Meeting Date: April 16, 2018

Report No. SUA-18-12 **Agenda Item No.** 5a

Status: General Orders

Purpose: Distributed Generation (DG) Tariff Resolution

Background Summary: On June 5, 2017, the Trustees approved the updated Net Metering Interconnection Agreement. The agreement is for customers who intend to install, own and operate an inverter-based electric generating facility using fuels derived from biomass, waste or a renewable energy source such as wind, solar or water to produce electricity having a maximum rated electrical output of 100 kW or less.

Although net metering is a simple approach to dealing with customer owned generation (also known as Distributed Generation (DG) or Distributed Energy Resources (DER)), it is not the most equitable approach. To date, there are so few customers who own generation, net metering has not adversely impacted those customers who do not own generation.

However, with the growth and interest in customer owned generation, if there is an increase in customer owned generation and a DG rate is not established, the current electric rate structure will not allow the SUA to recover the full cost of serving the DG customers. If the SUA does not recover the full cost of serving any customer group, the other customer groups subsidize or pick up the slack, which is not a desirable situation nor is it equitable.

In order to prevent subsidization across customer classes and to allow for future growth in DG, staff worked with the consulting firm, Avant Energy to develop a DG rate.

Avoided Cost for All Customers rate design: After presenting DG rate options during the January 8, 2018 SUA meeting, the Trustees directed staff to prepare a DG rate based on the “Avoided Cost for All Customers” approach. The avoided cost for all customers approach offers several key features. Some of those include the following:

- Minimizes cross-subsidization between customer classes.
- Has no economic impact on the SUA.
- Requires a two meter installation.
    - One meter measures all power consumed by the customer from the utility and customer is charged at their standard retail rate.
    - Second meter measures all the power generated by the customer and the SUA credits the customer for all power generated at the SUA’s avoided cost.

- The energy credit for any billing period is limited to the customer's maximum energy usage during any billing period from the previous calendar year. No credit will be provided by the utility for any generation above this amount.
- For installations over 100 kW, the utility may require a study on the impact to nearby system infrastructure to be completed prior to installation. The customer shall be responsible for the costs of this study.

Avoided Demand Cost: During the DG rate presentation on January 8, it was stated that a demand credit was being considered as part of the proposed rate design. The concept was to provide credit for any customer generation that occurred at the time of the utility's monthly system peak demand at the applicable GRDA Delivery Charge rate. Since the presentation, staff has learned that GRDA is proposing a rate modification that would enable DG interconnections but would not credit the wholesale utility with the avoided demand created by the DG retail customers. Therefore, there will be no avoided demand cost so the proposed demand credit has been removed from the proposed DG tariff.

Existing Customer Transition: The SUA currently has six existing Net Metering Interconnect Agreements in place and each has a "*Term*" section that states, "*This Agreement shall be in effect when signed by the Customer and the Utility and shall remain in effect thereafter month to month unless terminated by either Party on thirty (30) days prior written notice".*

In order to facilitate a smooth transition to the new DG rate, staff is proposing to encourage the six customers to transition to the new rate over a 1-year period rather than just terminating the existing agreements. To incentivize the current customers, the SUA will re-reimburse the customers costs associated with the installation of the second meter by a private contractor within the first year after adoption of the DG rate. After the first year, those who have not transitioned will be notified and the termination clause in their current agreements will apply.

As described above, the new rate will require the customer have two meters, one to measure all power consumed by the customer and the second to measure all the power generated by the customer. Current Net Metering installation only requires one meter.

GRDA Approval: In the January 8, 2018 report, the Trustees were notified that this type of DG rate design would have to be provided to GRDA for review to ensure that the rate design does not violate the terms of the purchase power contract. The proposed rate tariff has been submitted to GRDA and they have responded in writing: *"After review of the proposed DG tariff, we believe that it is consistent with the Purchase Power and Sale Agreement, including Section 3.13".*

Budget Impact: There is no budget impact for the recommended action.

Prior Council Action or Part of an Approved Project: Yes

Related Items: SUA-18-03, Distributed Generation Rate Design
SUA-17-13, Net Metering Interconnection Agreement Update

Alternatives:

1) Take no action. The existing Net Metering program would remain in place. As noted above, this approach would not allow the SUA to recover the full cost of service from the DG customer group, which results in non-DG customers subsidizing DG customers.

2) Approve the Resolution establishing the DG Tariff based on the "Avoided Cost for All Customers" approach. This approach minimizes cross-subsidization between customer classes and it has no economic impact on the SUA. The customer pays their standard retail rate for all power consumed and the SUA credits the customer for all power generated at the SUA's avoided cost.

Recommendation: It is recommended that the Trustees approve the Resolution establishing the DG Tariff under the Resolutions portion of this agenda.

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