



Staff Report

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**File #:** 21-0779

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**REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 09/01/2021

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

**FROM:** Utilities Department

**SUBJECT:**

Public Hearing and Resolution amending the Electric Energy Rules and Regulations and the Schedule of Use/Service Fees for the provision of Electric Energy to permit Generating Facility Interconnections and Net Energy Metering.

**EXECUTIVE SUMMARY:**

Resolution No. 2021-102 will amend the City's 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 by updating all pertinent documentation and incorporating all current rules and regulations governing customer-generation systems lending to Net Energy Metering operations.

**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. 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.

**BACKGROUND & HISTORY:**

Net Energy Metering (NEM) is a billing mechanism designed to encourage the installation of renewable generation on the customer-side of the meter. Publicly owned electric utilities (POU) must offer a standard NEM tariff to customers that install renewable generation under one megawatt in capacity and meet other eligibility requirements. These customers are referred to as "eligible customer-generators." Under the NEM tariff, eligible customer-generators must receive a full retail-rate bill credit for power generated by their behind-the-meter system that is fed back into the power grid during times when generation exceeds onsite energy demand. The credit is used to offset the

customers' electricity bills and may be rolled over to subsequent bills for up to a one-year/12-month period. No additional compensation is provided for excess energy produced at the end of the 12-month period by the customer. POUs, such as Corona's Utilities Department, previously the Department of Water and Power, must offer net metering to eligible customers on a first-come-first-served basis until the total combined net-metered generation reaches a maximum cap of five (5) percent of the utility's total customer peak demand. Based on current eligible solar customers, the Electric Utility is at 1.68% of our peak demand.

The NEM program provides added benefits to the Utilities Department's (UD) electric customers, resulting in significant utility bill savings over the lifetime of a customer's system. Additionally, this renewable generation sends excess energy to the grid, assisting the grid's resource capacity during periods of increased energy demand.

Under the NEM Program, eligible customer-generators receive compensation for their "net surplus generation." Net surplus generation is the amount of electricity that an eligible customer-generator produces over a 12-month period exceeding the amount of electricity consumed over the same 12-month period. The amount of compensation that an eligible customer-generator receives will equal the amount of net surplus generation multiplied by the net surplus energy compensation rate adopted by the POU's governing board.

**ANALYSIS:**

This Council action considers the adoption of revisions to the existing rules and regulations and the schedule of user/service fees for the City's electric utility's bundled customers (for example, customers that receive both power and distribution service from the UD). UD's bundled customers currently receive electric service according to the rules and rates that the City Council adopted at prior meetings. These rules and rates must be revised from time to time. The proposed revisions to the rules and rates considered in this action are driven by the need to update the City's Solar NEM Program. The current NEM Agreement was established in 2005 with no corresponding Tariff to govern the rates and no rule adopted to govern the NEM process pertaining to the City's Electric Utility. The proposed NEM Agreement, accompanying Tariff, and incorporation of Rule 21, as described below, into the Electric Rules and Regulations will update the City's NEM Agreement with the current regulation governing Net Energy Metering.

In addition to the City's NEM Program requirements, all generating facilities installed on the customer side of the meter must meet certain requirements to ensure that these systems do not negatively impact the safety or reliability of UD's system.

The POU governing board must adopt a net surplus energy compensation rate at a level that provides the customer-generator with just and reasonable compensation for the value of the net surplus generation while leaving other ratepayers unaffected. In setting the net surplus energy compensation rate, the POU governing board must determine if the compensation will include both the value of the electricity itself and the value of the renewable attributes of the electricity. UD staff has prepared a new NEM Tariff and a template Interconnection and Net Metering Agreement that implement and incorporate these NEM Program requirements and interconnection requirements. The

new NEM Tariff will be added to the Schedule of User/Service Fees for the Provision of Electric Energy. The NEM Tariff adopts a net surplus energy compensation rate equal to the net surplus energy compensation rate published by Southern California Edison (SCE). SCE's compensation rate follows industry best practices and provides the customer-generator with just and reasonable compensation for the value of the net surplus generation; this includes the renewable attributes of the electricity and is based on UD's avoided cost of energy. Because this rate is based on UD's avoided cost to procure additional power, other ratepayers will be indifferent to any compensation paid to eligible customer-generators. The net surplus energy compensation rate will vary monthly and be posted to the UD website where customers will be able to access their current and historic net surplus energy compensation rates.

UD staff have also prepared the addition of Rule 21, which will be added to the Electric Energy Rules and Regulations and specifies the interconnection requirements for generating facilities installed on the customer side of the meter. This new rule will clarify and streamline the interconnection process for customers seeking to participate in the NEM program.

The City's special electric legal counsel, Braun Blasing Smith Wynne, P.C., has reviewed the attached resolution and corresponding documents and has determined that they are legally acceptable and has approved them as to form.

**FINANCIAL IMPACT:**

Any fiscal impact is anticipated to be minimal as the City does not allow for the design and construction of a system greater than the applicant's consumption habits.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule 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 establishes rules for the connection of eligible customer-generator facilities to DWP's distribution system and approves a net energy compensation rate to be used to compensate eligible customer-generators for net surplus energy generated by that customer. This action does not approve or authorize any construction activity or any disturbance of an environmental resource. There is no possibility that adopting the proposed Resolution will have a significant effect on the environment. Therefore, the City Council finds that no further environmental review is required pursuant to CEQA and the State CEQA Guidelines.

**PREPARED BY:** CURTIS SHOWALTER, ADMINISTRATIVE SERVICES MANAGER IV

**REVIEWED BY:** TOM MOODY, GENERAL MANAGER

**Attachments:**

1. Exhibit 1 - Resolution No. 2021-102