

MEMORANDUM

TO: UTILITIES ADVISORY COMMISSION

FROM: UTILITIES DEPARTMENT

DATE: November 2, 2016

SUBJECT: Staff Recommendation that the Utilities Advisory Commission Recommend that the City Council Adopt a Resolution to Continue the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program and Amend Associated Program Rules: (1) for Local Solar Resources with a Tiered Pricing Structure Starting at 16.5 ¢/kWh to a 3 MW Cap Which Declines to the City's Avoided Cost Value Upon Reaching 6MW of Program Capacity; and (2) for Local Non-Solar Resources With No Capacity Limit at a Price of 8.4 ¢/kWh to 8.5 ¢/kWh

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REQUEST

Staff recommends that the Utilities Advisory Commission (UAC) recommend that the City Council adopt a resolution (Attachment A) to:

1. Establish a tiered schedule for the Palo Alto CLEAN program price for local solar energy resources as follows:
 - a. For the first 3 MW, maintain the current price of 16.5 cents per kilowatt-hour (¢/kWh) for a 20-year or 25-year contract term;
 - b. For the next (fourth) MW, reduce the price to 14 ¢/kWh for a 20-year or 25-year contract term;
 - c. For the next 1 (fifth) MW, reduce the price to 12 ¢/kWh for a 20-year or 25-year contract term;
 - d. For the next 1 (sixth) MW, reduce the price to the greater of the avoided cost or 10 ¢/kWh for a 20-year or 25-year contract term; and
 - e. For any capacity over 6 MW, reduce the price to the avoided cost of such energy (currently 8.9 ¢/kWh for a 20-year contract term, or 9.1 ¢/kWh for a 25-year contract term); and
2. Raise the Palo Alto CLEAN program price for local non-solar eligible renewable energy resources to the updated avoided cost of such energy (8.4 ¢/kWh for a 20-year contract term, or 8.5 ¢/kWh for a 25-year contract term), from the prior price (8.1 ¢/kWh for a 20-year contract term, or 8.2 ¢/kWh for a 25-year contract term), and to remove the program limit of 3 MW for local non-solar eligible renewable resources.

EXECUTIVE SUMMARY

In March 2012 the Council adopted the Palo Alto CLEAN program (also commonly referred to as a feed-in tariff, or FIT, program). The program was designed to address the Long-term Electric Acquisition Plan (LEAP) objective to enhance supply reliability through the pursuit of local generation opportunities, and to complement the City of Palo Alto Utilities' (CPAU's) existing PV Partners solar rebate program. Palo Alto CLEAN created an additional alternative for property owners by enabling them to build a new solar system on their property and sell the energy to CPAU under a long-term, fixed-rate, standardized contract rather than use the energy on site.

Though solar developers expressed interest in Palo Alto CLEAN in 2012, the initial contract price (14 ¢/kWh for a 20-year term) proved insufficient to facilitate the most common business model used by project developers, which involves a third-party investor leasing roof space from a property owner. Council increased the Palo Alto CLEAN price to 16.5 ¢/kWh in December 2012, and has maintained it at that level ever since (last reaffirming it in March 2016). In May 2015, Council added a 25-year contract term option, and expanded the program to include non-solar eligible renewable energy resources, setting their contract prices at the avoided cost level.

Although it started the year with only one participant, the CLEAN program appears to be about to reach the 3 MW program capacity limit for solar resources. In the first two months of this year, Komuna Energy executed CLEAN contracts for five projects that would account for about 1.4 MW of capacity. And last month, one of the City's large commercial customers submitted an application for a CLEAN project that would consume the remaining 1.7 MW of program capacity—and potentially significantly more than that amount.

Staff recommends that all solar capacity installed under the CLEAN program in excess of the 3 MW program cap—including that portion of the large commercial customer's system that exceeds the cap—be compensated according to a tiered schedule that gradually reduces the CLEAN price for solar energy to the avoided cost of that solar energy after the program has 6 MW of installed capacity.

BACKGROUND

CPAU has a long history of supporting solar power. It initiated the PV Partners program in 1999 to provide rebates to residential and commercial customers who install solar for their own use, and in 2007 the program was expanded to meet the requirements of the State's Million Solar Roofs Bill (Senate Bill 1 (SB1), 2006). CPAU was mandated by SB1 to offer rebates through the PV Partners until the total SB1 program budget of \$13 million was exhausted, which occurred in April 2016, when all rebate funds for commercial solar PV systems were reserved. All residential rebate funds were reserved as of August 2014.

