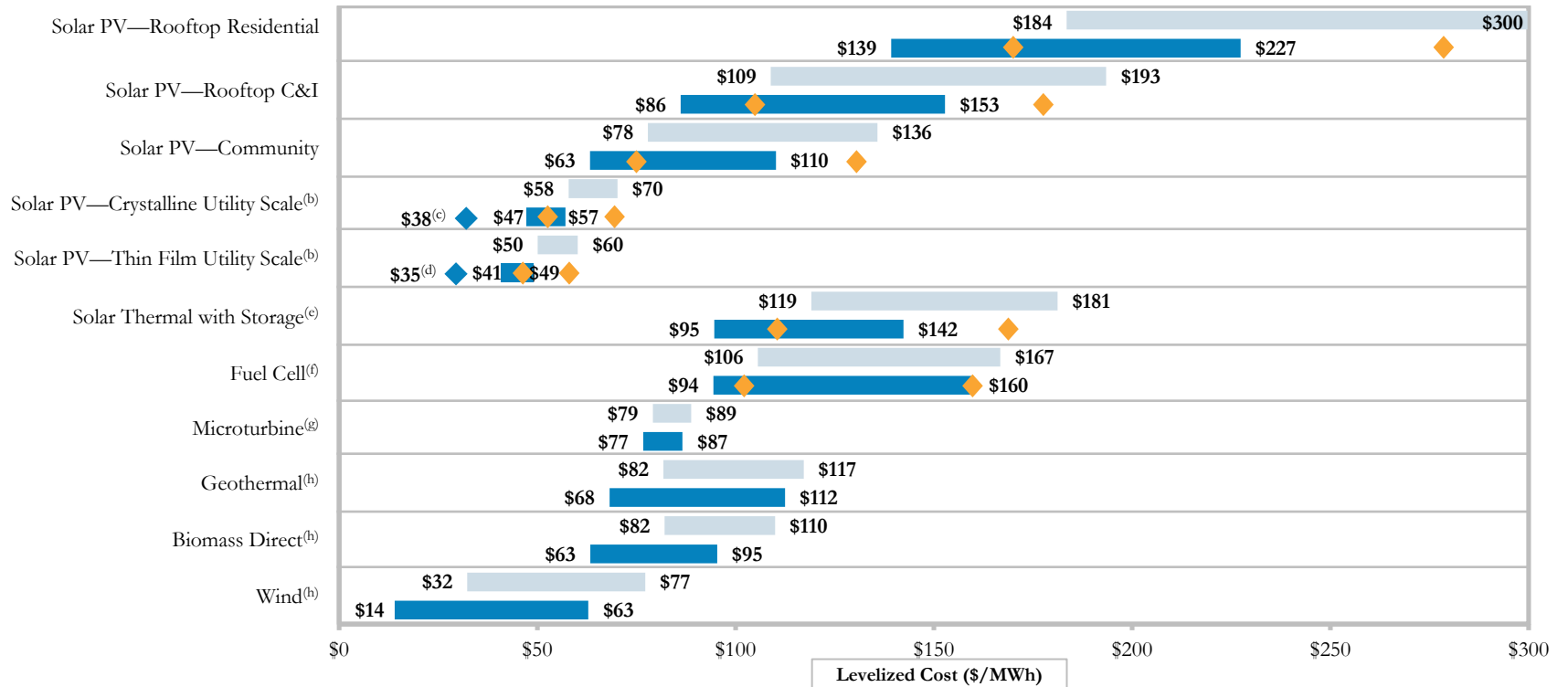
Note: Here and throughout this presentation, unless otherwise indicated, analysis assumes 60% debt at 8% interest rate and 40% equity at 12% cost for both conventional and Alternative Energy generation technologies. Assumes diesel price of ~\$2.50 per gallon, Northern Appalachian bituminous coal price of ~\$2.00 per MMBtu and a natural gas price of ~\$3.50 per MMBtu for all applicable technologies other than Natural Gas Reciprocating Engine, which assumes ~\$5.50 per MMBtu. Analysis does not reflect potential impact of evolving regulations/rules promulgated pursuant to the EPA's Clean Power Plan. See following page for footnotes.

Unsubsidized Levelized Cost of Energy Comparison (cont'd)

- (a) Analysis excludes integration costs for intermittent technologies. A variety of studies suggest integration costs ranging from \$2.00 to \$10.00 per MWh.
- (b) Low end represents single-axis tracking system. High end represents fixed-tilt design. Assumes 30 MW system in high insolation jurisdiction (e.g., Southwest U.S.). Does not account for differences in heat coefficients, balance-of-system costs or other potential factors which may differ across solar technologies.
- (c) Diamond represents estimated implied levelized cost of energy for crystalline utility-scale solar in 2017, assuming \$1.35 per watt for a single-axis tracking system.
- (d) Diamond represents estimated implied levelized cost of energy for thin film utility-scale solar in 2017, assuming \$1.35 per watt for a single-axis tracking system.
- (e) Low end represents concentrating solar tower with 18-hour storage capability. High end represents concentrating solar tower with 10-hour storage capability.
- (f) Diamond represents an illustrative solar thermal facility without storage capability.
- (g) Represents estimated implied midpoint of levelized cost of energy for offshore wind, assuming a capital cost range of \$3.10 – \$5.50 per watt.
- (h) Estimates per National Action Plan for Energy Efficiency; actual cost for various initiatives varies widely. Estimates involving demand response may fail to account for opportunity cost of foregone consumption.
- (i) Represents distributed diesel generator with reciprocating engine. Low end represents 95% capacity factor (i.e., baseload generation in poor grid quality geographies or remote locations). High end represents 10% capacity factor (i.e., to overcome periodic blackouts). Assumes replacement capital cost of 65% of initial total capital cost every 25,000 operating hours.
- (j) Represents distributed natural gas generator with reciprocating engine. Low end represents 95% capacity factor (i.e., baseload generation in poor grid quality geographies or remote locations). High end represents 30% capacity factor (i.e., to overcome periodic blackouts). Assumes replacement capital cost of 65% of initial total capital cost every 60,000 operating hours.
- (k) Does not include cost of transportation and storage.
- (l) Does not reflect decommissioning costs or potential economic impact of federal loan guarantees or other subsidies.
- (m) Represents current estimate of levelized cost of Vogtle project.
- (n) Based on advanced supercritical pulverized coal. High end incorporates 90% carbon capture and compression. Does not include cost of transportation and storage.

Levelized Cost of Energy—Sensitivity to U.S. Federal Tax Subsidies^(a)

Notwithstanding the recent expiration of the Production Tax Credit (“PTC”) and planned step down of the Investment Tax Credit (“ITC”), U.S. federal tax subsidies remain an important component of the economics of Alternative Energy generation technologies (and government incentives are, generally, currently important in all regions)



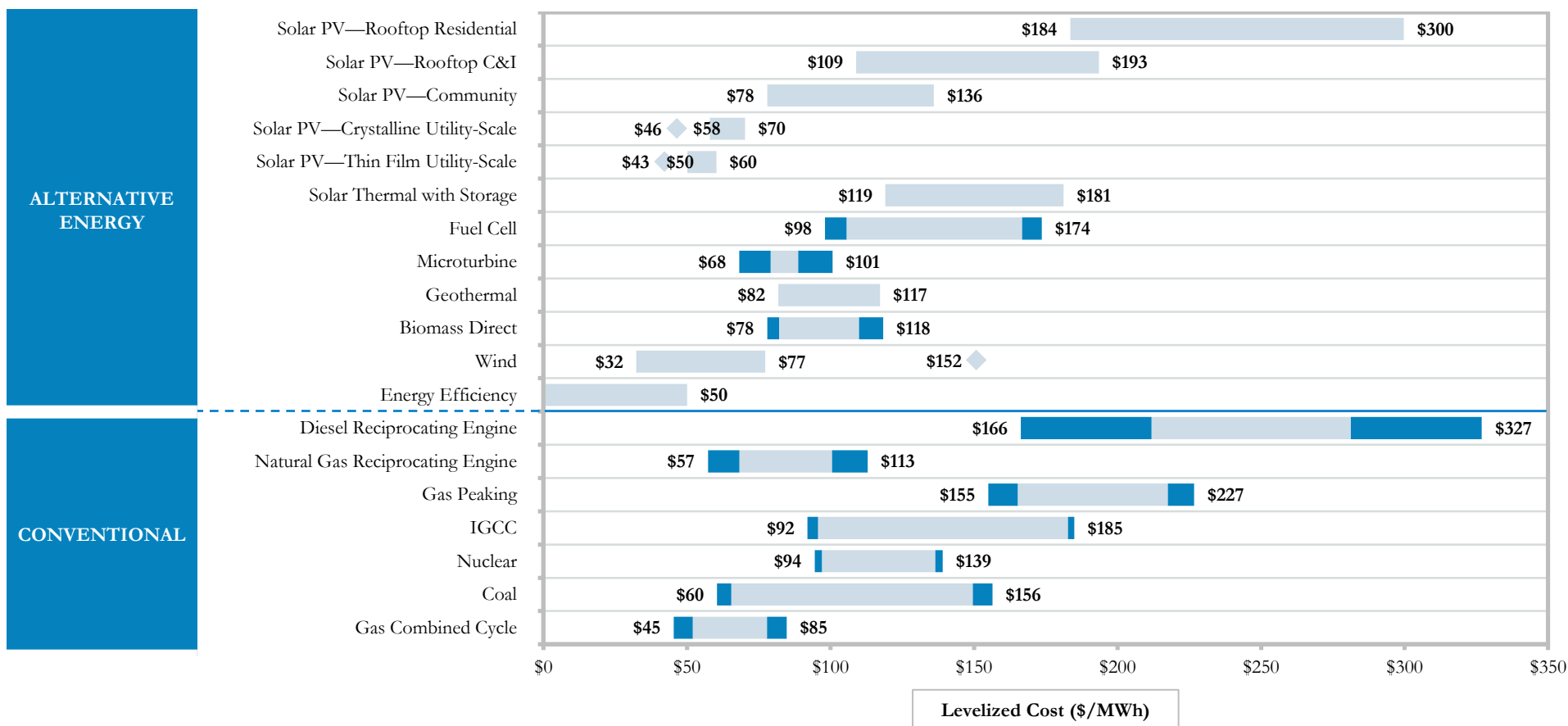
Source: Lazard estimates.

