



Staff Report

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**File #:** 24-0422

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**REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 06/05/2024

**TO:** Honorable Mayor and City Council Members

**FROM:** Utilities Department

**SUBJECT:**

RESOLUTION AMENDING THE ELECTRIC ENERGY RULES AND REGULATIONS AND THE SCHEDULE OF USER/SERVICE FEES FOR THE PROVISION OF ELECTRIC ENERGY TO ADOPT A NEW TARIFF FOR ELIGIBLE RENEWABLE GENERATION AND REVISE THE EXISTING TARIFF FOR NET ENERGY METERING; AND, APPROVAL OF THE REVISED NET METERING AGREEMENT AND THE ELIGIBLE RENEWABLE GENERATION AGREEMENT

**EXECUTIVE SUMMARY:**

This staff report asks the City Council to hold a public hearing and adopt a Resolution amending the City's Electric Energy Rules and Regulations and Schedule of User/Service Fees for the Provision of Electric Energy to adopt a new tariff for Eligible Renewable Generation and revise the existing Net Energy Metering Tariff. The Eligible Renewable Generation tariff will be available to customers applying for interconnection after the City Electric Utility reaches five percent of maximum coincident peak demand or "Net Metering Capacity Value." This staff report also requests approval of a revised Net Metering Agreement and a new Eligible Renewable Generation Interconnection Agreement.

**RECOMMENDED ACTION:**

**That the City Council:**

- a. Hold a public hearing regarding the updated Electric Energy Schedule of User/Service Fees.
- b. Adopt Resolution No. 2024-032, amending the Electric Energy Rules and Regulations and Schedule of User/Service Fees for the Provision of Electric Energy to adopt a new tariff for Eligible Renewable Generation and revise the existing tariff for Net Energy Metering, along with other minor changes to the Electric Energy Rules and Regulations.
- c. Approve the revised Net Metering Agreement template for eligible customers within five percent of the City's Electric Utility's maximum coincident peak demand or "Net Metering

Capacity Value.”

- d. Approve the new Eligible Renewable Generation Agreement template for customers above the City Electric Utility’s maximum coincident peak demand or “Net Metering Capacity Value.”

**BACKGROUND & HISTORY:**

On September 1, 2021, the Utilities Department (UD) adopted Resolution No. 2021-102 amending the Electric Energy Rules and Regulations and Schedule of User/Service Fees for the Provision of Electric Energy to permit generator facility interconnections and Net Energy Metering (NEM). NEM allows customers to generate their own renewable energy such as solar and wind to serve their energy needs directly on site and to receive a financial credit on their electric bills for any surplus energy, thereby allowing customers to reduce their monthly electric bill.

Resolution No. 2021-102 adopted an NEM Tariff for eligible customers. Public Utilities Code Section 2827 requires publicly-owned electric utilities to offer a standard NEM Tariff Schedule to customers that install renewable generation under one megawatt in a capacity that does not exceed the customer’s annual usage and meets all the applicable safety and performance standards and program requirements.

Each month, the eligible customer is considered a net consumer or producer. A net consumer uses more energy than they produce, and a net producer generates more energy than they use. Net consumers are billed for their usage above and beyond their monthly production. Net producers will receive credit for their surplus kilowatt hours (kWh) valued at the rate applicable when the energy was generated. This credit is rolled to the following month’s bill. At the end of a 12-month period, if the customer is a net producer, they may receive compensation for their surplus kilowatt-hour (kWh) at the Net Surplus Compensation Rate (NSCR) based on the option chosen in their NEM interconnection agreement.

UD’s initial NEM open enrollment allowed eligible customers to enroll in the NEM program on a first-come-first-served basis until 5% of the City’s maximum coincident peak demand was reached, the “NEM Capacity Value.” Once the NEM Capacity Value is reached, new eligible customers may be served using a new rate schedule.

**ANALYSIS:**

The Council Action considers the adoption of the Eligible Renewable Generation (ERG) Rate Schedule and associated Interconnection and Eligible Renewable Generation Agreement (ERG Agreement), as a supplemental program to the NEM program.

Under the ERG program, energy delivered from UD and consumed by the ERG Customer will be measured by the “delivered” register on the electric meter. The monthly kWh of delivered and consumed electricity will be billed monthly at the otherwise applicable rates. Electricity supplied by the ERG Customer that is utilized on-site by the ERG customer will not be measured, charged, or credited by UD. Renewable energy that is generated by the ERG Customer and delivered to the electric grid will be measured by the “received” register on the electric meter. Each month, the total quantity of renewable generation that is generated by and delivered to the electric grid is multiplied

by the applicable ERG Rate. That amount is credited toward the monthly bill. If the amount credited exceeds the total amount of the monthly bill, then that excess amount will be carried forward to the next month's bill.