In March 2012, the City expanded its support for local distributed generation by launching Palo Alto CLEAN (Clean Local Energy Accessible Now) with a price of 14 ¢/kWh for a 20-year contract ([Staff Report 2548](#), [Resolution 9236](#)). The program, which was set to expire in December 2012, expanded the options available to property owners by enabling them to sell energy directly to CPAU under a standardized long-term contract instead of using the energy on site. After

receiving no response to the program, in December 2012, Council extended the CLEAN program and increased the rate to 16.5 ¢/kWh for a 20-year contract ([Staff Report 3316](#), [Resolution 9308](#)). In February 2014, Council extended the CLEAN program again at the rate to 16.5 ¢/kWh for a 20-year contract, and increased the program capacity limit to 3 MW ([Staff Report 4378](#), [Resolution 9393](#)).

In April 2014, the City Council adopted the Local Solar Plan ([Staff Report 4608](#), [Resolution 9402](#)), which set the overarching goal of meeting 4% of the City's total energy needs from local solar by 2023 and unified the City's approach toward local solar and described a set of diverse strategies for meeting the 4% target in a cost-effective manner that does not create a burden on non-solar customers. Prior programs, incentives, and policies involving solar installed in the City—including specifically PV Partners, net energy metering, and Palo Alto CLEAN—are integrated into the Local Solar Plan strategies. The 3 MW of solar PV expected from the CLEAN program plays an integral role in achieving the Local Solar Plan goal, contributing about 0.5% of the City's total energy needs.

In May 2015, the Council voted to: extend the CLEAN program again at the rate of 16.5 ¢/kWh for a 20-year contract for solar resources; add a 25-year contract term option at the same rate; and expand the program to include non-solar eligible renewable energy resources—setting contract prices for such resources at the level of their avoided cost, which at the time was 9.3 ¢/kWh for a 20-year contract or 9.4 ¢/kWh for a 25-year contract, and setting a separate 3 MW program capacity limit on such resources ([Staff Report 5849](#), [Resolution 9552](#)). In March 2016, after the Finance Committee voted unanimously to reduce the contract rate for solar resources to the avoided cost level (8.9 ¢/kWh for a 20-year contract or 9.0 ¢/kWh for a 25-year contract), the Council voted to continue the CLEAN program again at the rate of 16.5 ¢/kWh for solar resources ([Staff Report 6641](#), Resolution 9618). At the same time, Council also voted to reduce the price for local non-solar eligible renewable energy resources to the updated avoided cost estimate for such energy (8.1¢/kWh for a 20-year contract term, or 8.2¢/kWh for a 25-year contract term) and continue with a separate program limit of 3 MW for local non-solar eligible renewable resources.

The energy generated by 3 MW of local solar projects will supply about 0.5% of the City's total electricity needs. Table 1 below shows the history of the Palo Alto CLEAN price since the program began as well as the rate impact of the CLEAN price based on the difference between the price and the avoided cost of local solar generation.

Table 1 – History of Palo Alto CLEAN Program Prices and Avoided Cost for Local Solar

Council Approval	Avoided Cost of Local Solar Generation * (¢/kWh)	CLEAN Price (¢/kWh)	Annual Excess Cost (Rate Impact)	Total Excess Cost over 20-year Term
March 2012	13.6	14.0	\$15,000 (0.01%) for 2 MW cap	\$300,000
December 2012	11.6	16.5	\$160,000 (0.10%) for 2 MW cap	\$3.2 million
February 2014	9.9	16.5	\$332,500 (0.27%) for 3 MW cap	\$6.45 million
May 2015	10.3	16.5	\$310,000 (0.26%) for 3 MW cap	\$6.2 million
March 2016	8.9	16.5	\$380,000 (0.32%) for 3 MW cap	\$7.6 million

