



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: MAY 10, 2022**

FROM: PUBLIC UTILITIES DEPARTMENT **WARDS: ALL**

SUBJECT: SELF-GENERATION PROGRAM

ISSUE:

Approve the proposed Self-Generation Program and changes to Schedule NEM, "Net Energy Metering for Renewable Electrical Generation Facilities" and Electric Rule 22 "Distributed Generation Facilities Interconnection".

RECOMMENDATIONS:

That the City Council:

1. Conduct a public hearing to receive public input related to the proposed changes to Schedule NEM, "Net Energy Metering for Renewable Electrical Generation Facilities", Electric Rule 22 "Distributed Generation Facilities Interconnection", and the proposed Schedule Self-Gen, "Self-Generation Program for Renewable Electrical Generation Facilities"; and
2. Adopt a resolution approving the changes to Schedule NEM, "Net Energy Metering for Renewable Electrical Generation Facilities", Electric Rule 22 "Distributed Generation Facilities Interconnection", and the proposed Schedule Self-Gen, "Self-Generation Program for Renewable Electrical Generation Facilities".

BOARD OF PUBLIC UTILITIES RECOMMENDATION:

On February 28, 2022, the Board of Public Utilities unanimously voted to adopt a resolution establishing the changes to Schedule NEM, "Net Energy Metering for Renewable Electrical Generation Facilities" (Schedule NEM), Electric Rule 22 "Distributed Generation Facilities Interconnection" (Electric Rule 22), and the proposed Schedule Self-Gen, "Self-Generation Program for Renewable Electrical Generation Facilities" (Schedule Self-Gen); and recommend that the City Council conduct a public hearing to receive public input related to the proposed changes to Schedule NEM, Electric Rule 22, and the proposed Schedule Self-Gen; and adopt a resolution approving the changes to Schedule NEM, Electric Rule 22, and the proposed Schedule Self-Gen.

LAND USE, SUSTAINABILITY, AND RESILIENCE COMMITTEE:

On April 11, 2022, the Land Use, Sustainability, and Resilience Committee unanimously voted to recommend that the City Council conduct a public hearing to receive public input related to the proposed changes to Schedule NEM, Electric Rule 22, and the proposed Schedule Self-Gen; and adopt a resolution approving the changes to Schedule NEM, Electric Rule 22, and the proposed Schedule Self-Gen.

BACKGROUND:

In accordance with Public Utilities Code (PUC) Section 2827, the City Council approved Schedule NEM “Net Energy Metering for Renewable Electrical Generation Facilities” (Schedule NEM) which became effective on July 1, 2002, for eligible customer generators who install a solar or wind turbine generating facility intended to primarily offset part or all of their own electrical requirements. The existing Schedule NEM was established on July 1, 2002, to comply with PUC Section 2827. Net Energy Metering (NEM) eligible customers are those with solar and/or wind generating facilities on the customers’ owned or leased premises with a capacity of less than one megawatt (MW) intended to primarily offset all or a portion of the customers’ own electrical requirements. Schedule NEM allows a customer to carryforward monthly credits for customers who were net generators (e.g., their facility generated more energy than the customer consumed during the billing period that was fed back into Riverside’s electric system) in any given month and allows those credits to offset energy usage in subsequent months in which the customer consumes more energy than the renewable facility generated.

State Assembly Bill 920 (AB 920), enacted on October 11, 2009, modified the NEM requirements of PUC Section 2827 by requiring RPU to compensate eligible customer generators on a per kilowatt hour rate effective January 1, 2011, for the amount of energy generated and fed back to RPU’s electric system that exceeds the amount of energy consumed over a twelve-month period. On December 14, 2010, the City Council adopted the required changes to Schedule NEM and the NEM Interconnection Agreement and established the net surplus compensation rate which is set annually at RPU’s average cost of renewable energy.

