


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: November 7, 2014

TO: Honorable Members of the Rules, Elections and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 14-0002-S101
Assignment No: 14-11-0791

SUBJECT: Resolution (Fuentes - Blumenfield) to SUPPORT the City's Solar Incentive Program and "Portfolio Content Category 1" Eligibility

CLA RECOMMENDATION: Adopt Resolution (Fuentes - Blumenfield) to include in the City's 2015-2016 State Legislative Program SUPPORT for legislation/regulatory action that recognizes the City's Solar Incentive Program (SIP), or similar solar net-metering programs, as "Portfolio Content Category 1" eligible under the state's Renewable Portfolio Standard compliance rules, thereby promoting local solar development and improving the environmental health and welfare of the City and region.

SUMMARY:

Resolution (Fuentes - Blumenfield), introduced on October 17, 2014, states that on July 11, 2014, the California Energy Commission (CEC) held a workshop on *Amending the CEC's Enforcement Procedures for the Renewables Portfolio Standard (RPS) for Local Publicly Owned Electric Utilities (POUs)*. The workshop explored whether power generation from a solar net-metering system, or other RPS facility owned or procured by a POU, should qualify as "Portfolio Content Category 1" under the state's RPS compliance rules.

The Resolution follows that the state's RPS rules provides for three compliance "Portfolio Content Categories" with "Portfolio Content Category 1" being the most beneficial for regulated utilities since it provides the highest compliance credit.

The Resolution notes that the Department of Water and Power's (DWP) Solar Incentive Program (SIP), which is a solar net-metering program, provides incentives for residential and commercial customers to install solar photovoltaic systems on their homes and facilities. The SIP has enabled the successful installation of over 112 MWs of electricity generation capacity throughout the City and helped the City meet RPS compliance goals.

Under the state's current RPS compliance rules, the SIP, and similar solar net-metering programs, fall within "Portfolio Content Category 3" which provides the lowest compliance credit. Given this, the Resolution stresses that the "Portfolio Content Category 3" designation

severely diminishes the value of these systems and limits the expansion of a thriving solar net-metering program.

The DWP has advised the CEC to consider qualifying the SIP and similar programs as “Portfolio Content Category 1” eligible in order for the City to effectively meet its RPS compliance goals.

Therefore, the Resolution requests support for legislation/regulatory action that recognizes the City’s Solar Incentive Program (SIP), and similar programs, in this manner.

BACKGROUND:

The DWP states that from 1999 through the summer 2014, the SIP has fostered over 12,000 installations throughout the City. The total incentives provided by the DWP amount to approximately \$240 million.

Through the SIP, the DWP plans to reach a goal of 310 MW by 2019. Renewable Energy Credits (RECs) from the SIP are classified as “Portfolio Content Category 3” per the state’s RPS regulations. This severely limits the DWP’s SIP to only 10% of its renewable portfolio. The DWP’s current program would fully exhaust this limit.

Given this, the DWP has initiated a solar Feed-in-Tariff program to acquire RECs as part of its solar photovoltaic system efforts. The energy under this program is classified under “Portfolio Category 1” which is typically valued 10 times higher than “Portfolio Category 3.”

This is the case despite the fact that the solar technology associated with each program (solar net-metering/Feed-in-Tariff) is the same.

The DWP maintains that an expanded SIP/solar net-metering program would provide the City much needed benefits. As a locally produced resource, it would help meet growing consumer energy demand without the impacts of installing major utility infrastructure such as new transmission lines.

However, the REC classification matter would have to be addressed before expanded solar net-metering is pursued.

Current RPS Compliance


Under existing state RPS law, utilities must procure 20% renewable energy by 2013; and meet an interim procurement target of 25% by 2016 and 33% by 2020.

In 2010, the DWP met its RPS procurement objective of 20%. The DWP currently plans to reach a goal of 35% renewable energy procurement by 2020. Its program is comprised of the following renewable energy resources: small hydroelectric, biomass, biodiesel, digester gas, landfill gas, solar thermal, geothermal, photovoltaic, fuel cells with renewable fuels, wind and others.

Increasing renewable energy procurement allows for reductions in greenhouse gas emissions, improved air quality and providing the City a sustainable energy resource.

DEPARTMENTS NOTIFIED

Department of Water and Power



Rafael E. Prieto
Analyst

Attachment: 1. Resolution (Fuentes - Blumenfield)

RESOLUTION

RULES, ELECTIONS & INTRODUCTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal government body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, on July 11, 2014, the California Energy Commission (CEC) held a workshop on *Amending the CEC's Enforcement Procedures for the Renewables Portfolio Standard (RPS) for Local Publicly Owned Electric Utilities (POUs)*; and

WHEREAS, the workshop explored whether power generation from a solar net-metering system, or other RPS facility owned or procured by a POU, should qualify as "Portfolio Content Category 1" under the state's RPS compliance rules; and

WHEREAS, the state's RPS rules provides for three compliance "Portfolio Content Categories" with "Portfolio Content Category 1" being the most advantageous for regulated utilities since it provides the highest compliance credit; and

WHEREAS, the DWP's Solar Incentive Program (SIP), which is a solar net-metering program, provides incentives for residential and commercial customers to install solar photovoltaic systems on their facilities; and

WHEREAS, the DWP offers a premium to SIP participants, in addition to standard incentives, in order to claim the electricity generation and the associated renewable energy credits (RECs) to help the Department meet compliance goals; and

WHEREAS, the SIP has enabled the successful installation of over 112 MWs of electricity generation capacity throughout the City; and

WHEREAS, under the state's current RPS compliance rules, the SIP and similar net-metering programs fall within "Portfolio Content Category 3" which provides the lowest compliance credit; and

WHEREAS, the "Portfolio Content Category 3" designation severely diminishes the value of these systems and limits the expansion of effective and thriving solar net-metering programs; and

WHEREAS, the DWP has advised the CEC to consider qualifying the SIP and similar programs as "Portfolio Content Category 1" eligible in order for the City to effectively meet its RPS compliance goals; and

WHEREAS, a "Portfolio Content Category 1" designation for SIP would also promote local solar development and increase local renewable energy that reduces greenhouse gases;

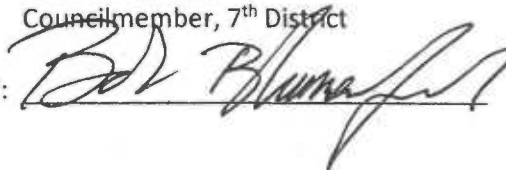
NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2015-2016 State Legislative Program SUPPORT for legislation or regulatory action that recognizes the City's Solar Incentive Program (SIP), or similar solar net-metering programs, as "Portfolio Content Category 1" eligible under the state's Renewable Portfolio Standard compliance rules, thereby promoting local solar development and improving the environmental health and welfare of the City and region.

PRESENTED BY:



FELIPE FUENTES
Councilmember, 7th District

SECONDED BY:



OCT 17 2014