** The cost of buying remote solar energy outside of Palo Alto and transmitting it to Palo Alto.*

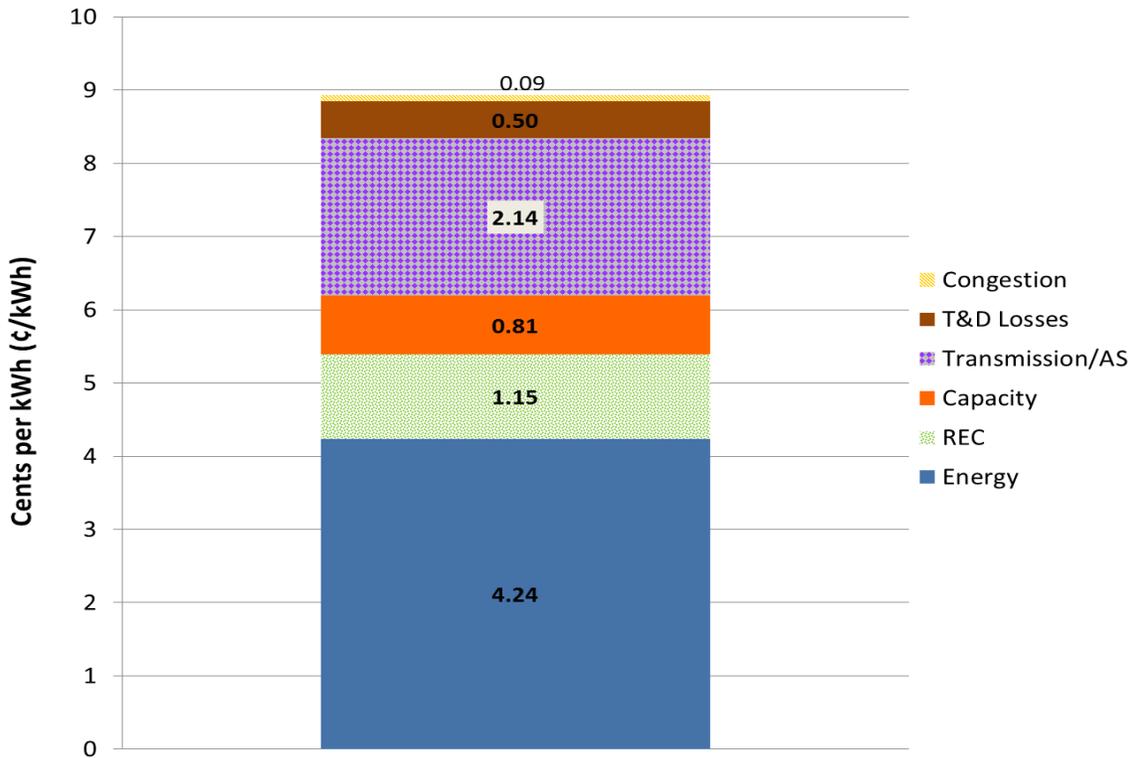
When establishing the CLEAN price of 16.5 ¢/kWh in December 2012, Council reviewed the market value of local solar energy and determined that, beyond the value of the energy itself, there were additional financial and environmental benefits to increasing local solar generation. In March 2016, when Council reaffirmed the 16.5 ¢/kWh price, staff estimated the cost of buying remote solar energy outside of Palo Alto and transmitting it to Palo Alto was 8.9 ¢/kWh (including renewable energy value, transmission and capacity) for a 20-year contract. Therefore, purchasing the energy generated from 3 MW of local solar projects at 16.5 ¢/kWh was expected to cost about \$380,000 per year more than buying the same energy outside of Palo Alto (and having it transported to Palo Alto). This extra cost is equivalent to a 0.32% increase in the electric utility’s costs.

DISCUSSION

Updated Value of Local Renewable Solar Energy

In April 2015, the City released an RFP for renewable energy projects that would deliver energy to the City starting in 2021. In March 2016, the Council approved a Power Purchase Agreement (PPA) with Hecate Energy resulting from this RFP, at a contract rate of 3.676 ¢/kWh for a 25-year term ([Staff Report 6637](#), [Resolution 9578](#)). However, this price was a bit of an outlier in the RFP; the average proposed price of the 10 highest-ranking proposals was 5.4 ¢/kWh. Using this more conservative value as the estimated value of renewable energy in California and adding on the cost to deliver that energy to Palo Alto, combined with the capacity related benefits that local solar would provide, yields a total value of local solar energy of 8.9 ¢/kWh for a 20-year term, as illustrated in Figure 1. Over a 25-year term, the levelized delivery- and capacity-related cost is slightly higher, yielding a total value of local solar energy of 9.1 ¢/kWh. These avoided cost values are the same as determined last year (as shown in Table 1 above).

