

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution initiating the SSP, including requesting that the City Council approve LADWP's future use of ten-year rate contracts to implement the SSP.

ALTERNATIVES CONSIDERED

LADWP's alternatives would be to: 1) further postpone the deployment of the SSP or 2) find alternative Renewable Portfolio Standard (RPS) eligible projects that may not provide the same benefits to customer segments with low solar penetration. Neither alternative would help LADWP promote customer equity. In addition, local solar goals set forth in the Mayor's Sustainable City pLAN may not be realized.

FINANCIAL INFORMATION

The SSP is part of LADWP's current budget. This pilot program will cost up to \$79 million dollars over 20 years. Costs are expected to be recovered by revenue generated through the program. Specifically, funds for the SSP will be recovered from participating ratepayers. The costs of procurement of photovoltaic solar generation asset(s), system operations, maintenance, and administration are spread over the duration of the customer subscription. The Rates Group, part of the Financial Services Organization, is responsible for calculating the contract rate for new SSP subscriptions each year, based on the total cost of service for the SSP. The SSP will allow LADWP to evaluate the feasibility of a larger program. LADWP is seeking external funding opportunities to help reduce the contract rate for eligible subscribers.

BACKGROUND

Traditional solar programs have resulted in an uneven distribution of solar technologies and access. Consequently, in general, community solar programs aim to remove barriers to solar energy in order to promote solar equity amongst ratepayers. For the past few years, LADWP's Community Solar Program (CSP) staff has been developing innovative business models to better serve the utility's customers in order to help create the grid of the future, meet renewable energy mandates, and bring communities together to transform the City of Los Angeles. The CSP is designed to be an umbrella program that could contain multiple residential-based programs, including programs like the existing Solar Rooftops and proposed Shared Solar Programs. The SSP has been under active development within LADWP since 2015. Staff has briefed the Board on multiple occasions on the status, associated challenges, and/or estimated scope and schedule of the SSP on February 2, 2016, September 20, 2016, April 24, 2018, and June 26, 2018.

In summary, a number of outreach activities (e.g., surveys and focus groups) were performed by CSP staff to better understand the attitudes and motivations of potential SSP customers. Following an in-depth analysis of the results, it became clear that there exists a strong potential for customer participation in the SSP. Further, after meeting

with local stakeholders, other electric utilities, and consultants involved with the development of shared solar programs, it became clear that shared solar programs do not adhere to any “one-size-fits-all” design. This has allowed LADWP to develop a unique program that has characteristics specific to its goals and capabilities. LADWP has opted to initially focus the SSP on residential customers in good standing with LADWP that reside in multifamily dwelling units, a market segment that could not enjoy key benefits of solar under prior LADWP programs.

The key goals of the SSP are to:

- Expand access to solar by reducing barriers, such as high capital costs, credit requirements, and lack of site control.
- Enable geographic solar diversity and expand benefits of solar.
- Support the Sustainable City pLAn.
- Increase solar portfolio and contribute to LADWP's Renewable Portfolio Standard Goal with LADWP retaining the Renewable Energy Credits (RECs) from the program.
- Educate the community about solar and renewable energy.
- Create local jobs and training opportunities.

The Guidelines and the specified terms and conditions of the rate contracts for the SSP are consistent with these goals. For example, SSP subscribers can sign up for blocks of energy, which will allow them to replace a portion of their electrical energy use at a fixed rate for the life of the program. LADWP procures eligible renewable energy resources for the SSP and owns all the related equipment, energy output, capacity rights, and environmental attributes.

The attached Resolution approves the Guidelines and, subject to City Council approval, future use of the rate contracts, commencing no sooner than January 1, 2019. The Guidelines and contracts establish the basis under which LADWP will enroll, engage, and manage customer participation in the SSP. The Resolution also authorizes LADWP to apply the energy and environmental attributes received under the SSP toward the compliance targets of the RPS Policy. Based on the real estate makeup of the City of Los Angeles, the SSP has the potential to have a strong societal impact, as there are hundreds of thousands of customers that could qualify by living in multifamily dwellings. Additionally, the SSP will be utilized to research and develop future improvements to the overall CSP.