DISCUSSION:

The utility industry has changed dramatically over the past decade, with renewable resources now readily available and more cost-effective. RPU now has over 4,700 solar customers under the current NEM program, with the number of new solar installations continuing to average over 500 per year. Under the current NEM program, customers net the monthly energy received from RPU with the energy generated. If more energy was generated than consumed, the energy sent back to RPU’s electric system is compensated to the customer at the retail rate. Because the retail rate paid to solar generation customers is greater than the average cost of new renewable energy sources from RPU, the utility increases its costs for budgeted energy which impacts all customers. The proposed program amendments address this situation to provide the lowest cost of total energy supply to the benefit of all customers.

RPU has exceeded its State-mandated legal obligation to offer the current NEM program. The total rated generating capacity of NEM program customers as of June 30, 2021 is 37.5 MW and exceeds the legal mandate of five percent of RPU’s aggregate customer peak demand (32 MW for RPU).

The proposed Self-Generation Program establishes a new program for customers installing qualifying renewable electric generation facilities including solar, wind, and other renewable resources. The Self-Generation Program provides many benefits including simplifying the application process by eliminating the interconnection service agreement, increasing the maximum system size, and relaxing the sizing limitations, while continuing the sustainable growth of self-generation including solar, wind and other renewable energy resources within our community. The Self-Generation Program includes characteristics that are similar to rates offered or being proposed by other large utilities in California that compensate new solar customers according to the time they generate and provide excess power to RPU's electric system at RPU's avoided cost of energy, thus ensuring there is greater equity across the community by reducing the cost shift to customers without solar.

Self-Generation Program Guiding Principles

When considering conceptual approval of the Self-Generation Program, the following principles provide guidance for program consideration and development:

1. Ensure that customers' renewable self-generation continues to grow in a sustainable and equitable manner.
2. Maintain our customer's and the community's well-being as priority in the Self-Generation Program.
3. Continued commitment to:
 - a. Transparency and engagement by maintaining communication with all stakeholders.
 - b. Meeting environmental goals while maintaining a balance between climate policies, reliability, and competitive rates.
 - c. Maximizing the value of renewable self-generation across all Utility customers (with or without self-generation).

Proposed Self-Generation Program

The proposed attributes of the Self-Generation Program are included in the table below and compared to the current NEM Program.

Current NEM Program	Proposed Self-Generation Program
Renewable Electric Generation Facility including solar, wind and other renewable resources	No change
Maximum size limit 1 MW	Maximum size limit 5 MW
Size limit to historical average usage	Consider relaxing size limit up to 150% of annual energy consumption
No provisions for oversizing	Variance for oversizing with proof of purchase or installation
Formal agreement	No agreement, qualify upon interconnection
Residential 3 tier rate	Residential time of use rate
Commercial and Industrial rates	No change
Production meter required	Production meter optional

Net billing- energy delivered to customer and excess energy received by RPU netted prior to billing	Bi-directional billing- energy delivered billed at applicable rate and excess energy received by RPU compensated at avoided cost of energy
Annual settlement and compensation for surplus energy	Monthly settlement
Net surplus energy compensation at RPU's renewable cost of energy - \$0.0730 per kWh	Energy sent back to the grid no longer nets at the retail rate with surplus energy being compensated annually.
Nets energy at the retail rate. Any excess banked energy at the end of the year is compensated at the net surplus energy compensation rate.	Compensation for energy received by RPU at avoided cost of energy - ~\$0.0722 per kWh. Based on time of day, if applicable, according to customer's rate schedule.
Eligible for program revisions after 32 MW	Program cap at 64 MW including current NEM program interconnections

Customer Engagement

To ensure that all RPU customers had the opportunity to take part in the Self-Generation discussion and shape the proposals, a comprehensive outreach program was undertaken, beginning in November 2021, and included a range of in-person and virtual meetings and contacts with the following:

Builders Industry Association	Riverside Latino Network
Greater Riverside Chambers of Commerce	Riverside Downtown Partnership
Riverside County Black Chamber of Commerce	Arlington Business Partnership
Greater Riverside Hispanic Chamber of Commerce	Solar Providers across the area

Transition Plan for Current NEM Program Customers

The current NEM program is proposed to close to new applicants as of November 1, 2022. Customers must receive permit completion for their renewable generation facility no later than October 31, 2022, to be eligible for Schedule NEM. Current NEM program customers will remain on the current NEM program according to the NEM agreement until they no longer receive service at the premise, increase the original renewable generation facility capacity by more than twenty-five percent (25%), or install a new self-generation facility at the premise.