Note: Despite clear current legislation concerning the expiration of the PTC at the end of 2014 for wind and the planned step down of the ITC from 30% to 10% for applicable technologies/projects put into service after December 31, 2016, the analysis on this page assumes illustrative 10% and 30% ITCs and reinstatement of the PTC.

- (a) Unless otherwise noted, the subsidized information reflects an illustrative 30% ITC regardless of time placed into service. Reflects no PTC. Assumes 30% debt at 8.0% interest rate, 50% tax equity at 12.0% cost and 20% common equity at 12.0% cost, unless otherwise noted.
- (b) Low end represents a single-axis tracking system. High end represents a fixed-tilt design. Assumes 30 MW installation in high insolation jurisdiction (e.g., Southwest U.S.).
- (c) Blue diamond represents estimated implied levelized cost of energy for crystalline utility-scale solar in 2017, assuming \$1.35 per watt for a single-axis tracking system.
- (d) Blue diamond represents estimated implied levelized cost of energy for thin film utility-scale solar in 2017, assuming \$1.35 per watt for a single-axis tracking system.
- (e) Low end represents concentrating solar tower with 18-hour storage. High end represents concentrating solar tower with 10-hour storage capability.
- (f) The ITC for fuel cell technologies is capped at \$1,500/0.5 kW of capacity.
- (g) Reflects 10% ITC only. Reflects no PTC. Capital structure adjusted for lower ITC; assumes 50% debt at 8.0% interest rate, 20% tax equity at 12.0% cost and 30% common equity at 12.0% cost.
- (h) Reflects no ITC. Reflects a \$23/MWh illustrative PTC, escalated at ~1.5% annually for a term of 10 years. Due to high capacity factor and, relatedly, high PTC investor appetite, assumes 15% debt at 8.0% interest rate, 70% tax equity at 12.0% cost and 15% common equity at 12.0% cost.
- (i) Reflects illustrative 10% ITC. Reflects no PTC. Capital structure adjusted for lower ITC; assumes 50% debt at 8.0% interest rate, 20% tax equity at 12.0% cost and 30% common equity at 12.0% cost.

Levelized Cost of Energy Comparison—Sensitivity to Fuel Prices

Variations in fuel prices can materially affect the levelized cost of energy for conventional generation technologies, but direct comparisons against “competing” Alternative Energy generation technologies must take into account issues such as dispatch characteristics (e.g., baseload and/or dispatchable intermediate load vs. peaking or intermittent technologies)



Source: Lazard estimates.

Note: Darkened areas in horizontal bars represent low end and high end levelized cost of energy corresponding with ±25% fuel price fluctuations.

Cost of Carbon Abatement Comparison

As policymakers consider the best and most cost-effective ways to limit carbon emissions (including in the U.S., in respect of the Clean Power Plan and related regulations), they should consider the implicit costs of carbon abatement of various Alternative Energy generation technologies; an analysis of such implicit costs suggests that policies designed to promote wind and utility-scale solar development could be a particularly cost effective way of limiting carbon emissions; rooftop solar and solar thermal remain expensive, by comparison

- Such observation does not take into account potential social and environmental externalities or reliability-related considerations

	Units	CONVENTIONAL GENERATION			ALTERNATIVE ENERGY RESOURCES			
		Coal ^(b)	Gas Combined Cycle	Nuclear	Wind	Solar PV Rooftop Residential	Solar PV Utility-Scale ^(c)	Solar Thermal ^(d) with Storage
Capital Investment/KW of Capacity ^(a)	\$/kW	\$3,000	\$1,006	\$5,385	\$1,250	\$4,100	\$1,750	\$10,296
Total Capital Investment	\$mm	\$1,800	\$805	\$3,339	\$1,263	\$9,143	\$3,255	\$6,795
Facility Output	MW	600	800	620	1,010	2,230	1,860	660
Capacity Factor	%	93%	70%	90%	55%	25%	30%	85%
Effective Facility Output	MW	558	558	558	558	558	558	558
MWh/Year Produced ^(e)	GWh/yr	4,888	4,888	4,888	4,888	4,888	4,888	4,888
Levelized Cost of Energy	\$/MWh	\$65	\$52	\$97	\$32	\$184	\$58	\$119
Total Cost of Energy Produced	\$mm/yr	\$320 ②	\$255	\$474	\$158	\$897	\$283 ①	\$582
CO₂ Equivalent Emissions	Tons/MWh	0.94	0.39	—	—	—	—	—
Carbon Emitted	mm Tons/yr	4.58	1.92	—	—	—	—	—
Difference in Carbon Emissions	mm Tons/yr							
vs. Coal		—	2.66	4.58	4.58	4.58	4.58	4.58
vs. Gas		—	—	1.92	1.92	1.92	1.92	1.92
Difference in Total Energy Cost	\$mm/yr							
vs. Coal		—	(\$65)	\$154	(\$162)	\$577	(\$37)	\$262
vs. Gas		—	—	\$220	(\$97)	\$643	\$29	\$328
Implied Abatement Cost/(Saving)	\$/Ton							
vs. Coal		—	(\$25)	\$34	(\$35)	\$126	(\$8)	\$57
vs. Gas		—	—	\$115	(\$50)	\$335	\$15	\$171

Source: Lazard estimates.

Note: Does not reflect Production Tax Credit or Investment Tax Credit. Assumes 2015 dollars, 20 – 40 year economic life, 40% tax rate and five – 40 year tax life. Assumes 2.25% annual escalation for O&M costs and fuel prices. Inputs for each of the various technologies are those associated with the low end levelized cost of energy.

- (a) Includes capitalized financing costs during construction for generation types with over 24 months construction time.
- (b) Based on advanced supercritical pulverized coal. Does not incorporate carbon capture and compression.
- (c) Represents crystalline utility-scale solar with single-axis tracking.
- (d) Low end represents concentrating solar tower with 18-hour storage capability.
- (e) All facilities sized to produce 4,888 GWh/yr.

