



PASADENA WATER AND POWER

November 7, 2011

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (October 25, 2011)

FROM: Water and Power Department *John G. Currie*

SUBJECT: DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE THAT AMENDS SECTION 13.04 OF THE PASADENA MUNICIPAL CODE AS NECESSARY TO CONFORM WITH APPLICABLE CHANGES TO THE CALIFORNIA PUBLIC UTILITIES CODE SECTION 2827 AND 2827.10; AND, ADOPT A RESOLUTION AMENDING REGULATION 23 AND AUTHORIZING THE CITY MANAGER, OR GENERAL MANAGER OF THE WATER AND POWER DEPARTMENT, TO SIGN INTERCONNECTION AGREEMENTS WITH DISTRIBUTED ELECTRIC GENERATION AND STORAGE DEVICES.

The Municipal Services Committee raised questions concerning references to "Section 218 Load" in Regulation 23 when reviewing the staff recommendation on October 25, 2011. As a result, it has been determined that Section 218 of the Public Utilities Code does not apply to the Pasadena Water and Power Department and that Section 218 Load has no application or analogous application for Regulation 23. Consequently, references to "Section 218 Load" have been eliminated from the revised redline of Regulation 23, attached hereto as Attachment B.

No changes are required to the recommendation presented to the Municipal Services Committee. The proposed resolution (Attachment A) will amend Regulation 23 in accordance with the updated redline revisions as shown in Attachment B.

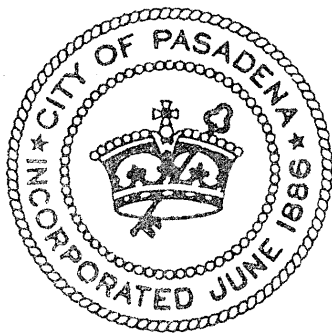
The Municipal Services Committee further recommended that attaching only the redline version of Regulation 23 would be sufficient. In lieu of attaching a clean copy of the proposed Regulation 23, Attachment C now includes only a link to the location on Pasadena's website where a clean copy may be found. A clean copy will also be made available for public inspection at the City Council meeting on November 7, 2011.

Approved by:

Michael J. Beck
67 MICHAEL J. BECK
City Manager

11/07/2011

Item 6



Agenda Report

November 7, 2011

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (October 25, 2011)

FROM: Water and Power Department

SUBJECT: DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE THAT AMENDS SECTION 13.04 OF THE PASADENA MUNICIPAL CODE AS NECESSARY TO CONFORM WITH APPLICABLE CHANGES TO THE CALIFORNIA PUBLIC UTILITIES CODE SECTION 2827 AND 2827.10; AND, ADOPT A RESOLUTION AMENDING REGULATION 23 AND AUTHORIZING THE CITY MANAGER, OR GENERAL MANAGER OF THE WATER AND POWER DEPARTMENT, TO SIGN INTERCONNECTION AGREEMENTS WITH DISTRIBUTED ELECTRIC GENERATION AND STORAGE DEVICES

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action recommended herein is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15301 (Existing Facilities);
2. Direct the City Attorney to prepare an ordinance that amends Section 13.04 of the Pasadena Municipal Code (Light and Power Rate Ordinance) as necessary to conform with applicable changes to the California Public Utilities Code (PUC) Section 2827 and 2827.10 within 60 days; and
3. Adopt a Resolution that:
 - a. Amends Regulation 23, the Pasadena Water And Power Department (PWP) Distributed Generation Facilities Interconnection Requirements, to include any distributed electric energy generation or storage device taking electrical service under the Light and Power Rate Ordinance and to conform with PUC 2827; and
 - b. Authorizes the City Manager, or General Manager of the Water and Power Department, to enter into interconnection agreements that enable distributed electric generation or storage devices to connect to PWP's electric distribution system, subject to the terms and conditions of Regulation 23 and/or other applicable interconnection standards.

EXECUTIVE SUMMARY:

Pasadena Water and Power (PWP) electric customers that wish to install distributed resources, such as solar photovoltaic systems or fuel cells, are eligible for net energy metering rates under Section 13.04.177 of the Light and Power Rate Ordinance and are required to enter into an interconnection agreement with Pasadena. The interconnection agreement establishes terms and conditions related to the physical installation of the resource and how it is connected to PWP's electric grid. Most of the technical requirements are spelled out in Regulation 23.

