

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 15

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**TO:** VCE Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Jim Parks, Director of Customer Care and Marketing  
George Vaughn, Director of Finance and Internal Operations

**SUBJECT:** Net Energy Metering Enrollment Update and Proposed Policy Changes

**DATE:** October 10, 2019

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#### RECOMMENDATION

1. Approve changes to the VCE Net Energy Metering policy (Action).

#### BACKGROUND

Following Net Energy Metering (NEM) customer enrollment postponements due to policy refinement and regulatory factors, on June 17, 2019 the VCE Board approved enrollment of NEM customers who installed solar systems prior to VCE's launch. New enrollments will begin in January 2020. Customers that installed solar systems after VCE's program launch in June 2018, are already enrolled.

#### ANALYSIS

Staff has identified an opportunity to refine and simplify the NEM policy to make it easier for customers to understand and more efficient for VCE to administer. Specifically, the existing policy places residential NEM customers with annual VCE balances exceeding \$500 on monthly billing. The policy further states that business NEM customers "may" be placed on monthly billing if their annual VCE balance exceeds \$5,000.

This policy structure was established to address a first-year cash flow concern for VCE associated with the typical NEM customer annual "true-up" payment structure. In essence, VCE would be required to "float" the NEM customer payments in the first year until each settles their account at their annual "true-up" date. This float amount was a concern in the first year of VCE existence since VCE had not yet had the chance to build significant reserves and there was such a high number of NEM customers in its service territory. After a year of operations and less volatile regulatory impacts on its financial standing, staff believes that the first-year cash flow concern is now manageable. As the table below shows, there is a comfortable buffer in VCE's reserves even after accounting for the first-year float of NEM customers who are on an annual "true-up" payment schedule. Notes: (1) VCE retains an \$11 million dollar line of credit

with River City Bank which provides financial flexibility if needed, and (2) NEM customers who are on “pay as you go” monthly payment schedules will maintain that status as they enroll in VCE which lowers the first year float issue for VCE.

	<b>Conservative Assumptions</b>		<b>Best-Case Assumptions</b>	
	<b>July 2020</b>	<b>July 2021</b>	<b>July 2020</b>	<b>July 2021</b>
Projected Unrestricted Cash Reserves under Existing NEM Policy	\$ 11.34	\$ 12.11	\$ 11.34	\$ 12.11
Short-Term Cash Flow Affect of Additional Annual Residential Customers	\$ (0.38)	\$ (0.75)	\$ (0.38)	\$ (0.75)
Additional Annual Non-Residential Customers	\$ (1.57)	\$ (3.13)	\$ (0.59)	\$ (1.17)
Short-Term Cash Flow Affect from Interest Expense	\$ (0.08)	\$ (0.16)	\$ (0.04)	\$ (0.08)
Projected Unrestricted Cash Reserves with new NEM Policy	\$ 9.32	\$ 8.07	\$ 10.34	\$ 10.11
Cumulative Short-Term Cash Flow Affect of new NEM Policy	\$ 2.02	\$ 4.04	\$ 1.00	\$ 2.00
*Additional access to cash via Revolving Line of Credit	\$ 9.02	\$ 9.02	\$ 9.02	\$ 9.02

Using the most conservative assumptions, which assumes that we can convert very few annual non-residential customers to monthly billing, we have a short-term cash flow affect of \$2.02 million and \$4.04 million cumulatively as of July 2020 and July 2021, respectively. This leaves \$9.32 million and \$8.07 million in unrestricted cash in July 2020 and July 2021, respectively.

Using best case assumptions, which assumes that we convert the majority of large non-residential annual customers to monthly billing, we have a short-term cash flow affect of \$1.00 million and \$2.00 million cumulatively as of July 2020 and July 2021, respectively. This leaves \$10.34 million and \$10.11 million in unrestricted cash in July 2020 and July 2021, respectively.

In both cases, we also have approximately \$9.02 million in available revolving line of credit to draw upon if needed.

Based on this analysis, Staff is recommending a revision of the existing NEM policy to eliminate the payment thresholds that would determine whether NEM customers would be on an annual or monthly “true-up” schedule. This will simplify VCE’s administration of the NEM program and result in a better customer experience since there would be little change from their existing situation as a PG&E NEM customer.