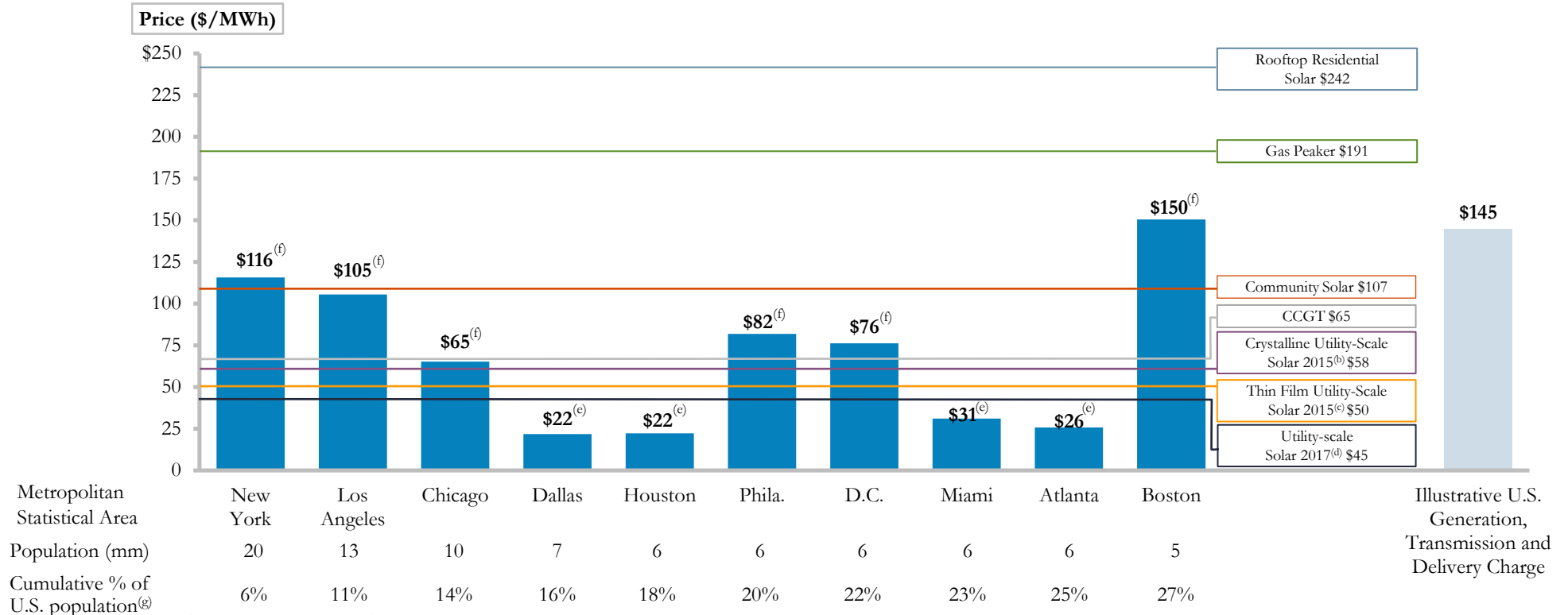
Illustrative Implied Carbon Abatement Cost Calculation:

- ④ Difference in Total Energy Cost vs. Coal = ① – ②
= \$283 mm/yr (solar) – \$320 mm/yr (coal) = (\$37) mm/yr
- ⑤ Implied Abatement Cost vs. Coal = ④ ÷ ③
= (\$37) mm/yr ÷ 4.58 mm Tons/yr = (\$8)/Ton

Generation Rates for the 10 Largest U.S. Metropolitan Areas^(a)

Setting aside the legislatively-mandated demand for solar and other Alternative Energy resources, utility-scale solar is becoming a more economically viable peaking energy product in many areas of the U.S. and, as pricing declines, could become economically competitive across a broader array of geographies

- Such observation does not take into account potential social and environmental externalities or reliability-related considerations



Source: EEI, Ventyx, Lazard estimates.

Note: Actual delivered generation prices may be higher, reflecting historical composition of resource portfolio. All technologies represent an average of the high and low levelized cost of energy values unless otherwise noted.

(a) Defined as 10 largest Metropolitan Statistical Areas per the U.S. Census Bureau for a total population of ~85 million.

(b) Represents a crystalline utility-scale solar with single-axis tracking design. Excludes Investment Tax Credit.

(c) Represents a thin film utility-scale solar with single-axis tracking design. Excludes Investment Tax Credit.

(d) Represents estimated implied levelized cost of energy in 2017 as the mean of crystalline and thin film utility-scale solar single-axis tracking systems, assuming \$1.35 per watt for both. Excludes Investment Tax Credit.

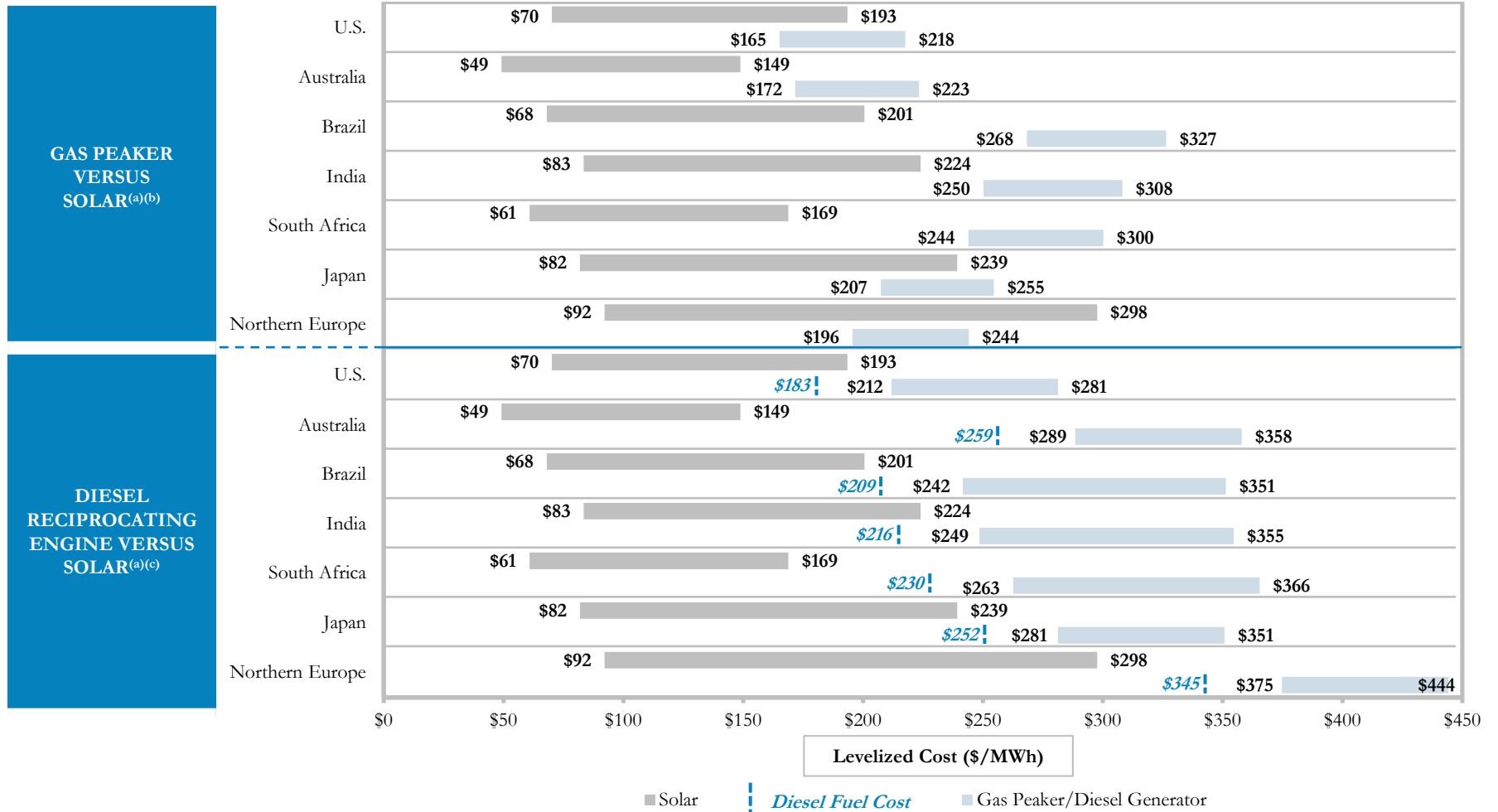
(e) Represents average projected hourly 2015 Ventyx power price for applicable jurisdiction.

(f) Represents 1000 kWh generation rate (sourced from EEI) in effect as of January 1, 2015 in applicable jurisdiction.

(g) Represents 2014 census data.

