



# City of Palo Alto

## City Council Staff Report

(ID # 8718)

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**Report Type: Consent Calendar**

**Meeting Date: 12/11/2017**

**Summary Title: Extending Net Energy Metering to December 31, 2017**

**Title: Staff Recommendation That Council Adopt a Resolution Extending the Net Energy Metering (NEM) Program to all Eligible Customer-Generators Until the City's Total Distributed Generation Demand Exceeds 10.8MW, or Until December 31, 2017, Whichever Occurs Later**

**From: City Manager**

**Lead Department: Utilities**

### **Recommendation**

Staff recommends that the City Council (Council):

1. Adopt a resolution (Attachment A) extending the Net Energy Metering (NEM) Program to all eligible customer-generators until the City's total distributed generation demand exceeds 10.8 MW, or until December 31, 2017, whichever occurs later.

### **Background and Discussion**

NEM is a billing mechanism designed to promote the installation of renewable distributed generation which, under state law, requires utilities to compensate eligible customers at the full retail rate for electricity generated by their on-site systems, such as solar photovoltaic (solar PV) systems. Public Utilities Code section 2827(c)(4)(A) requires electric utilities to offer NEM to eligible customers until the distributed generation demand of those customers exceeds 5% of the utility's aggregate peak demand. On November 7, 2016, Council adopted a resolution determining that 5% of the City's total demand, commonly referred to as the "NEM cap," was 10.8 MW (Staff Report 7346). Distributed generation installed exceeding the 10.8 MW "cap" would not qualify for NEM, and would instead be permitted to participate in a NEM Successor Program adopted by the Council on August 22, 2016 (Staff Report 7150).

As of November 27, 2017 the City was 739 kW from reaching 10.8 MW of distributed generation demand. Progress toward this level has been slow and steady over the last year. But based on customer inquiries about the program, staff is aware of a number of customers poised to submit projects into the NEM program, in large part because many of these customers are also participating in a regional solar group buy program which closes to new customers on December 31, 2017. Because there has been ample capacity in the City's NEM program to-date, customers have been working through the multi-step distributed generation

installation, reservation, and connection process with the expectation that adequate NEM capacity would remain throughout the calendar year. A rapid closure of the program, going from 739 kW to 0 kW in under three weeks, will cause significant disruption to a number of customers with distributed generation projects already in the planning process.

To accommodate CPAU customers in the process of setting up distributed generation, and allow for an orderly wind-down of the City's NEM program, staff proposes continuing to offer NEM eligibility until the total distributed generation demand exceeds 5% of CPAU's aggregate peak demand, or until December 31, 2017, whichever comes later. Staff anticipates the total additional demand within the NEM program resulting from this administrative change would be roughly 500-600 kW. Staff also intends to make an administrative change extending the time applicants have to complete their projects from six months to one year based on requests from the Palo Alto Unified School District (PAUSD) and other customers who have struggled to complete projects within six months. Given the short timeline remaining until December 31, 2017, and the multi-step NEM planning and application process, Staff does not expect to receive additional NEM applications for projects besides those already in progress.

### **Resource Impact**

The total cost impact to the Electric Fund associated with this proposal is estimated to be \$2,000-\$5,000 per year over twenty years. Staff expects that the cost impact would only be significantly higher in the unlikely event additional large commercial project applications are received by December 31, 2017, and those projects export significant amounts of solar energy to the grid. This is because nearly all of the energy generated by non-residential NEM customers is typically used on-site, and the bulk of NEM costs occur when energy is exported to the grid.

### **Policy Implications**

Adoption of the proposed resolution supports the Local Solar Plan by allowing for a smoother transition from NEM to the NEM Successor Program while continuing to offer positive customer service to solar customers with projects in the planning process.

### **Environmental Review**

Council's adoption of the proposed resolution does not meet the California Environmental Quality Act's (CEQA) definition of "project" under California Public Resources Code Sec. 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment, thus no environmental review is required.

### **Attachments:**

- Attachment A: NEM Extension Resolution

# ATTACHMENT A

## NOT YET APPROVED

Resolution No. \_\_\_\_\_

Resolution of the Council of the City of Palo Alto Extending the Net Energy Metering (NEM) Program to all Eligible Customer-Generators Until the City's Total Distributed Generation Demand Exceeds 10.8 MW, or Until December 31, 2017, Whichever Occurs Later

### RECITALS

A. Currently distributed generation installed in Palo Alto may be eligible for the City's Net Energy Metering (NEM) Program if it meets program criteria. The City is required by state law, Public Utilities Code section 2827(c)(4)(A), to offer this Program until total installed distributed generating capacity taking advantage of the program exceeds 5% of the utility's aggregate peak demand.

B. On November 7, 2016 the Council adopted Resolution 9638 establishing a method for calculating the amount of distributed generating capacity equal to 5% of the utility's aggregate peak demand, resulting in a NEM Program capacity of 10.8 MW.

C. On August 22, 2016, the Council of the City of Palo Alto approved a rate schedule for its NEM Successor Program, (E-EEC-1) which will apply to distributed generation after the total installed distributed generating capacity taking advantage of the NEM Program exceeds 5% of the utility's aggregate peak demand.

D. As of November 27, 2017, the amount of capacity available in the NEM Program was 739 kW, which can appear to customers to be a significant amount of capacity. But based on customer inquiries about the program, staff is aware of a number of customers poised to submit projects into the NEM Program, at the moment such that the program is likely to close abruptly.

E. It is in the best interests of the City and its electric utility customers to accommodate CPAU customers in the process of setting up distributed generation, and to smoothly transition from the current NEM Program to the NEM Successor Program, and the E-EEC-1 rate schedule.

NOW, THEREFORE, the Council of the City of Palo Alto RESOLVES as follows:

SECTION 1. The City will accept applications to the NEM program until the City's

total distributed generation demand exceeds 10.8 MW, , as defined in Resolution 9638 approved November 16, 2017, or until 5:30 PM on December 31, 2017, whichever occurs later. Any applications submitted after that time will be placed on a wait list in case project cancellations result in the total installed NEM Program capacity dropping below 10.8 MW.

SECTION 2. Council’s adoption of this resolution does not meet the California Environmental Quality Act’s (CEQA) definition of “project” under California Public Resources Code Sec. 21065 and CEQA Guidelines Section 15378(b)(5), because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment , thus no environmental review is required.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

APPROVED AS TO FORM:

APPROVED:

\_\_\_\_\_  
Assistant City Attorney

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Director of Administrative Services

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General Manager of Utilities