Figure 1 – Avoided Cost Components of Local Solar Energy (20-Year Term)



Updated Value of Local Renewable Non-Solar Energy

For non-solar local eligible renewable energy resources, the estimated avoided cost experienced a slight increase compared to last year’s estimate, even though the renewable energy price it was based on was the same as last year (i.e., the results of the City’s 2015 renewable energy RFP). This was due to an updated analysis of the relative value of energy produced with a “baseload” generation profile (i.e., operating at a fairly constant high capacity, around-the-clock) versus energy produced with a typical solar generation profile. The energy generated by 3 MW of local non-solar renewable energy projects would supply about 2.2% of the City’s total electricity needs (assuming that the projects are “baseload” resources). For these resources, the current estimated avoided costs are 8.4 ¢/kWh for a 20-year term, and 8.5 ¢/kWh for a 25-year term—up from 8.1 ¢/kWh and 8.2 ¢/kWh, respectively, in March 2016. Table 2 compares the current proposal to the price offered since May 2015 when non-solar resources were first eligible for the Palo Alto CLEAN program. Since the price is set equal to the avoided cost, the excess cost and rate impact are zero. Therefore, staff proposes removing the 3 MW program cap for local non-solar renewable energy projects.

Table 2 – Palo Alto CLEAN Program Prices for Local Non-Solar Eligible Renewables

Council Approval	Avoided Cost of Local Non-Solar Renewable Generation * (¢/kWh)	CLEAN Price (¢/kWh)	Annual Excess Cost (Rate Impact)	Total Excess Cost over 20-year Term
May 2015	9.3	9.3	\$0 (0%) for 3 MW cap	\$0
March 2016	8.1	8.1	\$0 (0%) for 3 MW cap	\$0
Current Proposal	8.4	8.4	\$0 (0%) for 3 MW cap	\$0

** The cost of buying remote baseload renewable energy and transmitting it to Palo Alto.*

CLEAN Program Activity

At the start of 2016, the City received the first application for a project under the CLEAN program (for a 113 kW project at the Unitarian Universalist Church of Palo Alto). In February 2016, the commercial solar developer, Komuna Energy, executed CLEAN contracts for four additional projects on City-owned parking garages, which bring the total reserved program capacity to 1.4 MW. These projects are now actively engaged in the permitting process with the Planning Department.

Staff has also received word that one of the City’s large commercial customers is planning to submit a CLEAN application for a solar project that would consume the remaining 1.7 MW of program capacity—and potentially up to 1.4 MW in excess of the program cap. That customer is awaiting Council’s decision on how the portion of its project that would exceed the CLEAN program’s 3 MW capacity cap would be compensated before deciding what size project to pursue under the program.

Proposed Structure and Alternatives

Staff proposes that the CLEAN price beyond the current 3 MW cap for solar projects be stepped down in an orderly fashion to provide certainty for project developers until projects with a total of 6 MW of capacity are installed. After the 6 MW cap, any additional projects would be compensated at the avoided cost for local solar projects: currently 8.9 ¢/kWh for a 20-year term or 9.1 ¢/kWh for 25-year term. While this option does continue having an annual excess cost after the initial 3 MW cap is reached, the excess cost decreases over time.

This approach, where the contract price steps down in a scheduled manner as certain capacity levels are achieved, is used by a number of utilities with feed-in tariff programs, including the Los Angeles Department of Water and Power (LADWP) and Marin Clean Energy (MCE). Below, for example, is MCE’s price schedule for various types of eligible renewable energy resources in their seven-tier program. (According to MCE’s [website](#), they are currently about halfway through the capacity limit of Tier 2.)