Solar versus Peaking Capacity—Global Markets

Solar PV can be an attractive resource relative to gas and diesel-fired peaking in many parts of the world due to high fuel costs; without storage, however, solar lacks the dispatch characteristics of conventional peaking technologies

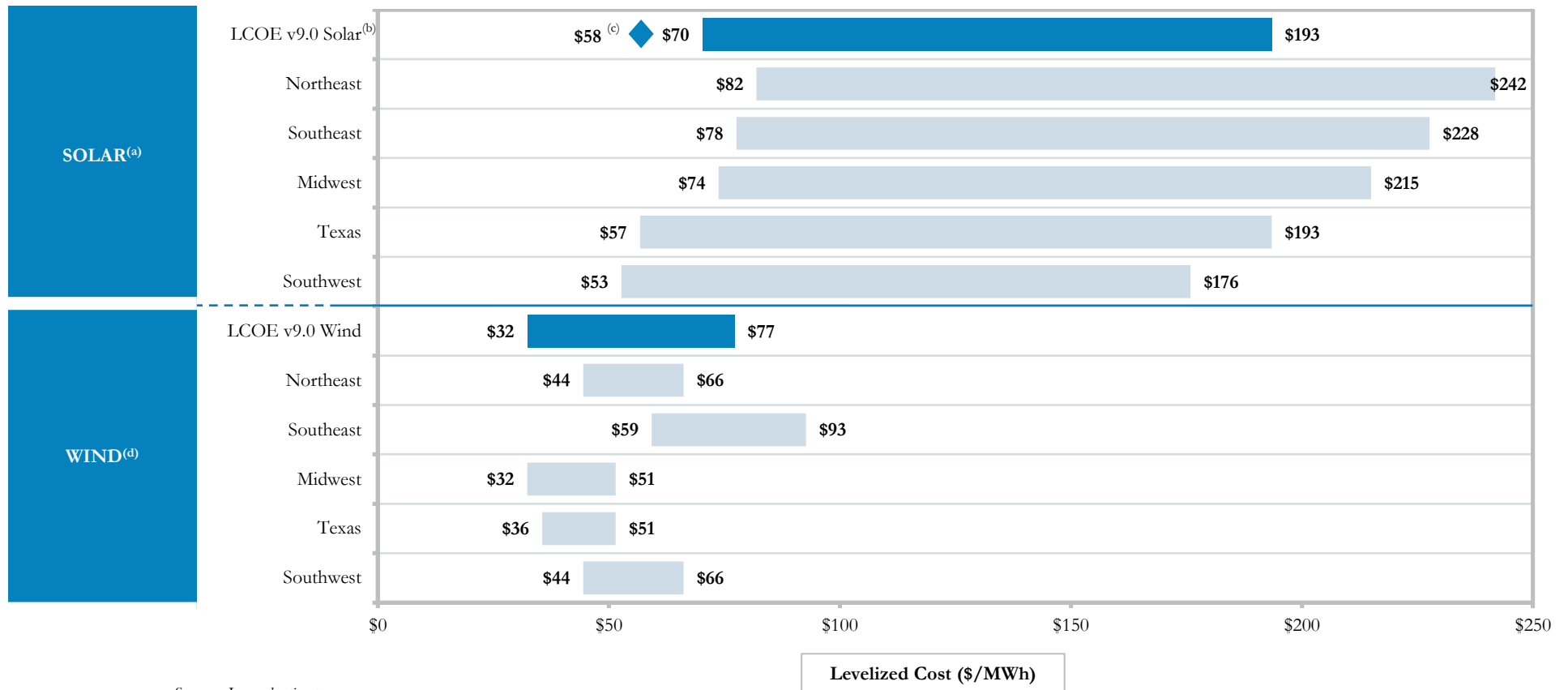


Source: World Bank, IHS Waterborne LNG, and Lazard estimates.

- (a) Low end assumes crystalline utility-scale solar with a fixed-tilt design. High end assumes rooftop C&I solar. Solar projects assume illustrative capacity factors of 26% – 30% for Australia, 26% – 30% for Brazil, 22% – 23% for India, 27% – 29% for South Africa, 16% – 18% for Japan and 13% – 16% for Northern Europe. Equity IRRs of 12% are assumed for Australia, Japan and Northern Europe and 18% for Brazil, India and South Africa; assumes cost of debt of 8% for Australia, Japan and Northern Europe, 14.5% for Brazil, 13% for India and 11.5% for South Africa.
- (b) Assumes natural gas prices of \$4.00 for Australia, \$8.00 for Brazil, \$7.00 for India, \$7.00 for South Africa, \$7.00 for Japan and \$6.00 for Northern Europe (all in U.S.\$ per MMBtu). Assumes a capacity factor of 10%.
- (c) Diesel assumes high end capacity factor of 10% representing intermittent utilization and low end capacity factor of 95% representing baseload utilization, O&M cost of \$30 per kW/year, heat rate of 10,000 Btu/kWh and total capital costs of \$500 to \$800 per kW of capacity. Assumes diesel prices of \$3.60 for Australia, \$2.90 for Brazil, \$3.00 for India,

Wind and Solar Resource—U.S. Regional Sensitivity (Unsubsidized)

The availability of wind and solar resource has a meaningful impact on the levelized cost of energy for various regions of the United States. This regional analysis varies capacity factors as a proxy for resource availability, while holding other variables constant. There are a variety of other factors (e.g., transmission, back-up generation/system reliability costs, labor rates, permitting and other costs) that would also impact regional costs



Source: Lazard estimates.

Note: Assumes solar capacity factors of 16% – 18% for the Northeast, 17% – 19% for the Southeast, 18% – 20% for the Midwest, 20% – 26% for Texas and 22% – 28% for the Southwest. Assumes wind capacity factors of 35% – 40% for the Northeast, 25% – 30% for the Southeast, 45% – 55% for the Midwest, 45% – 50% for Texas and 35% – 40% for the Southwest.

(a) Low end assumes a crystalline utility-scale solar fixed-tilt design, as tracking technologies may not be available in all geographies. High end assumes a rooftop C&I solar system.

(b) Low end assumes a crystalline utility-scale solar fixed-tilt design with a capacity factor of 21%.

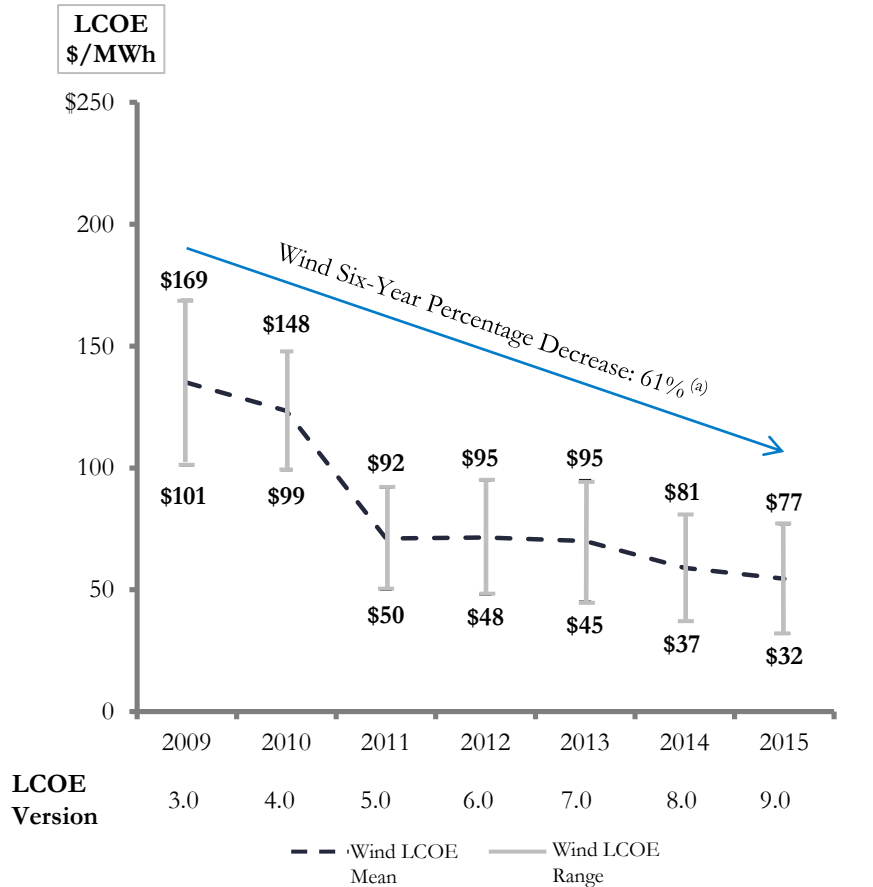
(c) Diamond represents a crystalline utility-scale solar single-axis tracking system with a capacity factor of 30%.

(d) Assumes an onshore wind generation plant with capital costs of \$1.25 – \$1.70 per watt.