Electric Rule 22 Distributed Generation Facilities Interconnection

Electric Rule 22 "Distributed Generation Facilities Interconnection" (Electric Rule 22) defines the interconnection, operating and metering requirements for generation facilities to be connected to RPU's distribution system. The proposed changes to Electric Rule 22 include changes consistent with the proposed Self-Generation Program. Additional non-substantive changes are recommended to clarify the intent and address routine administrative updates.

Proposed Timeline

Action	Date
Board of Public Utilities Customer Relations/Finance Committee	August 16, 2021
Community Outreach	November 2021 through April 2022
Board of Public Utilities Approval	February 28, 2022

City Council Land Use, Sustainability, and Resilience Committee Recommended Approval	April 11, 2022
City Council Public Hearing and Consideration	May 10, 2022
Proposed Final Eligibility for Schedule NEM	October 31, 2022
Proposed Effective Date of Schedule Self-Gen and Closure of Schedule NEM	November 1, 2022

STRATEGIC PLAN ALIGNMENT:

The Self-Generation Program supports the Envision Riverside 2025 Strategic Plan as follows:

Priority 4 - Environmental Stewardship:

Goal 4.1. Rapidly decrease Riverside's carbon footprint by acting urgently to reach a zero-carbon electric grid with the goal of reaching 100% renewable energy production by 2040 while continuing to ensure safe, reliable and affordable energy for all residents.

Goal 4.6. Implement the requisite measures to achieve citywide carbon neutrality no later than 2040.

Priority 5 - High Performing Government:

Goal 5.4. Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

Priority 6 - Infrastructure, Mobility & Connectivity:

Goal 6.2. Maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The Self-Generation Program aligns with each of the Cross-Cutting Threads:

1. **Community Trust** – The Self-Generation Program is transparent and developed with our customers' and the community's wellbeing as a top priority.
2. **Equity** – The Self-Generation Program compensates new solar customers according to the time they generate and provides excess power to RPU's electric system at RPU's avoided cost of energy, thus ensuring there is greater equity across the community by reducing the cost shift to customers without solar.
3. **Fiscal Responsibility** – The Self-Generation Program appropriately compensates customers for their excess energy sent to RPU's electric grid.
4. **Innovation** – The Self Generation Program offers a creative approach to meeting environmental goals while maintaining a balance between climate policies, reliability, and competitive rates.
5. **Sustainability & Resiliency** – The Self-Generation Program provides for RPU customer's renewable self-generation to continue to grow in a sustainable and equitable manner.

FISCAL IMPACT:

There is no immediate fiscal impact associate with this report. However, future impact of this action will impact the current financial health of RPU by ensuring there is greater equity across the community by reducing the cost shift to customers without solar by compensating new solar customers according to the time they generate and provide excess power to RPU's electric system at RPU's avoided cost of energy rather than the retail energy rate. The action also supports the sustainable and equitable growth of customer owned renewable self-generation. Future department budgets will take into account these updated schedules and will be incorporated into future projections when submitted to Council for adoption.

Prepared by: Todd M. Corbin, General Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Kris Martinez, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. City Council Resolution with Board Resolution attached (including proposed Schedule NEM, Schedule Self-Gen, and Electric Rule 22)
2. Recommended Electric Schedule NEM "Net Energy Metering for Renewable Electrical Generation Facilities" (redlined and proposed)
3. Recommended Electric Schedule Self-Gen "Self-Generation Program for Renewable Electrical Generation Facilities" (proposed new)
4. Recommended Electric Rule 22 "Distributed Generation Facilities Interconnection" (redlined and proposed)
5. NewGen Strategies and Solutions, Inc Draft RPU Self-Generation Program Review
6. Program Outreach Material
7. Public Hearing Notice
8. Presentation