



Roseville Public Utilities Commission STAFF REPORT

City Clerk Use Only

DATE: September 15, 2010

TITLE: California Assembly Bill 920 – Net Surplus Energy Compensation Rate

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Meeting Date: September 28, 2010

SUMMARY RECOMMENDATION

Staff requests that the Roseville Public Utilities Commission recommend that City Council approve the new Electric Net Surplus Energy Compensation Rate as presented below.

BACKGROUND

In 2009, California Assembly Bill 920 (AB920), created a new law that requires electric utilities to follow specific methods to credit customers for the annual production of solar and wind energy in excess of what they use. AB920 applies to electric residential and small commercial customers with solar or wind energy produced on their premises for their own use. Currently, staff is not aware of any customer owned wind systems located in Roseville.

AB920 requires that utilities establish rates of compensation called, “net surplus energy compensation rates” that reflect the amount to be paid to customers for electricity generation in excess of consumption each year (from customer sited solar or wind systems). Utilities are required to calculate the net electricity usage or generation each month, however, customers are not required to pay for any cumulative net electricity charges until the end of the year.

This new rate must be established no later than January 1, 2011.

Current Condition

As required by previous state laws, all electric solar customers are compensated for any surplus electricity produced during a billing month. This is accomplished by using a net electric meter capable of measuring electric flow in two directions. Net metering allows customers to offset their electricity consumption, resulting in lower utility bills. If the net amount of electricity is negative (consumption is less than generation) at the end of the monthly billing period, the utility bill will reflect a credit to the customer. Any credit is calculated based upon the existing rate charged for electric consumption. If the net amount of electricity (consumption is greater than generation) is positive at the end of the monthly billing period, the utility bill will reflect a charge owed by the customer (also calculated at the existing rate charged for electric consumption).

Additionally, under state law, residential and small commercial electric customers are allowed to defer payments for electricity consumption until the end of their 12 month annual period. Any credits are credited at current electric rates and carry into the next monthly billing until the end of the 12 month annual period. At this time, all solar customers in Roseville are billed for and pay net electricity charges each month.

In Roseville, surplus energy production from customer operated solar during a 12-month period is very rare, because the solar electric generation systems installed are sized to produce no more than 100% of the customer's annual usage.

New Condition – with Assembly Bill 920 (AB920)

AB920 expands the benefits offered to net metered residential and small commercial customers who utilize solar and wind for their own use at their premises in Roseville. AB920 allows residential and small commercial customers who generate surplus electricity over a 12 month annual period to receive compensation based upon the net surplus energy compensation rate established by the City Council. AB920 requires that the net surplus electricity compensation rate provide customers with just and reasonable compensation for the value of any net surplus electricity produced over a specified 12 month period.

The bill establishes that any annual net surplus electricity purchased by Roseville Electric shall count toward Roseville Electric's renewable portfolio standard.

Recommendation for Net Surplus Energy Compensation Rate

Based upon the requirements as defined in AB920, staff recommends the net surplus energy compensation rate paid to qualifying net generating solar customers will be:

- a. Residential: \$0.1083 per kWh
- b. Small Commercial (annual demand less than or equal to 10kW): \$0.1083 per kWh.
- c. Customer-generators will receive monthly billing for energy with any monthly credits valued at the standard residential or GS-1 rates. Customers are not required to pay for net electricity usage monthly, they are allowed to wait to pay at the end of the year. They are allowed to pay monthly if they wish.
- d. All other electric related charges such as the monthly service charge, environmental surcharge and hydro surcharge will continue to be billed and due from customers on a monthly basis.

The recommended rate for the net surplus energy compensation (i.e. solar generation credit) is the same rate that is currently charged for electricity consumption. Typically the energy credit rate could be less than the consumption rate since the credit is only a credit for energy and the consumption charge is for energy plus fixed costs for maintaining the electric system. However, pending upon future value of renewable energy the rate of the credit could be higher. Due to limitations within the billing system, it is cost prohibitive at this time to create an electricity generation credit that is different from the existing consumption rate without restructuring the entire rate structure for all customers. In the future, when a new billing system or system upgrade is acquired, staff will review ways to accommodate different billing and credit rates. The estimated cost of crediting customers at the higher rate is \$300 per year.

Customers eligible for the net surplus energy compensation rate will receive an additional page in their bill that outlines net electricity usage or consumption, the amount billed or credited and the cumulative amount due since the beginning of the year and a reminder of payment requirements. At the end of the year, if the customer is a net energy consumer, the customer will receive a bill for the total amount due and will be notified when the payment is due.

Roseville Electric staff sent letters to all customers who are eligible for the new rate, explaining the new billing method and notifying them of dates of public hearings for the new rate.

FISCAL IMPACT

Very few existing solar electric systems in Roseville have a reasonable opportunity to generate annual surplus energy over a 12 month period and utilize the proposed net surplus energy compensation rates. A recent analysis showed only 14 PV systems out of almost 1,000 systems in Roseville that generate an annual energy surplus. However, since Roseville Electric currently credits net solar generation each month at the rate recommended in this staff report, there is no significant difference or fiscal impact at this time.

Due to limitations within Roseville's billing system, the rate recommended in this staff report is higher than the actual benefit to the utility of the solar generation. The impact of billing system limitation is estimated to be \$300 per year.

ENVIRONMENTAL REVIEW

Approval of the recommendation of the Roseville Electric Net Surplus Energy Compensation Rate Proposal is not considered a "project" as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines §15378). Consequently no CEQA action is required.

RECOMMENDATION

Staff requests that the Roseville Public Utilities Commission (Commission) recommend to the Roseville City Council approval of the Net Surplus Energy Compensation Rate proposal as presented to the Commission on September 28, 2010.