Table 3 – Marin Clean Energy Feed-in Tariff Tiered Price Schedule

Tier Level	Capacity Reserved (MW)	Solar Price (¢/kWh)	Wind Price (¢/kWh)	Baseload Price (¢/kWh)
1	0-2	13.766	10.057	11.649
2	2-4	12.0	9.5	10.5
3	4-6	11.5	9.0	10.0
4	6-8	11.0	9.0	9.5
5	8-10	10.5	9.0	9.5
6	10-12	9.5	9.0	9.5
7	12-15	9.0	9.0	9.0

Staff proposes that the Palo Alto CLEAN program price would be stepped down as more capacity is added as shown in Table 4. For the first 3 MW, the 16.5 ¢/kWh price is maintained and the price steps down as capacity is reserved in 1 MW chunks until 6 MW is installed, when the price goes to the avoided cost value. Project applications that straddle two or more of these tier levels would receive a capacity-weighted average contract price based on the amount of capacity they have in each of the tier levels they straddle.

Table 4 – Proposed Palo Alto CLEAN Tiered Price Schedule

Tier Level	Capacity Reserved (MW)	Solar Price (¢/kWh)	Annual Excess Cost [1] (Rate Impact)	Total Excess Cost over 20-year Term
1	0-3	16.5	\$380,000 (0.32%) for 3 MW	\$7.6 million
2	3-4	14.0	\$87,000 (0.07%) for 1 MW	\$1.75 million
3	4-5	12.0	\$53,000 (0.04%) for 1 MW	\$1.05 million
4	5-6	10.0	\$15,000 (0.01%) for 1 MW	\$0.3 million
5	Over 6	Avoided cost	\$0	\$0
Total			\$535,000 (0.45%)	\$10.7 million

¹ Assumes the avoided cost (the cost of buying remote solar energy outside of Palo Alto and transmitting it to Palo Alto) is equal to 8.9 ¢/kWh for 20-year term.

In addition to the recommended proposal, staff evaluated the following four alternatives:

1. Strictly enforce the current 3 MW program cap on local solar resources that received the 16.5 ¢/kWh price;
2. Compensate the first 3 MW of applications at 16.5 ¢/kWh, then compensate everything after that at the avoided cost;
3. Compensate the entire “last project in” (the one that pushes the program over the 3 MW cap) at 16.5 ¢/kWh, then compensate everything after that at the avoided cost;
4. Remove or raise the 3 MW program cap, while continuing to offer the 16.5 ¢/kWh price to all local solar resources.

Option 1 – Strict 3 MW Program Cap

This approach, which reflects a literal interpretation of the current program rules, was rejected for two reasons. First, it would be impractical to try to enforce a precise 3 MW cut-off line; as the program approaches its capacity limit there will almost certainly be an application for a project that would push slightly over the limit. Second, this approach could leave value on the table for the City. If a project is capable of being developed at a contract rate equal to (or less than) the City's avoided cost for that energy, it would be in the City's interest to accept that project into the program, regardless of the amount of capacity already participating.

Option 2 – Avoided Cost after 3 MW Cap Reached

This option involves a strict enforcement of the 3 MW participation cap for local solar resources at the 16.5 ¢/kWh contract rate, while allowing unlimited participation in the program at the avoided cost level after the 3 MW cap is reached. This approach honors the Council's desire, when it last updated the CLEAN program price for solar projects in March 2016, to limit the excess costs and rate impact to the initial 3 MW level. However, staff does not expect any projects to be developed at this time if they are compensated at the avoided cost level, but if such projects become feasible in the future as solar costs fall it would be in the City's interest to enable them to be developed.

Option 3 – Avoided Cost after Last Project In

This option is similar to the recommended proposal, except it would allow the final project accepted into the program to be compensated at the 16.5 ¢/kWh price, regardless of how far beyond the 3 MW capacity limit this project pushes the program. The problem with this approach is evident in the situation with the large commercial customer that recently submitted a CLEAN program application that would cause the total program capacity to reach 4.4 MW. When Council reapproved the program in March 2016, Council set a 3 MW program capacity limit that would result in an excess cost of \$380,000 (a 0.32% rate impact). If the program capacity reaches 4.4 MW (with all of that capacity being compensated at 16.5 ¢/kWh), the cost would be \$560,000 per year for 20 or 25 years (a 0.47% rate impact), and would exceed those prior Council established parameters.