In 2003, the City Council adopted Resolution Number 8304, which incorporated Regulation 23 into the Light and Power Rate Ordinance and authorized the City Manager, or General Manager of the Water and Power Department, to enter into electric service interconnection agreements under Section 13.04.178 of the Light and Power Rate Ordinance. This resolution enables PWP to efficiently process an average of five to ten interconnection agreements for solar systems each month.

Senate Bill 489 (signed by the Governor on October 8, 2011) will result in changes to net energy metering eligibility and practices under California law effective January 1, 2012. Pasadena must amend certain sections of the Light and Power Rate Ordinance to conform with these changes. PWP staff and the City Attorney's office are currently reviewing the new requirements under Senate Bill 489 and will prepare an ordinance that amends Section 13.04 of the Pasadena Municipal Code (Light and Power Rate Ordinance) as necessary to conform with applicable changes to PUC Sections 2827 and 2827.10 in a timely manner.

Due to recent changes in law under Senate Bill 489; amendments to net metering provisions of the Light and Power Rate Ordinance; and the new types of distributed resources that have become available since the City Council adopted Resolution 8304, it is recommended that the City Council adopt the attached resolution to amend Regulation 23 and to authorize the City Manager, or General Manager of the Water and Power Department, to sign interconnection agreements for a broader range of distributed resources. The proposed amendments to Regulation 23 are intended to implement legislative requirements and Council policy objectives, and to provide clarity or better alignment with common nomenclature used throughout the state. The amendments address minor inconsistencies and broaden the scope of potential distributed resource technologies that may be interconnected in the same manner as solar system interconnection agreements are currently administered. These amendments do not include substantive changes in technical requirements or respective cost obligations.

BACKGROUND:

On September 22, 2003, the City Council adopted Resolution Number 8304. This resolution adopted Regulation 23, which sets forth the service requirements and

conditions for distributed generation interconnection and metering, where such generation may be interconnected for parallel operation with PWP's electric system. The resolution also authorized the City Manager, or General Manager of the Water and Power Department, to enter into electric service interconnection agreements as called for under Section 13.04.178 of the Light and Power Rate Ordinance, and under Public Utilities Code Section 2827. Per the language of Resolution 8304 and the associated agenda report, the applicability of Regulation 23 and the contract authorization are limited in scope to customer-owned, behind-the-meter, wind and solar generation systems of up to one megawatt in size, that qualify for net metering. Over the last eight years, Pasadena has entered into approximately 300 interconnection agreements with its electric customers so they could connect solar photovoltaic systems on their property to PWP's electric grid.

Since Resolution 8304 was adopted, state and local policy objectives have evolved to increasingly favor and facilitate the use of distributed resources. Public Utilities Code Section 2827 now mandates that investor-owned utilities provide net energy metering benefits to additional resources, such as fuel cells. The Light and Power Rate Ordinance has been modified to include new net metering provisions (Section 13.04.177) as well as other types of distributed generation that do not qualify for net metering (Section 13.04.178). The adoption of Section 13.04.177, in particular, creates a need for the minor revisions to Regulation 23 and the contract authorization under Resolution 8304.

Light and Power Rate Ordinance Amendments

Senate Bill 489 will amend California's Public Utilities Code Sections 2827 and 2827.10 effective January 1, 2012. This law redefines net energy metering requirements and which types of generation resources are eligible for net energy metering. The current net metering provisions in the Light and Power Rate Ordinance will need to be updated to reflect any changes in law to the extent they are applicable to PWP.

By directing the City Attorney to prepare an ordinance consistent with Senate Bill 489, PWP will be able to update its net metering provisions of the Light and Power Rate Ordinance in a timely manner.

Amendments to Regulation 23

The proposed amendments to Regulation 23 are intended to broaden its scope to cover any foreseeable type of generation or electric storage technologies that might be connected to PWP's distribution system. These "non-technical" amendments are intended to implement legislative requirements and Council policy objectives, and to provide clarity or better alignment with common nomenclature used throughout the state. The proposed amendments to Regulation 23:

- Define a "Generator" broadly to include any type of resource capable of generating electricity;

- Define "Customer" and "Producer" consistent with statewide norms and apply these definitions as appropriate throughout Regulation 23 for clarity;
- Define "Net Generation Output Metering" consistently with common terminology used throughout California to reduce potential confusion or misinterpretation;
- Eliminate specific references to section 13.04.178 when referencing the Light and Power Rate Ordinance to accommodate the inclusion of section 13.04.177 as well as potential future sections that may be added;
- Eliminate the exhibits with pro-forma interconnection and service contracts. These standard contract forms are now made available on the internet, and may be amended from time to time as necessary to reflect evolving technical, regulatory, and legislative requirements.

