

Municipal Net Metering Policy

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To propose a municipal net metering policy that sets excess energy credit to \$0.000 per kWh for all energy returned to the grid. The City will not receive net metered credits for solar energy produced by its facilities and returned to the grid. Solar energy generated and used by the City facility will still reduce the energy purchased from HEC, resulting in lower electric utility bills compared to the period before the installation of solar panels. This policy will only apply to municipal owned facilities and solar installations. This policy does not apply to residents, businesses, other governmental entities, or HCPS facilities.

Background:

The proposed policy addresses the concerns, considerations, and benefits outlined below. The objective of this policy is to foster the ability for rapid growth of solar energy within our municipal operations while ensuring fairness and sustainability in the distribution of associated costs and benefits.

1. Foregoing Net Metering Credits to the City in Favor of Other Ratepayers: The policy provides the City a no-cost opportunity to promote sustainability and long-term financial savings while extending benefits to other ratepayers. This ensures an equitable distribution of environmental and financial benefits and risks. Additionally, this policy will alleviate potential fixed-costs maintenance financial burdens. Utility rate funds cover capital improvements, fixed operating costs, and grid maintenance over the lifespan of these components. Over time, ratepayers with net metered solar have the potential to pay a lower percentage of these fixed costs, especially if it is a larger solar system than the electrical use of the facility. If there is a gap where a utility cannot maintain current rates and meet long-term fixed costs, utilities may need to adjust rates which in this case means a portion of the fixed costs expenses are shifted onto customers without net metered solar. Furthermore, the additional solar sent to the grid will offset the power HEC needs to purchase providing clean and local energy for those in our community. This offset can provide some financial savings for all ratepayers. By forgoing the net metering arrangement, the City aims to invest more in solar and share some of the financial benefits we would receive with other ratepayers, especially residents and tenants who cannot install solar.

2. Expanding Solar within HEC's Business Model: The installation of additional solar capacity at City facilities that is net metered may accelerate the timeline for HEC to reach their limit or “Solar Cap”, whatever that may be at the time of the installations. Implementing this policy will not reduce the ability of residents and businesses to install net metered solar systems on their own facilities. The policy will provide a balance that encourages solar growth at City facilities while reserving net metered solar capacity for other ratepayers.

3. Providing Peak Demand Reduction Benefit: Peak demand periods occur when many customers are consuming electricity in high amounts. These typically occur during cold mornings in the winter

and hot afternoons in the summer. Peak demand charges are a significant portion of wholesale power costs that determine the retail rates that HEC charges its customers. Solar installations produce a portion of electricity during the time of day when the summer peak demands usually occur. Solar systems on City facilities can help with peak shaving and reduce the peak demand charges during the summer, the benefits of which will be passed to all HEC ratepayers.

Affirmation on Desire to Expand Solar on City Facilities:

In line with the Environmental Action Plan and the City Council's 2043 Vision, the City supports expanding solar and other renewable energy technologies on City facilities. This net metering policy does not apply to § 15.2-1804.1 Subsection D of the Code of Virginia. The Virginia High Performance Building Act requires municipalities to meet certain standards when constructing or significantly renovating municipal facilities, including resilience and distributed energy features.

The code allows exemptions from some requirements in the High Performance Building Act (§ 15.2-1804.1 Subsection D), but if cost is cited for an exemption, a lifecycle cost analysis is required. The net metering policy appears to reduce the total financial returns to the City in a lifecycle analysis because the policy aims to redistribute some savings to all ratepayers. However, since the City prioritizes expanding solar on its facilities, this policy cannot be used to justify an exemption from the solar installation requirement under § 15.2-1804.1 Subsection D.

As per the City Council's Resolution Adopting High Performance Standards and Solar Requirements for City-Owned Buildings (adopted November 9, 2022), lifecycle analysis for solar will continue to consider net metering credits at the current rate for excess energy returned to the grid. Even though City facilities won't receive these credits, they will still be included in the payback period and return on investment analysis if a department seeks a cost-based exemption for installing solar. The use of net metering credits in the lifecycle cost analysis, pursuant to § 15.2-1804.1 Subsection D of the Code of Virginia, continues to encourage installation of solar at City facilities.

Environmental Impact:

The implementation of this net metering policy underscores our commitment to environmental stewardship and sustainable practices. The policy promotes environmental justice through mitigating the burdens placed on disadvantaged communities and those who cannot afford to implement solar systems. The increased use of solar power aligns with the City's broader environmental goals, supporting the transition to a more sustainable and ecologically responsible energy landscape. In addition, expanding local solar generation provides other beneficial benefits. These include producing electricity without emitting harmful pollutants such as carbon dioxide (CO₂), sulfur dioxide (SO₂), nitrogen oxides (NO_x), and particulate matter resulting in reduced smog and improved air quality, thereby decreasing the risk of respiratory illnesses such as asthma and lung diseases. While most of the energy consumed on HEC's grid is not generated locally, every increase in clean energy with HEC territory will help offset the need for power generated elsewhere thereby reducing the air pollutants in our region.

Fiscal Impact:

The policy will not incur any additional costs for the City. Solar energy generated and used by the City facility would reduce the energy purchased from HEC, resulting in lower electric utility bills compared to the period before the installation of solar panels. The policy provides the City a no-cost opportunity to enact changes that foster sustainability and long-term financial savings, while also extending benefits to other ratepayers, thereby ensuring equitable distribution of environmental and financial benefits and risks.

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