Unsubsidized Levelized Cost of Energy—Wind/Solar PV (Historical)

Over the last six years, wind and solar PV have become increasingly cost-competitive with conventional generation technologies, on an unsubsidized basis, in light of material declines in the pricing of system components (e.g., panels, inverters, racking, turbines, etc.), and dramatic improvements in efficiency, among other factors

WIND LCOE



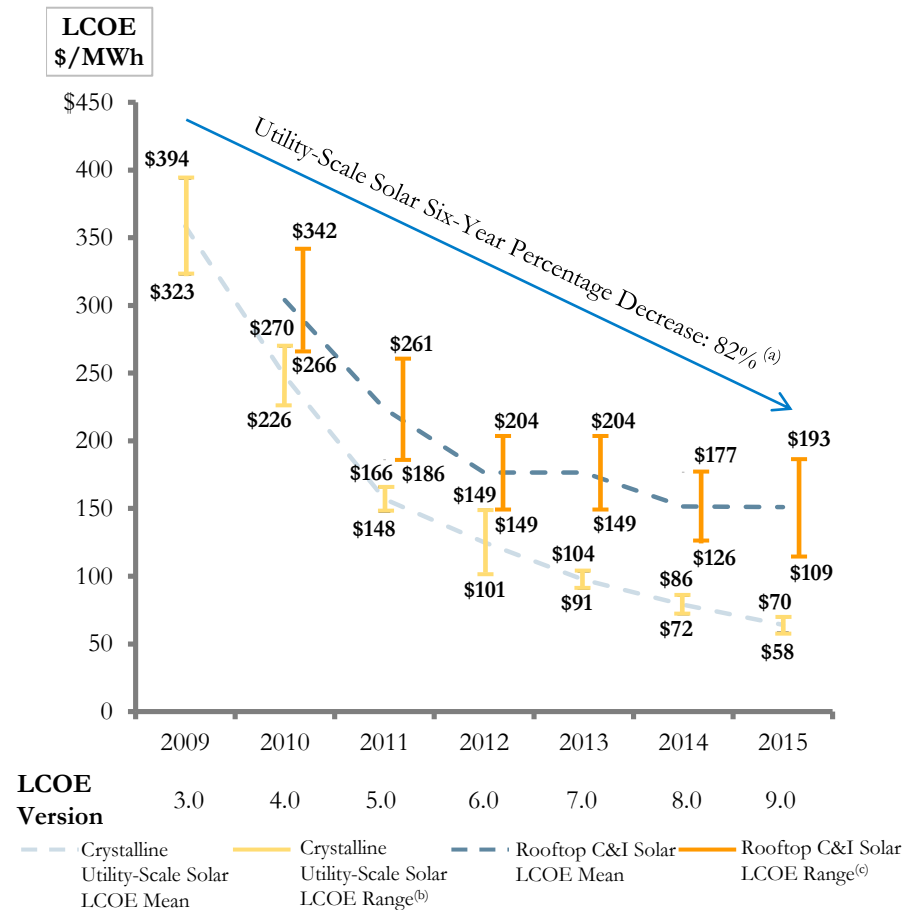
Source: Lazard estimates.

(a) Represents average percentage decrease of high end and low end of LCOE range.

(b) Low end represents crystalline utility-scale solar with single-axis tracking in high insolation jurisdictions (e.g., Southwest U.S.), while high end represents crystalline utility-scale solar with fixed-tilt design.

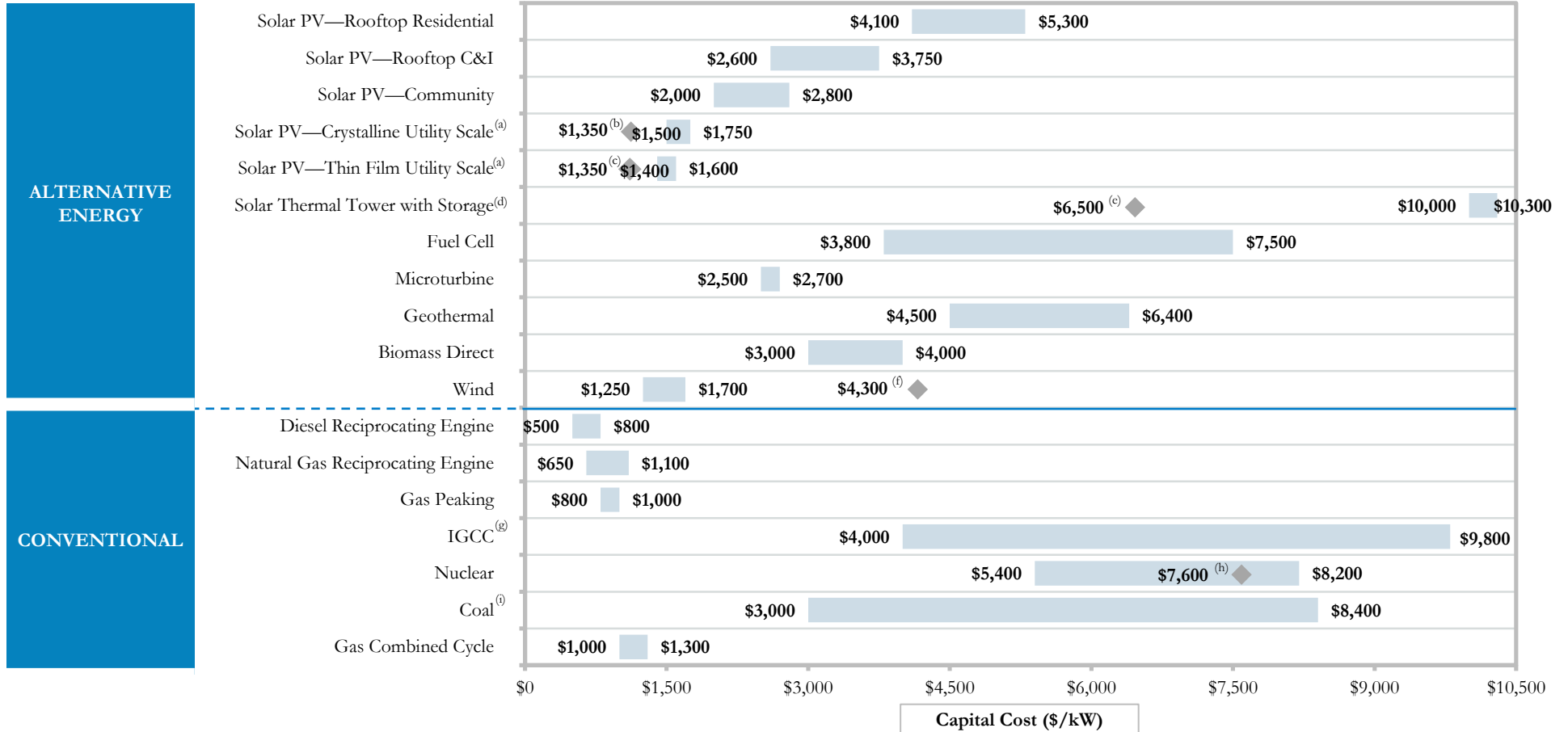
(c) Lazard's LCOE initiated reporting of rooftop C&I solar in 2010.

SOLAR PV LCOE



Capital Cost Comparison

While capital costs for a number of Alternative Energy generation technologies (e.g., solar PV, solar thermal) are currently in excess of some conventional generation technologies (e.g., gas), declining costs for many Alternative Energy generation technologies, coupled with rising long-term construction and uncertain long-term fuel costs for conventional generation technologies, are working to close formerly wide gaps in electricity costs. This assessment, however, does not take into account issues such as dispatch characteristics, capacity factors, fuel and other costs needed to compare generation technologies