The ERG Rate will be calculated based upon the following criteria: (i) the City's annual weighted average cost of energy purchased from the California Independent System Operator ("CAISO"); (ii) the City's annual weighted average CAISO Wheeling Access Charge; and (iii) value of renewable energy credits based on the City's most recently executed renewable power purchase contractual commitment of ten years or more. The Director of Utilities, or his designee, will have the authority to adjust the ERG Rate on November 1 of each year to reflect the City's prior fiscal year costs based upon the above criteria. The adjusted ERG Rate will be posted on the City's website.

ERG customers may request to be placed on a waiting list to be added to the NEM program when capacity becomes available. ERG customers will become eligible on a first-come, first-served basis based on the date of their permission to operate (PTO). Customers will only be added to the NEM program if the capacity available is greater than or equal to the generating capacity of the customer's system.

UD asks Council to approve the following items to adopt the ERG program and Rate Schedule:

- Resolution No. 2024-032, Amending the Electric Energy Rules and Regulations and Schedule of User/Service Fees for the Provision of Electric Energy
  - Electric Energy Rules and Regulations updates include:
    - Rule 1 Definitions
      - Added definition for "Producer."
    - Rule 21 C. Application and Interconnection Process
      - 1.b. Five percent "NEM Capacity Value" reference added. Explanation of NEM eligible customers falling under 5% capacity and ERG customers falling outside of 5% capacity.
      - Table C.2 Revised for clarity only.
      - 2.a. and 2.d. ERG reference added.
    - Rule 21A
      - Applicability: Explanation of NEM eligible customers falling under the five percent NEM Capacity Value and ERG customers falling outside of the 5% NEM Capacity Value.
      - NEM Terms and Conditions: Updated Terms and Conditions to reference language in Schedule of User/Service fees. Removed NEM 2.0 references and replaced with ERG.
      - Added ERG Terms and Conditions referencing billing and metering procedures in the Schedule of User/Service fees, retention of renewable energy credits, sizing of system, move-in/move-out, and system modifications.
      - Solar or Wind Generating Facility
        - Credits for Net Energy: Added explanation of ERG billing and

credits.

- Minor administrative clean-up throughout the document.
- Schedule of User/Service Fees for the Provision of Electric Energy updates include:
  - Schedule NEM
    - Defined NEM Capacity Value.
    - Added Section B. Protocol for Administering the NEM Capacity.
    - Added a description of the NSCR and how it is calculated.
    - Noted that the NSCR shall be posted on the City's website.
    - Added existing language from the NEM agreement for consistency between documents.
    - Under Section E.2. Agreement, added reference to the Electric Energy Rules and Regulations relating to interconnection and distribution modification costs.
    - Added explanation of how the Public Benefit Charge is applied for NEM customers.
  - Added ERG Schedule
- Revised NEM Agreement
  - NEM Agreement updates include:
    - Section 9. Rates and Billing: Updated language to reference Schedule of User/Service fees. Deleted clauses already addressed in the Schedule of User/Service fees.
    - Added Section 10. Insurance
    - Minor administrative clean-up and clarification throughout the document.
- New ERG Agreement

**FINANCIAL IMPACT:**

The Eligible Renewable Generation Program will not have an immediate financial impact on the Greenfield Electric Utility Fund (578). However, when new customers apply for or are transferred to the program, revenue specific to that customer should increase compared to a similar customer on the Net Metering Program.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Public Resources Code Section 21080(b)(8) and Sections 15273(a) and 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA)., Public Resources Code Section 21080(b)(8) and State CEQA Guidelines Section 15273(a) provide that CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates or other charges by a public agency that the public agency finds are for the purpose of (1) meeting operating expenses; (2) purchasing or leasing supplies, equipment, or materials; (3) meeting financial reserve needs and requirements; or (4) obtaining funds for capital projects necessary to maintain service within existing service areas. This action will establish the formula for calculating the NSCR and ERG rates, which will ensure that the Utilities Department's operating expenses and other financial reserve needs and requirements are met. State CEQA Guidelines Section 15061(b)(3) states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the

environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is to amend the Electric Energy Rules and Regulations and the Schedule of User/Service Fees for the Provision of Electric Energy to adopt the Eligible Renewable Generation program and rate schedule, as a supplemental program to the Net Energy Metering program, and there is no possibility that approving these changes will have a significant effect on the environment. Therefore, no environmental analysis is required.

**PREPARED BY:** ERIN KUNKLE, ELECTRIC UTILITY MANAGER

**REVIEWED BY:** TOM MOODY, DIRECTOR OF UTILITIES

**Attachments:**

1. Exhibit 1 - Electric Energy Rules and Regulations (redline)
2. Exhibit 2 - Schedule of User/Service Fees (redline)
3. Exhibit 3 - Resolution No. 2024-032
4. Exhibit 4 - Revised Net Metering Agreement template
5. Exhibit 5 - Eligible Renewable Generation Agreement template