Due to existing barriers to solar energy, the SSP will target and provide priority enrollment for customers who live in areas that have not been adequately reached through other LADWP solar programs. To understand the existing solar distribution within the LADWP's service territory, quantitative analysis was performed on LADWP's Solar Incentive Program, resulting in the Solar Penetration metric. Identified areas of low solar penetration correlate with the CalEnviroScreen, which is used to identify

Disadvantaged Communities (DACs). This enrollment strategy also provides geographic diversity to LADWP's grid, which enhances reliability capabilities.

To further mitigate barriers to solar energy, the SSP has been designed with no upfront fees or credit checks and maintains flexible participation, including allowing customers to transfer their enrollment within LADWP service territory. Customized outreach efforts will be provided to help bridge solar education gaps.

To reduce initial premium SSP subscription costs for disadvantaged and other eligible participants, LADWP is seeking external funding opportunities, which would likely be used to buy down the per unit subscription rate (dollars per kilowatt-hour). Based on available external funding, up to 20% of the enrollment capacity may be reserved for subscribers that appear to LADWP to meet the requirements of an external funding award. Eligibility requirements for funding opportunities may be based on, but not limited to, a participant's income, housing status, or home location.

To readily take advantage of early lessons learned once this pilot program is adopted, the attached Resolution also delegates authority to the General Manager to expand subscriber eligibility to potentially include all customers receiving electric service under LADWP Schedule R-1 Residential Service, and accordingly adjust the bill credit methodology; modify the maximum SSP subscription amount per subscriber, not to exceed five thousand dollars (\$5,000) over the term of a contract; and modify the various sizes of SSP blocks of energy offered.

If, upon the third anniversary of the SSP launch date and each anniversary thereafter, the SSP does not have subscriptions totaling at least eighty percent (80%) of the energy reasonably expected to be provided to LADWP from SSP projects (Base Enrollment), then LADWP (i) shall reduce the size and/or number of existing SSP projects so that they are reasonably expected to provide no more than twenty percent (20%) more energy under the SSP than the current amount of subscriptions and (ii) shall procure no additional projects under the SSP until the Base Enrollment upon the subsequent anniversary is attained.

Due to operational impacts, a waiver to the Executive Directive 4 process was granted to LADWP by the Mayor's Office on September 10, 2018.

ENVIRONMENTAL DETERMINATION

LADWP has determined that this item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. CEQA Guidelines Section 15378(b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Adoption of the Guidelines and terms and conditions for the SSP are such administrative activities so they are not subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- SSP Pilot Guidelines
- SSP Rate Contract Terms and Conditions

VERBAL MOTION

I MOVE that Item No. 19 on the September 25, 2018, Commission Agenda relative to a resolution approving Shared Solar Program Pilot (SSP), **BE AMENDED**, to add the following:

1. The General Manager must report to the Board of Water and Power Commissioners (Board) before making the three types of modifications for which the General Manager is specifically delegated authority by the resolution.
2. Prior to the start of the second year of the SSP, LADWP staff shall evaluate the use of financial hedges to help deliver a cost neutral program in the event that Tier 1 electric rates exceed forecasted levels. Make a recommendation to the Board regarding such use of financial hedges.
3. That the total spending by LADWP for the SSP shall not exceed seventy-nine million dollars (\$79,000,000) over the twenty (20) year period commencing upon the effective date of the SSP.

Moved by: Cynthia McClain-Hill

Seconded by: Mel Levine

Approved by the Board of Water and Power Commissioners at its Regular Meeting on September 25, 2018: Ayes: 4; Absent: 1 – Jill Banks Barad.

By: Barbara E. Moschos

Barbara E. Moschos, Board Secretary