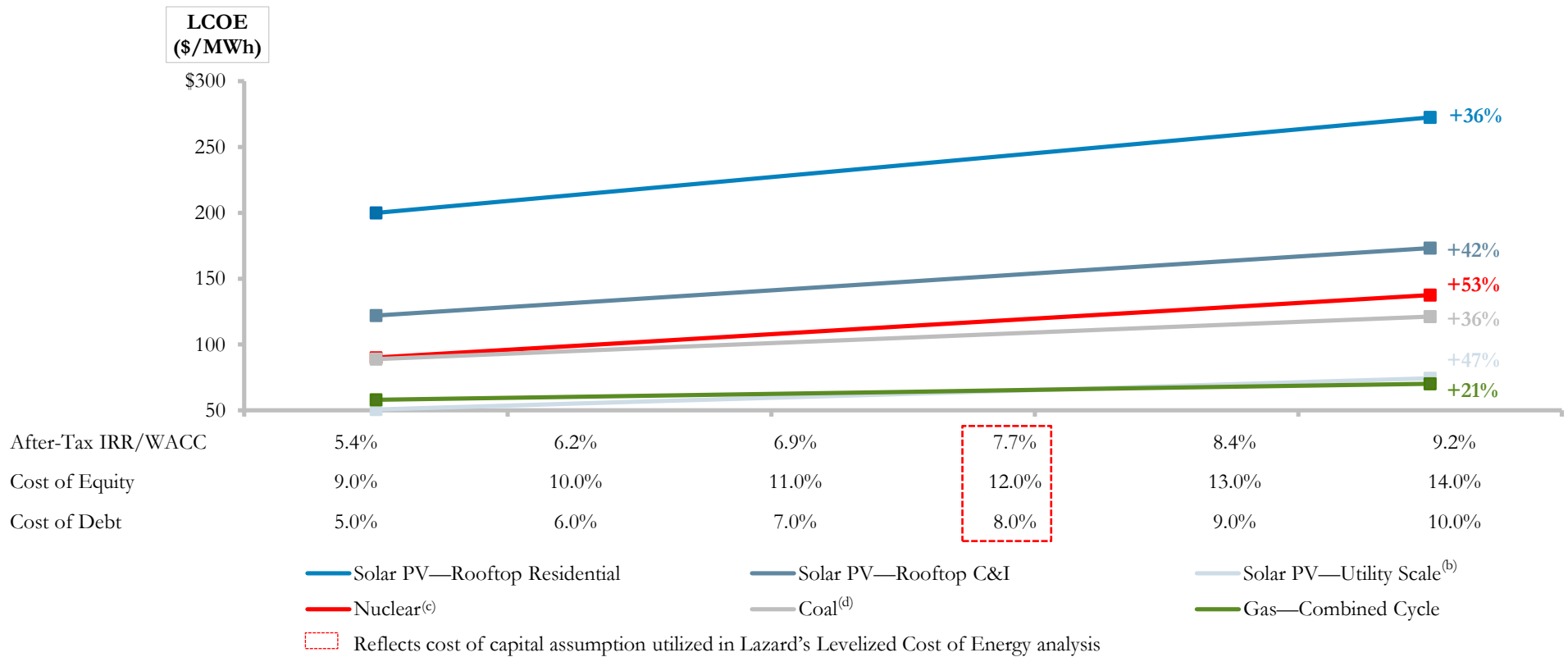


Source: Lazard estimates.

- (a) High end capital cost represents the capital cost associated with the low end LCOE of utility-scale solar. Low end capital cost represents the capital cost associated with the high end LCOE of utility-scale solar.
- (b) Diamond represents estimated capital costs in 2017, assuming \$1.35 per watt for a crystalline utility-scale solar single-axis tracking system.
- (c) Diamond represents estimated capital costs in 2017, assuming \$1.35 per watt for a thin film utility-scale solar single-axis tracking system.
- (d) Low end represents concentrating solar tower with 10-hour storage capability. High end represents concentrating solar tower with 18-hour storage capability.
- (e) Diamond represents solar thermal tower capital costs without storage.
- (f) Represents estimated midpoint of capital costs for offshore wind, assuming a capital cost range of \$3.10 – \$5.50 per watt.
- (g) High end represents Kemper and it incorporates 90% carbon capture and compression. Does not include cost of transportation and storage.
- (h) Represents estimate of current U.S. new nuclear construction.

Levelized Cost of Energy—Sensitivity to Cost of Capital

A key issue facing Alternative Energy generation technologies resulting from the potential for intermittently disrupted capital markets (and the relatively immature state of some aspects of financing Alternative Energy technologies) is the impact of the availability and cost of capital^(a) on their LCOEs; availability and cost of capital have a particularly significant impact on Alternative Energy generation technologies, whose costs reflect essentially the return on, and of, the capital investment required to build them



Source: Lazard estimates.

(a) Cost of capital associated with the particular Alternative Energy generation technology (not the cost of capital of the investor/developer).

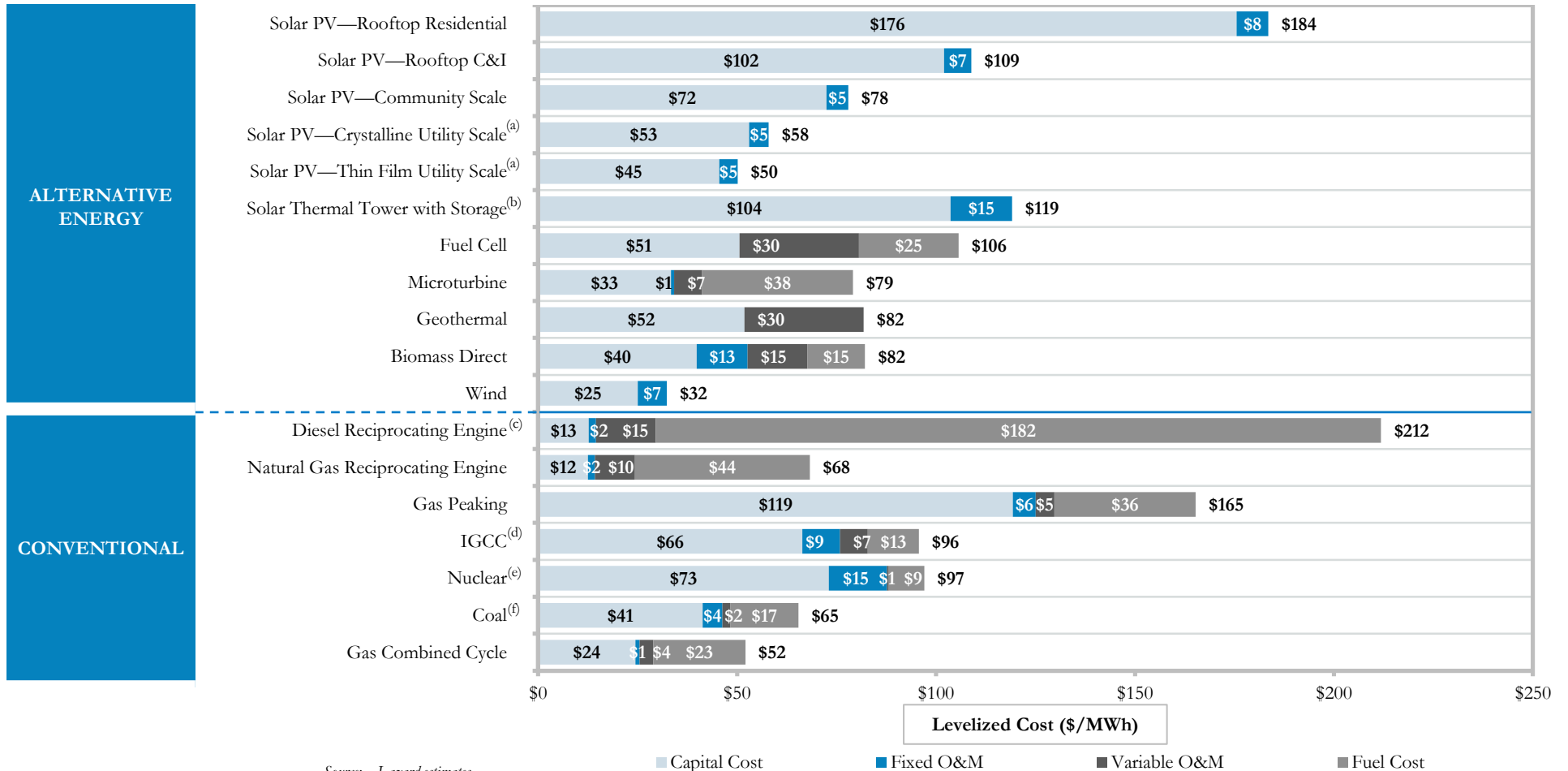
(b) Assumes a thin film utility-scale solar fixed-tilt design with capital costs of \$1.40 per watt.

(c) Does not reflect decommissioning costs or potential economic impact of federal loan guarantees or other subsidies.

(d) Based on advanced supercritical pulverized coal.

Levelized Cost of Energy Components—Low End

Certain Alternative Energy generation technologies are already cost-competitive with conventional generation technologies; a key factor regarding the long-term competitiveness of currently more expensive Alternative Energy technologies is the ability of technological development and increased production volumes to materially lower the capital costs of certain Alternative Energy technologies, and their levelized cost of energy, over time (e.g., as has been the case with solar PV and wind technologies)