Option 4 – Remove 3 MW Program Cap

In this option, the 3 MW cap to receive the 16.5 ¢/kWh price would be increased, or even eliminated. This approach would certainly promote greater participation in the CLEAN program, and might go a long way towards helping the City meet the overall goals established in the Local Solar Plan. However, if the cap was removed altogether, it would expose the City to virtually unlimited excess costs.

Table 5 below presents the staff's proposed program structure along with the various alternatives described above.

Table 5 – Potential Program Structures for Local Solar after 3 MW Capacity Limit

Alternatives	Capacity at 16.5 ¢/kWh	CLEAN Price after reaching 3 MW cap (¢/kWh)	Annual Excess Cost (Rate Impact)	Total Excess Cost over 20-year Term
Proposal	3	14 for 4 th MW, 12 for 5 th MW, 10 for 6 th MW, then avoided cost (8.9)	\$535,000 (0.45%)	\$10.7 million
Option 1 – Strict 3 MW limit, then close program	3	N/A	\$380,000 (0.32%)	\$7.6 million
Option 2 – avoided cost after 3 MW	3	8.9	\$380,000 (0.32%)	\$7.6 million
Option 3 – 16.5 ¢/kWh for Last Project In *	~4.4	16.5	\$560,000 (0.47%)	\$11.2 million
Option 4 – No Cap	Unlimited	16.5	Unlimited	Unlimited

* Assumes that the capacity for the last project is 3 MW (1.4 MW over the 3 MW cap).

Recommendation

Staff recommends that the current CLEAN price of 16.5 ¢/kWh for solar projects continue until the program reaches the 3 MW capacity limit, after which additional capacity would receive a contract price that gradually steps down as described above until the City’s avoided cost for such energy (currently 8.9 ¢/kWh for a 20-year contract term, or 9.1 ¢/kWh for a 25-year contract term) is reached. In addition, staff recommends continuing to offer non-solar eligible renewable energy resources a CLEAN price equal to the avoided cost of the energy produced by those resources, which is currently estimated at 8.4 ¢/kWh for a 20-year term, and 8.5 ¢/kWh for a 25-year term. Finally, staff recommends removing the program cap of 3 MW for local non-solar local renewable resources.

RESOURCE IMPACT

Staff estimates that the current cost of buying energy from solar resources outside of Palo Alto is 8.9 ¢/kWh (including transmission and capacity) for a 20-year contract, or 9.1 ¢/kWh for a 25-year contract. Purchasing the energy generated by local solar projects at this avoided cost level is therefore not expected to impact the cost to the Utility. Purchasing energy at rates higher than these avoided costs would impact the cost to the Utility, by the amounts listed above in Table 5. Likewise, purchasing the energy generated from 3 MW of local, non-solar renewable energy projects at the avoided cost level is not expected to impact the cost to the Utility.

Aside from the excess costs described above, staff time is associated with marketing the CLEAN program and project review. The project review can be absorbed with existing staff over the life of the program, and costs will be recovered through project review fees.

POLICY IMPLICATIONS

The recommendation to continue the Palo Alto CLEAN program supports the City's carbon neutral electric supply portfolio policy, the Local Solar Plan, and the LEAP Objective to enhance supply reliability through the pursuit of local generation opportunities.

ENVIRONMENTAL REVIEW

Adoption of the attached resolution and the associated amendment of the CLEAN Program Eligibility Rules and Requirements is not subject to California Environmental Quality Act (CEQA) review because adoption of this resolution and associated amendment of CLEAN Program rules is an administrative government activity that will not result in any direct or indirect physical change to the environment as a result (CEQA Guidelines section 15378(b)(5)).

ATTACHMENTS

Attachment A: Resolution Continuing the Palo Alto CLEAN Program

Exhibit 1 to Attachment A: Updated Palo Alto CLEAN Program Eligibility Rules and Requirements

PREPARED BY:

 **JIM STACK**, Senior Resource Planner

REVIEWED BY:

 **JANE RATCHYE**, Assistant Director, Resource Management

APPROVED BY:



ED SHIKADA
Utilities General Manager

NOT YET APPROVED

Resolution No. _____

Resolution of the Council of the City of Palo Alto Continuing the Palo Alto Clean Local Accessible Now Program at the Contract Rate of 16.5 ¢/kWh for Local Solar Resources with a Tiered Pricing Structure that Declines to the City's Avoided Cost Value upon Reaching 6 MW of Program Capacity; and Increasing the Contract Rate for Non-solar Renewable Energy Resources to 8.4 ¢/kWh to 8.5 ¢/kWh Based on the Avoided Cost of Local Renewable Energy and Amending Associated Program Rules

