



Item Number: 3

City Council / Board of Directors

Public Hearing(s)

Meeting of: August 20, 2024

Submitted By:

Brenda Hampton, Director of Electric Utility Services

Subject:

Proposed Updated Electric Service Rules, Regulations and Rate Schedules

Recommendation:

The Honorable City Council:

1. Conduct a public hearing, receive testimony for or against adoption of proposed Resolution No. 24-076, close the public hearing; and
2. Adopt Resolution No. 24-076 amending and revising the Electric Service Rules, Regulations and Rate Schedules (tariffs) for electric services provided to customers of the Victorville Municipal Utility Services ("VMUS") pursuant to Chapter 10.10 of the Victorville Municipal Code; and
3. Approve Appendix B to the Rules, Regulations and Rate Schedules, and Adopt the Net Energy Metering ("NEM") 1.0 and Eligible Renewable Generator ("ERG") Tariffs.

Fiscal Impact:

There is no anticipated fiscal impact associated with this action in FY 2024-2025.

Strategic Plan Goal:

This item contributes to the City's strategic plan goal to further improve community and economic development. It allows and encourages current and new electric customers to install renewable generation on the customer-side of the meter to improve efficiency for their operations.

Background:

On January 19, 2010, the City Council adopted Ordinance No. 2240 which amended, revised, and codified the VMUS Electric Service Rules, Regulations and Rate Schedules,

and established a mechanism under Chapter 10.10 of the Victorville Municipal Code to make future amendments by way of City Council resolution.

City Staff periodically reviews the VMUS Electric Service Rules and Regulations, which govern the day-to-day operations of the electric utility ("Rules and Regulations") to ensure that its policies and related procedures reflect administrative reorganizations, best utility practices, new laws or regulations governing the utility, and technology updates. These Rules and Regulations were last amended on July 1, 2022, following the City Council adoption of Resolution No. 22-060.

Section 2827 of the California Public Utilities Code ("PUC") established a program for Eligible Customer-Generators ("ECGs") with renewable electrical generation facilities. This program, commonly referred to as Net Energy Metering ("NEM"), allows these customers to receive service through a special contract or tariff, even if they are currently receiving service under a different contract or tariff. The program is 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.

Discussion:

In accordance with Section 2827, this Council action item modifies Rule 21 - Generating Facility Interconnections and establishes the NEM 1.0 and ERG Rate Schedules. Rule 21 describes the interconnection, operating, and metering requirements for Generating Facilities to be connected to the Utility's Distribution Systems. The NEM 1.0 and ERG Rate Schedules offer compensation for surplus energy produced by eligible customer-generators in accordance with program parameters.

The NEM 1.0 Rate Schedule is offered on a first-come-first-served basis until the total rated generating capacity used by ECGs exceeds 5 percent of VMUS' annual system peak demand. The Net Energy Metering calculation is performed over each normal monthly billing period within a twelve-month period. The twelve-month period commences with the regularly scheduled meter read date in September and concluding as of the regularly scheduled meter read date the following August.

For customers on the NEM 1.0 Rate Schedule, at the end of each 1-month billing period, VMUS shall determine if the ECG was a net consumer or a net generator of electricity. If the ECG was a net energy consumer, then the ECG shall be charged on a kilowatt-hour basis in accordance with that same Time-of-Use ("TOU") period in the ECG's otherwise applicable Rate Schedule. If the ECG is not on TOU rates, the ECG shall be charged based on its otherwise applicable Rate Schedule. If the ECG is a net generator during any discrete TOU period, then the net kilowatt-hours produced shall be valued at the same price per kilowatt-hour as the Utility would charge for retail kilowatt-hour sales during that same TOU period and that value shall be credited to the ECG's monthly bill. If at the end of the twelve-month period ECG is a Net Surplus ECG, ECG may receive

compensation for the Net Surplus Energy based on the Net Surplus Energy Compensation (“NSEC”) rate referenced below.

Once the maximum allowable generating capacity for the NEM 1.0 program is met, additional ECGs may be eligible for the ERG Rate Schedule. To be eligible for the ERG Rate Schedule, the expected annual generation from the renewable electrical generation facility must not exceed the ECG’s load for the prior full calendar year, or if insufficient historical load data is available, the expected annual load based on the customer type and other characteristics.

For customers on the ERG Rate Schedule, the ECG’s NEM calculation shall be performed over each normal monthly billing period. The monthly NEM calculation shall be made by measuring the difference between the electricity supplied to ECG and the electricity generated by ECG and fed back to the grid over a normal 1-month billing period. At the end of each 1-month billing period, the utility shall determine if the ECG was a net consumer or a net generator of electricity.

If the ECG was a net energy consumer, then the ECG shall be charged on a kilowatt-hour basis in accordance with that same Time-of-Use (“TOU”) period in the ECG’s otherwise applicable Rate Schedule. If the ECG is not on TOU rates, then they shall be charged based on their applicable tariff. If the ECG was a net energy producer for that billing period, the Net Surplus Energy that was delivered to the grid shall be multiplied by the applicable NSEC rate and credited to the ECG’s monthly bill and applied against future billing periods.

The NSEC rate will be adjusted annually on September 1st and will be posted to VMUS’ website. The methodology to be used for the NSEC rate calculation is shown below:

NSEC Rate Calculation:

Weighted average cost of energy purchased included in the CAISO settlements + Weighted average CAISO Wheeling Access Charge + Value of renewable energy credits based on the Utility’s most recently executed renewable power purchase contractual commitment of ten years or more

In addition to the modification of Rule 21 and the addition of the NEM 1.0 and ERG Rate Schedules, the Interconnection Application Fee has been adjusted to more accurately reflect the cost of evaluating the applications for interconnecting generators to the VMUS distribution system. Also, the Greenhouse Gas Rebate has been removed effective July 1, 2024, and minor clarifying editorial changes were made within the Rules and Regulations document.

Proposed updates to the Rules and Regulation and the corresponding documents related to the net energy metering program were reviewed by Braun Blasing & Wynne P.C. who specialize in providing legal services on energy-related issues, consulting service provider ASTRUM Utility Services, Inc., and the City’s General Legal Counsel, Green de

Bortnowsky to ensure the program is legally acceptable and complies with PUC code Section 2827.

The City has provided the required notification to the public by publishing notice of this in the County Legal Reporter, a newspaper of general circulation adjudicated to publish Legal Advertisements in the entire County of San Bernardino and City of Victorville, and by posting notice in at least two separate locations within the City. Furthermore, the public hearing notice was sent to applicable VMUS electric customers on August 7, 2024.

If Resolution No. 24-076 is approved by the City Council, the entirety of the revised Rules, Regulations, and Rate schedules will become effective on September 1, 2024. Staff remains available to answer any questions the City Council may have.

Attachments: A. Notice of Public Hearing
 B. Resolution No. 24-076