Redlined pages reflecting the proposed amendments to Regulation 23 are included as Attachment B. A complete clean copy of the proposed Regulation 23 is included as Attachment C.

The proposed amendments to regulation do not include substantive changes in technical requirements, respective cost obligations or other obligations. PWP anticipates a more substantive amendment of a technical nature to Regulation 23 may be required within the next twelve months. PWP is currently reviewing the technical requirements of Regulation 23 to see if changes are needed to address evolving technologies and national standards. Likewise, a review of procedural requirements is being conducted to identify potential streamlining opportunities. As part of this effort, staff is monitoring a recently opened proceeding at the California Public Utilities Commission to consider amendments to their Rule 21 guidelines (Rule 21 is their equivalent of PWP's Regulation 23) that would be needed to facilitate additional distributed generation.

In addition, the Governor has recently proposed California embark on a massive campaign to encourage the installation 12,000 MW of distributed generation throughout the state. PWP anticipates this could also require future amendments to Regulation 23 or the adoption of new regulations to deal with distributed resources that connect directly to PWP's electric distribution grid for the purpose of energy sales to PWP (e.g., through a feed-in-tariff) or wholesale sales to other third parties.

Interconnection Agreements

Interconnection agreements authorized under the proposed resolution will be standard contract forms that cover technical requirements, liability provisions, and other terms and conditions related to the physical connection and operation of distributed resources that connect to PWP's electrical grid. There is no purchase or sale of goods or services under such interconnection agreements, and they do not provide for delivery of electricity to or from the interconnected resource or customer. The terms and charges associated with delivery of electricity to or from the interconnected resource will be

spelled out either in the Light and Power Rate Ordinance or in a separate power purchase or delivery contract with the distributed resource owner.

Under Senate Bill 489, utilities must post interconnection and net metering agreements on the internet and must process requests for net metering service and interconnection agreements within 30 working days. Establishing clear authority for the City Manager or the General Manager of the Water and Power Department to sign interconnection agreements will help facilitate compliance with this requirement.

COUNCIL POLICY CONSIDERATION:

Facilitating distributed generation and storage resources is consistent with the 2009 Power Integrated Resource Plan; the conservation and energy elements of the General Plan; and, the Urban Environmental Accords goals to increase renewable energy, reduce peak demand, and reduce greenhouse gas emissions. The proposed resolution is necessary to achieve statutory and regulatory compliance with respect distributed generation resources.

ENVIRONMENTAL ANALYSIS:

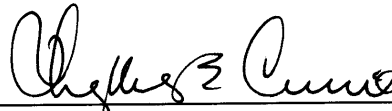
The action proposed herein is exempt from the California Environmental Quality Act pursuant to State CEQA Guidelines Section 15301 (Existing Facilities). Specifically, Section 15301 exempts minor alterations involving negligible expansion of a use, including existing facilities of both investor and publicly owned utilities used to provide service. The action proposed herein would not increase PWP's capacity to generate power.

FISCAL IMPACT:

There is no direct fiscal impact of this action. The proposed resolution is an efficient means of administering distributed resource contracts that are already allowable pursuant to state law and the electric rate ordinance.

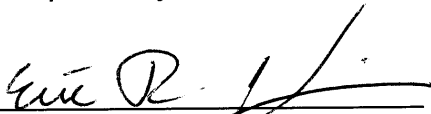
As a result of energy produced by any such distributed resources, electric energy sales, revenues, and purchased power costs will be reduced. The magnitude of these reductions and the impact on net income will depend upon the quantity and quality of distributed resources that are installed by PWP's customers.

Respectfully submitted,



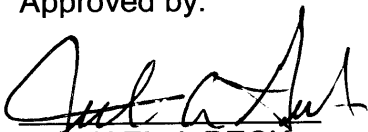
PHYLLIS CURRIE
General Manager
Water and Power Department

Prepared by:



ERIC R. KLINKNER
Chief Deputy General Manager
Water and Power Department

Approved by:



MICHAEL J. BECK
City Manager

Attachment:

- Attachment A – Resolution
- Attachment B – Redlined pages of Regulation 23
- Attachment C – Amended Regulation 23 (clean copy)