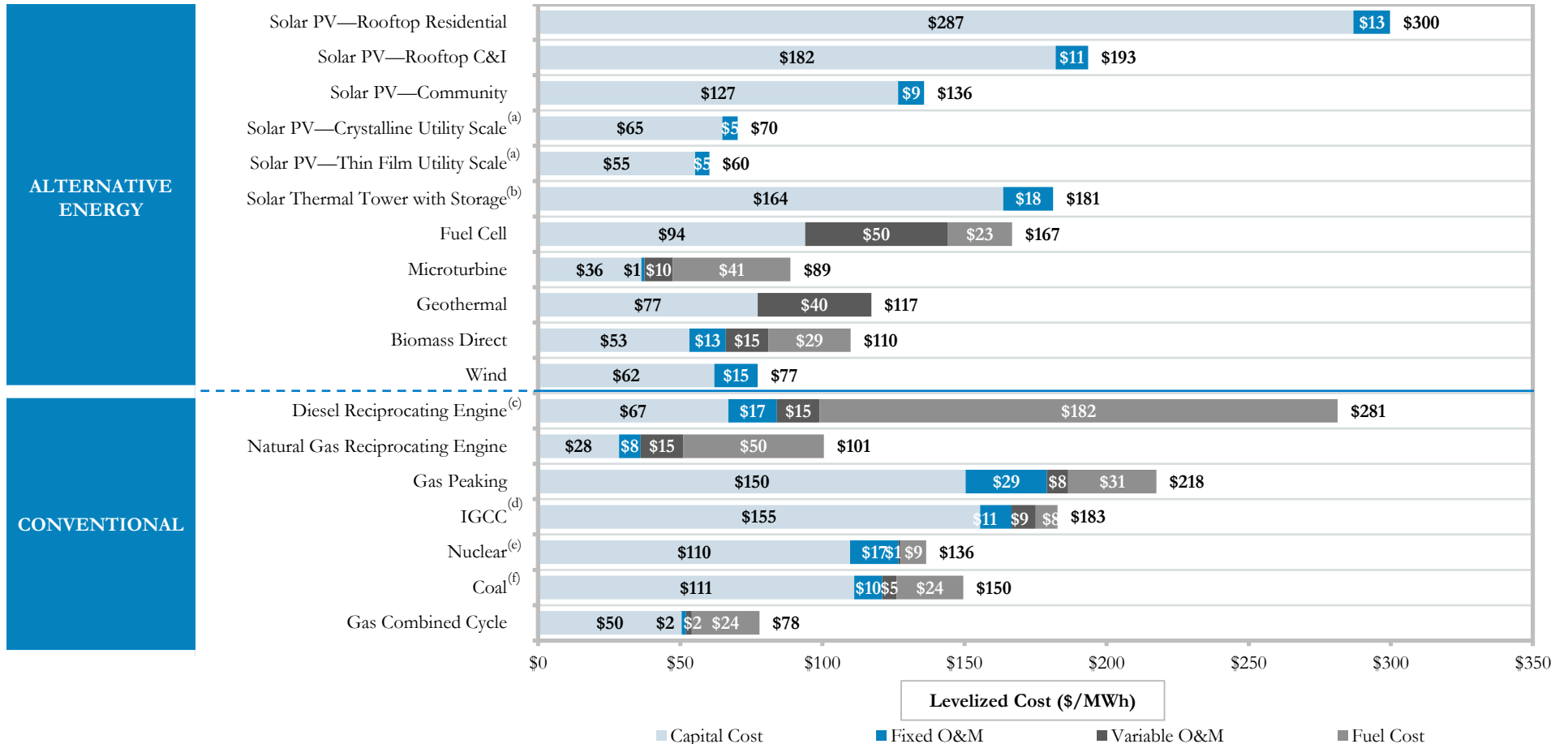


Source: Lazard estimates.

- (a) Represents the low end of a utility-scale solar single-axis tracking system.
- (b) Represents concentrating solar tower with 18-hour storage capability.
- (c) Represents continuous operation.
- (d) Does not incorporate carbon capture and compression.
- (e) Does not reflect decommissioning costs or potential economic impact of federal loan guarantees or other subsidies.
- (f) Based on advanced supercritical pulverized coal. Does not incorporate carbon capture and compression.

Levelized Cost of Energy Components—High End

Certain Alternative Energy generation technologies are already cost-competitive with conventional generation technologies; a key factor regarding the long-term competitiveness of currently more expensive Alternative Energy technologies is the ability of technological development and increased production volumes to materially lower the capital costs of certain Alternative Energy technologies, and their levelized cost of energy, over time (e.g., as has been the case with solar PV and wind technologies)



Source: Lazard estimates.

- (a) Represents the high end of utility-scale solar fixed-tilt design.
- (b) Represents concentrating solar tower with 10-hour storage capability.
- (c) Represents intermittent operation.
- (d) Incorporates 90% carbon capture and compression. Does not include cost of transportation and storage.
- (e) Does not reflect decommissioning costs or potential economic impact of federal loan guarantees or other subsidies.
- (f) Based on advanced supercritical pulverized coal. High end incorporates 90% carbon capture and compression. Does not include cost of transportation and storage.

Energy Resources: Matrix of Applications

While the levelized cost of energy for Alternative Energy generation technologies is in some cases competitive with conventional generation technologies, direct comparisons must take into account issues such as location (e.g., centralized vs. distributed) and dispatch characteristics (e.g., baseload and/or dispatchable intermediate load vs. peaking or intermittent technologies)

■ This analysis does not take into account potential social and environmental externalities or reliability-related considerations

		LEVELIZED COST OF ENERGY	CARBON NEUTRAL/ REC POTENTIAL	STATE OF TECHNOLOGY	LOCATION			DISPATCH				
					DISTRIBUTED	CENTRALIZED	GEOGRAPHY	INTERMITTENT	PEAKING	LOAD-FOLLOWING	BASE-LOAD	
ALTERNATIVE ENERGY	SOLAR PV	\$50 – 300 ^(a)	✓	Commercial	✓	✓	Universal ^(b)	✓	✓			
	SOLAR THERMAL	\$119 – 181	✓	Commercial		✓	Varies	✓	✓	✓		
	FUEL CELL	\$106 – 167	?	Emerging/ Commercial	✓		Universal					✓
	MICROTURBINE	\$79 – 89	?	Emerging/ Commercial	✓		Universal					✓
	GEOTHERMAL	\$82 – 117	✓	Mature		✓	Varies					✓
	BIOMASS DIRECT	\$82 – 110	✓	Mature		✓	Universal			✓		✓
	ONSHORE WIND	\$32 – 77	✓	Mature		✓	Varies	✓				
CONVENTIONAL	DIESEL RECIPROCATING ENGINE	\$212 – 281	✗	Mature	✓		Universal	✓	✓	✓		✓
	NATURAL GAS RECIPROCATING ENGINE	\$68 – 101	✗	Mature	✓		Universal	✓	✓	✓		✓
	GAS PEAKING	\$165 – 218	✗	Mature	✓	✓	Universal		✓	✓		
	IGCC	\$96 – 183	✗ ^(c)	Emerging ^(d)		✓	Co-located or rural					✓
	NUCLEAR	\$97 – 136	✓	Mature/ Emerging		✓	Co-located or rural					✓
	COAL	\$65 – 150	✗ ^(c)	Mature ^(d)		✓	Co-located or rural					✓
	GAS COMBINED CYCLE	\$52 – 78	✗	Mature	✓	✓	Universal			✓		✓

Source: Lazard estimates.

- (a) Represents the full range of solar PV technologies; low end represents thin film utility-scale solar single-axis tracking, high end represents the high end of rooftop residential solar.
- (b) Qualification for RPS requirements varies by location.
- (c) Could be considered carbon neutral technology, assuming carbon capture and compression.
- (d) Carbon capture and compression technologies are in emerging stage.

Levelized Cost of Energy—Key Assumptions

	Units	Solar PV					Solar Thermal Tower with Storage ^(d)
		Rooftop—Residential	Rooftop—C&I	Community	Utility Scale— Crystalline ^(c)	Utility Scale— Thin Film ^(c)	
Net Facility Output	MW	0.005	1	1.5	30	30	110
EPC Cost	\$/kW	\$4,100 – \$5,300	\$2,600 – \$3,750	\$2,000 – \$2,800	\$1,750 – \$1,500	\$1,600 – \$1,400	\$9,000 – \$8,750
Capital Cost During Construction	\$/kW	—	—	—	—	—	\$1,300 – \$1,250
Other Owner's Costs	\$/kW	included	included	included	included	included	included
Total Capital Cost ^(a)	\$/kW	\$4,100 – \$5,300	\$2,600 – \$3,750	\$2,000 – \$2,800	\$1,750 – \$1,500	\$1,600 – \$1,400	\$10,300 – \$10,000
Fixed O&M	\$/kW-yr	\$17.50 – \$22.50	\$15.00 – \$20.00	\$12.00 – \$16.00	\$13.00 – \$10.00	\$13.00 – \$10.00	\$115.00 – \$80.00
Variable O&M	\$/MWh	—	—	—	—	—	—
Heat Rate	Btu/kWh	—	—	—	—	—	—
Capacity Factor	%	25% – 20%	25% – 20%	25% – 20%	30% – 21%	32% – 23%	85% – 52%
Fuel Price	\$/MMBtu	—	—	—	—	—	—
Construction Time	Months	3	3	6	9	9	36
Facility Life	Years	20	25	30	30	30	35
CO ₂ Emissions	lb/MMBtu	—	—	—	—	—	—
Levelized Cost of Energy ^(b)	\$/MWh	\$184 – \$300	\$109 – \$193	\$78 – \$136	\$58 – \$70	\$50 – \$60	\$119 – \$181

Source: Lazard estimates.