R E C I T A L S

A. On March 5, 2012, the City approved the Palo Alto Clean Local Energy Accessible Now (CLEAN) Program (or feed-in tariff). Under the Palo Alto CLEAN Program, participants who build a new solar generating system in Palo Alto may obtain a long-term, fixed-price contract with the City to sell the energy from the system to the City's electric utility.

B. Council extended the program beyond its original termination date of December 31, 2012 and has periodically reviewed the contract price and program cap.

C. On March 28, 2016, Council approved Resolution 9580 (as amended for clarification by Resolution 9618 (8/22/16)), which continued Palo Alto CLEAN at the contract price of 16.5 cents per kilowatt-hour (¢/kWh) for local solar resources, and reduced the contract prices for local non-solar renewable energy resources to 8.1 ¢/kWh for a 20-year term or 8.2 ¢/kWh for a 25-year term. The contract rates for non-solar resources were set to be equal to the then current estimated avoided cost of the energy generated by these resources. The resolution further continued the separate program caps of 3 megawatts (MW) of generating capacity for both the solar and non-solar resources.

D. In the past year, the City has received five CLEAN Program project applications for local solar facilities, which together will total 1.26 MW of capacity, or 42% of the 3 MW program cap.

E. The City wants to continue the CLEAN program for solar resources at the current contract price of 16.5 ¢/kWh until the program reaches the 3 MW cap, and extend the program after reaching the 3 MW cap, but reduce the contract price gradually in steps according to the following schedule: the fourth MW of capacity would receive a contract price of 14 ¢/kWh, the fifth MW of capacity would receive a contract price of 12 ¢/kWh, the sixth MW of capacity would receive a contract price of 10 ¢/kWh, and all additional capacity would receive a contract price equal to the City's avoided cost of such energy (currently 8.9 ¢/kWh for a 20-year contract term, or 9.1 ¢/kWh for a 25-year contract term). Therefore, the 3 MW program cap is eliminated since the contract price after 6 MW of capacity is reached is equal to the City's avoided cost of energy such that there is no rate impact.

F. Additionally, the City wants to raise the contract prices available to local non-solar eligible renewable resources to 8.4 ¢/kWh for a 20-year term or 8.5 ¢/kWh for a 25-year term for such resources, which is equal to the current estimated avoided cost of energy

generated by these resources. For local non-solar resources, the 3 MW cap is eliminated since there is no rate impact when the contract price is equal to the avoided cost of energy for these resources.

The Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The Council adopts revised Palo Alto CLEAN Program Eligibility Rules Requirements, set forth in Exhibit 1 attached to this Resolution.

SECTION 2. The Council authorizes the City Manager or his designee to sign contracts for the output of one or more solar, or other non-solar eligible renewable energy resource meeting the CLEAN Program Eligibility Rules and Requirements described in Section 1.

SECTION 3. The Council finds that the adoption of this resolution and the associated amendment of CLEAN Program Eligibility Rules and Requirements is not subject to California Environmental Quality Act (CEQA) review because adoption of this resolution and associated amendment of CLEAN Program rules is an administrative government activity that will not result in any direct or indirect physical change to the environment as a result (CEQA Guidelines section 15378(b)(5)).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Senior Deputy City Attorney

City Manager

Director of Utilities

Director of Administrative Services

**PALO ALTO CLEAN (CLEAN LOCAL ENERGY ACCESSIBLE NOW)
PROGRAM ELIGIBILITY RULES AND REQUIREMENTS**

A. PARTICIPATION ELIGIBILITY:

The Palo Alto Clean Local Energy Accessible Now Program (the “CLEAN Program”) is open to participation by any Eligible Renewable Energy Resource, as defined in Section D.4, that satisfies these Program Eligibility Rules and Requirements.

B. TERRITORIALITY REQUIREMENT:

In order to be eligible to participate in the CLEAN Program, an Eligible Renewable Energy Resource must be located in and generating electricity from within the utility service area of the City of Palo Alto.