## **REVISIONS TO APPROVED NEM POLICY**

The approved NEM policy with proposed redline changes is attached to this staff report. In summary, staff recommends:

### **Replacing the first 8 policy statements from the Existing policy:**

1. Residential and Business NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle unless their annual balance exceeds \$500.
2. Residential NEM customers with solar systems installed prior to June 2018 with annual balances exceeding \$500 will be transitioned to monthly billing with a February true-up date.
3. Residential customers with solar systems installed prior to June 2018 that have been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than \$500 per year for a consecutive two-year period.
4. Non-residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle, unless their annual balance exceeds \$5,000.
5. Non-residential NEM customers with annual balances exceeding \$5,000 may be transitioned to monthly billing with a February true-up.
6. NEM customers may choose a monthly billing cycle with February true-up in lieu of an annual billing and true-up cycle.
7. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
8. The transition from PG&E to VCE will occur on the customer's true-up date in 2020.

### **With the following 5 statements:**

1. Residential and Business NEM customers with solar systems installed prior to June 2018 will be placed on their existing PG&E billing cycle, either annual or monthly.
2. Residential and Business NEM customers on monthly billing cycles will have a true-up date in February.
3. NEM customers may choose a monthly billing cycle with February true-up in lieu of annual billing.
4. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
5. The transition from PG&E to VCE will occur on the customer's true-up month in 2020.

## **ATTACHMENTS**

1. Redline NEM Policy

## NET ENERGY METERING POLICY

Adopted ~~October 10, 2019~~ September 13, 2018

~~Revised June 17, 2019~~

1. Residential and Business NEM customers with solar systems installed prior to June 2018 ~~will be placed on their existing PG&E billing cycle, either annual or monthly. may retain their existing PG&E annual billing cycle unless their annual balance exceeds \$500.~~
- ~~2.~~ Residential and Business NEM customers on monthly billing cycles will have a true-up date in February. ~~with solar systems installed prior to June 2018 with annual balances exceeding \$500 will be transitioned to monthly billing with a February true-up date.~~
- ~~3.~~ 2. Residential customers with solar systems installed prior to June 2018 that have been placed on a monthly billing cycle can request to move back to an annual billing cycle if their annual bill is less than \$500 per year for a consecutive two-year period.
- ~~4.~~ Non-residential NEM customers with solar systems installed prior to June 2018 may retain their existing PG&E annual billing cycle, unless their annual balance exceeds \$5,000.
- ~~5.~~ 3. Non-residential NEM customers with annual balances exceeding \$5,000 may be transitioned to monthly billing with a February true-up.
- ~~6.~~ 4. NEM customers may choose a monthly billing cycle with February true-up in lieu of ~~an annual billing, and true-up cycle.~~
- ~~7.~~ 5. NEM customers with solar systems installed prior to June 2018 that are on annual billing cycles will retain their current true-up month.
- ~~8.~~ 6. The transition from PG&E to VCE will occur on the customer's true-up month ~~date~~ in 2020.
- ~~9.~~ 7. NEM customers with less than \$100 in wholesale credits will have the credit balance roll over to the next billing cycle (with no loss of credits). NEM customers with a wholesale credit balance exceeding \$100 on their annual true-up date will be cashed-out, unless they choose to roll over the balance or donate the funds.
- ~~10.~~ 8. NEM customers that generate excess energy on a monthly basis will receive the retail value plus a \$0.01/kWh credit for the excess generation, without additional ~~€~~ compensation for participation in renewable programs.

~~11.9.~~ Customers on time-of-use (TOU) rate schedules will receive a \$0.01/kWh credit for net excess generation on a monthly basis.

~~12.10.~~ NEM customers that generate excess energy on an annual basis will receive the wholesale value of net surplus generation, plus a \$0.01/kWh adder.

~~13.11.~~ NEM customers may opt-out of VCE's NEM program and return to PG&E at their discretion.

~~14.12.~~ Residential customers adding solar systems beginning June 1, 2018 will be placed on monthly billing with an annual true-up date in February.

~~15.13.~~ Non-residential customers adding solar systems beginning June 1, 2018 may be placed on monthly billing with an annual true-up in February.