(a) Includes capitalized financing costs during construction for generation types with over 24 months construction time.

(b) While prior versions of this study have presented LCOE inclusive of the U.S. Federal Investment Tax Credit and Production Tax Credit, Versions 6.0 – 9.0 present LCOE on an unsubsidized basis.

(c) Left column represents the assumptions used to calculate the low end LCOE for single-axis tracking. Right column represents the assumptions used to calculate the high end LCOE for fixed-tilt design. Assumes 30 MW system in high insolation jurisdiction (e.g., Southwest U.S.). Does not account for differences in heat coefficients, balance-of-system costs or other potential factors which may differ across solar technologies.

(d) Left column represents concentrating solar tower with 18-hour storage capability. Right column represents concentrating solar tower with 10-hour storage capability.

Levelized Cost of Energy—Key Assumptions (cont'd)

	Units	Fuel Cell	Microturbine	Geothermal	Biomass Direct	Wind—On Shore	Wind—Off Shore
Net Facility Output	MW	2.4	1 – 0.25	20 – 50	35	100	210
EPC Cost	\$/kW	\$3,000 – \$7,500	\$2,500 – \$2,700	\$3,900 – \$5,600	\$2,600 – \$3,500	\$950 – \$1,100	\$2,500 – \$4,600
Capital Cost During Construction	\$/kW	—	—	\$600 – \$800	\$400 – \$500	—	—
Other Owner's Costs	\$/kW	\$800 – \$0	included	included	included	\$300 – \$600	\$600 – \$900
Total Capital Cost ^(a)	\$/kW	\$3,800 – \$7,500	\$2,500 – \$2,700	\$4,500 – \$6,400	\$3,000 – \$4,000	\$1,250 – \$1,700	\$3,100 – \$5,500
Fixed O&M	\$/kW-yr	—	\$6.85 – \$9.12	—	\$95.00	\$35.00 – \$40.00	\$60.00 – \$100.00
Variable O&M	\$/MWh	\$30 – \$50	\$7.00 – \$10.00	\$30.00 – \$40.00	\$15.00	—	\$13.00 – \$18.00
Heat Rate	Btu/kWh	7,260 – 6,600	11,000 – 12,000	—	14,500	—	—
Capacity Factor	%	95%	95%	90% – 85%	85%	55% – 30%	45% – 40%
Fuel Price	\$/MMBtu	\$3.45	\$3.45	—	\$1.00 – \$2.00	—	—
Construction Time	Months	3	3	36	36	12	12
Facility Life	Years	20	20	25	25	20	20
CO ₂ Emissions	lb/MMBtu	0 – 117	—	—	—	—	—
Levelized Cost of Energy ^(b)	\$/MWh	\$106 – \$167	\$79 – \$89	\$82 – \$117	\$82 – \$110	\$32 – \$77	\$105 – \$198

Source: Lazard estimates.

(a) Includes capitalized financing costs during construction for generation types with over 24 months construction time.

(b) While prior versions of this study have presented LCOE inclusive of the U.S. Federal Investment Tax Credit and Production Tax Credit, Versions 6.0 – 9.0 present LCOE on an unsubsidized basis.

Levelized Cost of Energy—Key Assumptions (cont'd)

	Units	Diesel Reciprocating Engine ^(c)	Natural Gas Reciprocating Engine	Gas Peaking	IGCC ^(d)	Nuclear ^(e)	Coal ^(f)	Gas Combined Cycle
Net Facility Output	MW	2	2	216 – 103	580	1,100	600	550
EPC Cost	\$/kW	\$500 – \$800	\$650 – \$1,100	\$600 – \$700	\$3,300 – \$7,800	\$3,800 – \$5,200	\$2,000 – \$6,100	\$700 – \$1,000
Capital Cost During Construction	\$/kW	—	—	—	\$700 – \$2,000	\$1,000 – \$1,500	\$500 – \$1,600	\$100 – \$100
Other Owner's Costs	\$/kW	included	included	\$200 – \$300	\$0 – \$0	\$600 – \$1,500	\$500 – \$700	\$200 – \$200
Total Capital Cost ^(a)	\$/kW	\$500 – \$800	\$650 – \$1,100	\$800 – \$1,000	\$4,000 – \$9,800	\$5,400 – \$8,200	\$3,000 – \$8,400	\$1,000 – \$1,300
Fixed O&M	\$/kW-yr	\$15.00	\$15.00 – \$20.00	\$5.00 – \$25.00	\$62.25 – \$73.00	\$135.00	\$40.00 – \$80.00	\$6.20 – \$5.50
Variable O&M	\$/MWh	\$15.00	\$10.00 – \$15.00	\$4.70 – \$7.50	\$7.00 – \$8.50	\$0.50 – \$0.75	\$2.00 – \$5.00	\$3.50 – \$2.00
Heat Rate	Btu/kWh	10,000	8,000 – 9,000	10,300 – 9,000	8,800 – 11,700	10,450	8,750 – 12,000	6,700 – 6,900
Capacity Factor	%	95% – 10%	95% – 30%	10%	75%	90%	93%	70% – 40%
Fuel Price	\$/MMBtu	\$18.23	\$5.50	\$3.45	\$1.46 – \$0.65	\$0.85	\$1.96	\$3.45
Construction Time	Months	3	3	25	57 – 63	69	60 – 66	36
Facility Life	Years	20	20	20	40	40	40	20
CO ₂ Emissions	lb/MMBtu	0 – 117	117	117	169	—	211	117
Levelized Cost of Energy ^(b)	\$/MWh	\$212 – \$281	\$68 – \$101	\$165 – \$218	\$96 – \$183	\$97 – \$136	\$65 – \$150	\$52 – \$78

Source: Lazard estimates.

(a) Includes capitalized financing costs during construction for generation types with over 24 months construction time.

(b) While prior versions of this study have presented LCOE inclusive of the U.S. Federal Investment Tax Credit and Production Tax Credit, Versions 6.0 – 9.0 present LCOE on an unsubsidized basis.

(c) Low end represents continuous operation. High end represents intermittent operation. Assumes diesel price of ~\$2.50 per gallon.

(d) High end incorporates 90% carbon capture and compression. Does not include cost of storage and transportation.

(e) Does not reflect decommissioning costs or potential economic impact of federal loan guarantees or other subsidies.

(f) Based on advanced supercritical pulverized coal. High end incorporates 90% carbon capture and compression. Does not include cost of storage and transportation.

Summary Considerations

Lazard has conducted this study comparing the levelized cost of energy for various conventional and Alternative Energy generation technologies in order to understand which Alternative Energy generation technologies may be cost-competitive with conventional generation technologies, either now or in the future, and under various operating assumptions, as well as to understand which technologies are best suited for various applications based on locational requirements, dispatch characteristics and other factors. We find that Alternative Energy technologies are complementary to conventional generation technologies, and believe that their use will be increasingly prevalent for a variety of reasons, including RPS requirements, carbon regulations, continually improving economics as underlying technologies improve and production volumes increase, and government subsidies in certain regions.

In this study, Lazard's approach was to determine the levelized cost of energy, on a \$/MWh basis, that would provide an after-tax IRR to equity holders equal to an assumed cost of equity capital. Certain assumptions (e.g., required debt and equity returns, capital structure, etc.) were identical for all technologies, in order to isolate the effects of key differentiated inputs such as investment costs, capacity factors, operating costs, fuel costs (where relevant) and other important metrics on the levelized cost of energy. These inputs were originally developed with a leading consulting and engineering firm to the Power & Energy Industry, augmented with Lazard's commercial knowledge where relevant. This study (as well as previous versions) has benefitted from additional input from a wide variety of industry participants.

Lazard has not manipulated capital costs or capital structure for various technologies, as the goal of the study was to compare the current state of various generation technologies, rather than the benefits of financial engineering. The results contained in this study would be altered by different assumptions regarding capital structure (e.g., increased use of leverage) or capital costs (e.g., a willingness to accept lower returns than those assumed herein).

Key sensitivities examined included fuel costs and tax subsidies. Other factors would also have a potentially significant effect on the results contained herein, but have not been examined in the scope of this current analysis. These additional factors, among others, could include: capacity value vs. energy value; stranded costs related to distributed generation or otherwise; network upgrade, transmission or congestion costs; integration costs; and costs of complying with various environmental regulations (e.g., carbon emissions offsets, emissions control systems). The analysis also does not address potential social and environmental externalities, including, for example, the social costs and rate consequences for those who cannot afford distribution generation solutions, as well as the long-term residual and societal consequences of various conventional generation technologies that are difficult to measure (e.g., nuclear waste disposal, environmental impacts, etc.).