

## VALLEY CLEAN ENERGY ALLIANCE

### Staff Report – Item 7

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**TO:** Valley Clean Energy Community Advisory Committee (CAC)

**FROM:** Mitch Sears, Interim General Manager  
Jim Parks, Customer Care Director  
Lisa Limcaco, Operations and Finance Director

**SUBJECT:** Net Energy Metering Policy

**DATE:** July 2, 2018

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#### RECOMMENDATION

1. Staff is requesting the Community Advisory Committee review proposed recommendations and concept amendments to the existing Net Energy Metering (NEM) policy.
2. Support staff recommendation to postpone enrollment of NEM customers until early 2019 while NEM policy amendments are finalized and associated billing system modifications are completed.

#### BACKGROUND AND ANALYSIS

The NEM Policy was approved by the VCE Board on February 8, 2018. The policy was developed over a lengthy process that included input from the CAC, the public, SMUD staff and VCE staff. The policy includes incentives designed to increase solar adoption and provide benefits to existing and future NEM customers. Key features of the existing policy include moving from annual billing (PG&E model) to monthly billing (VCE and CCA model), and moving all true-up dates to the month of April. The existing NEM policy closely follows the policies of other CCAs.

A local solar contractor identified an issue where over half of existing NEM customers are likely to pay more during their first year of service with VCE compared to their annual true-up with PG&E. This is due to the consolidated VCE true-up in April. After the first year of payments, customers would be on a cycle that closely mimics their annual cycle with PG&E, but they would not recover the additional payments made during the first year within a reasonable timeframe, even with VCE incentives.

Even though the contractor supports VCE, he has recommended that his NEM customers opt-out of VCE to avoid overpaying during the first year. VCE staff studied the issue and determined the claim has merit and may justify changes to the existing NEM policy.

**POLICY DECISION**

The immediate recommendation is to postpone accepting NEM customers into VCE service until 2019. This will allow time for the CAC to review proposed policy amendment concepts and to submit recommendations to the VCE Board for approval at a future Board meeting (anticipated to be the August Board meeting). It also allows time for the billing system to be modified should changes be approved.

**POLICY AMENDMENT CONCEPTS**

Staff reviewed several concepts in collaboration with the Outreach Subcommittee of the CAC and offers the following concepts for consideration (Note: staff is seeking feedback from the CAC at this meeting on these concepts; not a recommendation at this time):

**Adopt the true-up schedule used by PG&E for the majority of existing NEM customers**

- This will be seamless to customers and they will receive VCE benefits.

**Shift some customers to monthly billing**

- Shift the roughly 670 existing NEM customers (less than 10% of NEM customers), who consistently owe more than \$500/year from an annual payment to monthly payments with an April true-up date. This reduces the fiscal impact to VCE – see Financial Impacts section below.

**New NEM Customers**

- New customers will be put on annual billing and will be trued-up on the month they become a NEM customer, unless annual true-up exceeds \$500. This will be similar to the existing PG&E NEM structure.

**FINANCIAL IMPACTS**

There are financial impacts from the proposed changes. The cumulative net impacts over a three-year period (when placing >\$500 customers on monthly billing and all others on an annual cycle) is \$895,000 and represents the costs that VCE would carry for this customer class. In addition, VCE will incur the cost of upgrading the billing engine and possible ongoing administrative costs. SMUD is in the process of estimating these additional costs.

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Table 1 shows the net carrying cost impacts of placing customers on an annual billing cycle under different scenarios: all customers being on an annual billing cycle (Annual); customers owing more than \$1000 annually; customers owing more than \$750 annually; and customers owing more than \$500 annually.

**Table 1: Net Impacts of Annual Billing**

<b>Net Position:</b> (Thousands of Dollars)						
	<b># of Customers</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Difference</b>
<b>Board of Directors approval</b>		\$ 1,485	\$ 9,721	\$ 17,300	\$ 22,556	
<b>Current adopted NEM Policy</b>		\$ 2,071	\$ 10,377	\$ 17,927	\$ 22,261	
<b>Annual (same as PG&amp;E NEM program)</b>		\$ 2,126	\$ 9,431	\$ 16,250	\$ 20,622	\$ 1,639
<b>&gt;\$1000 annually</b>	124	\$ 2,126	\$ 9,504	\$ 16,508	\$ 20,882	\$ 1,379
<b>&gt;\$750 annually</b>	255	\$ 2,126	\$ 9,585	\$ 16,703	\$ 21,078	\$ 1,183
<b>&gt; \$500 annually</b>	667	\$ 2,126	\$ 9,767	\$ 16,988	\$ 21,366	\$ 895

Note: Revenues are not recorded until true-up.

### **OUTSTANDING ISSUES**

The following issues were identified and need to be considered when developing the final draft policy amendments and recommendations.

- Changes VCE’s cash flow.
- Proposed changes will require up-front costs to upgrade the billing and back-office systems. SMUD is working on an estimate.
- Changes may increase ongoing administrative costs for VCE by having to support multiple true-ups per year rather than one time in April.
- Changes will take time, delaying inclusion of NEM customers into VCE. Existing NEM customers would need to stay with PG&E for an undefined period while policies and processes are put in place.
- Timing and cost of outreach to NEM customers.
- Outreach to solar installers.
- Other issues/ideas will arise—keeping it relatively simple may be difficult.

## **NEXT STEPS**

- Present information and seek direction from the Board on postponement of NEM customer enrollment (Board meeting July 12)
- Work with SMUD to get estimate of costs to change billing/back-office systems to support proposed changes
- Get final recommendations from CAC at July 30 meeting
- Present final recommendations to the Board at August 9 meeting
- If Board approves changes, send 2 letters to all NEM customers and contractors notifying them of the proposed changes—one for postponement and one to notify of revised policy
- Proceed with changes to billing/back-office systems
- Implement changes and enroll customers

## **CONCLUSION**

Staff is seeking a recommendation from the CAC to:

- Request the VCE Board to postpone NEM enrollment until 2019
- Review Policy Amendment Concepts
- Make a recommendation to the Board to adopt the amendments in time for the August 9, 2018 board meeting.