C. PRICES AND TERM FOR ELIGIBLE RENEWABLE RESOURCES:

The following purchase prices shall apply to the electricity produced by an Eligible Renewable Energy Resource participating in the Program, except as provided in Section D.5.

Solar Energy Resources:

<u>Total Solar Capacity Reserved</u>	<u>Contract Term</u>	<u>Contract Price</u>
0-3 MW	20 or 25 years	\$0.165 / kWh
3-4 MW	20 or 25 years	\$0.140 / kWh
4-5 MW	20 or 25 years	\$0.120 / kWh
5-6 MW	20 or 25 years	\$0.100 / kWh
More than 6 MW	20 years	\$0.089 / kWh
More than 6 MW	25 years	\$0.091 / kWh

Solar Energy Resources that straddle multiple pricing tiers shall receive a weighted-average purchase price based on the amount of their capacity that is contained in each tier.

Non-Solar Eligible Renewable Energy Resources:

<u>Contract Term</u>	<u>Contract Price</u>
20 years	\$0.084 / kWh
25 years	\$0.085 / kWh

D. ADDITIONAL RULES AND REQUIREMENTS:

1. The owner of the Eligible Renewable Energy Resource shall enter into an Eligible Renewable Energy Resource Power Purchase Agreement (“PPA”) with the City of Palo Alto prior to delivering energy to the City.

PALO ALTO CLEAN (CLEAN LOCAL ENERGY ACCESSIBLE NOW)

PROGRAM ELIGIBILITY RULES AND REQUIREMENTS

2. An application for participation in the CLEAN Program to sell output to the City (the “Application”) may be submitted at any time. Applications will be considered in the order received.
3. Eligible Renewable Energy Resource means an electric generating facility that: (a) is defined and qualifies as an “eligible renewable energy resource” under California Public Utilities Code Section 399.12(e) and California Public Resources Code Section 25471, respectively, as amended; and (b) meets the territoriality requirement set forth in Section B.
4. The California Energy Commission’s (“CEC”) certification of the Eligible Renewable Energy Resource shall be required within six (6) months of the commercial operation date of the generating facility; the facility’s owner shall provide written notice of the CEC’s certification to the City within ten (10) business days of receipt of said certification. If the City agrees, in its sole discretion, to take delivery of the generating facility’s electricity prior to the CEC’s certification, then, as the facility’s electricity cannot be considered in fulfillment of the City’s RPS requirements, the price that the City will pay for the generating facility’s electricity (the “Pre-Certification Price”) will be set to \$0.076 per kWh (for a 20-year contract term) or \$0.08 per kWh (for a 25-year contract term), based on the estimated levelized cost of brown power over a 20-year or 25-year period, respectively. Upon the CEC’s certification of the generating facility and the provision of notice of such certification to the City in accordance with this section, the City will pay the Price set forth in Section C of these CLEAN Program Rules and Requirements and the PPA (collectively referred to as the “Contract Price”) for the generating facility’s electricity delivered on and after the date of the CEC’s certification. The City will, in its sole discretion, “true-up”, as appropriate, the difference between the Contract Price and the Pre-Certification Price for any electricity received and paid for by the City, effective as of the date of certification of the Eligible Renewable Energy Resource.
5. If an Eligible Renewable Energy Resource is authorized to participate in the CLEAN Program, then that Resource shall not be entitled to receive any rebate or other incentive from the City’s Photovoltaic (PV) Partners Program or any other similar incentive program funded by the City’s ratepayers. To the extent any rebate or incentive is paid to the owner of the Resource, that rebate or incentive shall be disgorged and refunded to the City upon 30 days’ notice, if the Eligible Renewable Energy Resource continues to participate in the CLEAN Program. If a rebate or an incentive has been paid to the Eligible Renewable Energy Resource, then that Resource shall be ineligible to participate in the CLEAN Program.
6. All electricity generated by the Eligible Renewable Energy Resource shall be delivered only to the City. No portion of the electricity may be used to offset any load of the generating facility (other than incidental loads associated with operating the generating facility).

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7. A metering and administration fee will be charged to each Eligible Renewable Energy Resource that participates in the CLEAN Program. See Utilities Rate Schedule E-15 (Electric Service Connection Fees).