



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Mital, Brown, Helgeson, and Manning

FROM: Frank Lawson, Power & Strategic Planning Manager (AIC); Mark Freeman, Energy Management & Customer Service Manager; Dan Morehouse, Energy Management Program Supervisor; Adam Rue, Energy Resource Analyst

DATE: July 25, 2014

SUBJECT: 2015 Customer Generation Rates

OBJECTIVE: Board Action - Approval of Resolution No. 1413

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## **Issue Statement**

EWEB's Customer Generation Policy establishes requirements for interconnecting customer-owned generation to EWEB's electric system and sets rates for the purchase of generation from those systems. The Policy specifies the Rate Schedules are subject to annual review and may be adjusted or amended at the discretion of the Board. This memo describes the recommendations for customer-owned generation rates for 2015.

## **Background**

EWEB sets its Customer Generation Rates at its "avoided cost", or the rate that will hold other utility customers harmless. To determine the avoided cost for use in customer generation rates, EWEB uses the forward year ICE Mid-C price index to set the rate. The Customer Generation Policy (EWEB Electric Customer Services Policies and Procedures E-VI) provides rate schedules for purchasing electricity from three different renewable customer-generation configurations.

The **Renewable Net Metered Rate** is designed for customers with installed capacity less than or equal to 25kW who generate surplus renewable electricity when their building is not consuming the electricity, thereby sending power back to EWEB. The value of this power to EWEB is based on a one year power value, scaled up for transmission and distribution losses. No Renewable Energy Certificate (REC) value is considered in establishing the rate. The customer cannot sell the RECs to a third party, but retains the right to the RECs under the net metered program option.

The **Annual Renewable Generation Purchase Rate** is designed for customers with distributed generation systems with installed capacity of 25kW and larger, but less than 200kW who elect to sell the generation power from their system, in addition to the associated RECs, to EWEB. The one-year rate is also for customers that have existing power purchase contracts with EWEB that have expired. This rate includes the one-year power value, scaled up for transmission and distribution losses, and a one-year value of RECs.

The **Long-Term Renewable Generation Purchase Rate** was previously available for customers with new distributed generation projects with installed capacity larger than 25kWm but less than 200kW that wished to sell all generated power to EWEB under a long-term (15-year) power purchase agreement where EWEB purchases both the power and the RECs from the system for the duration of the contract. EWEB is not required to offer the long-term rate, and customer interest has been low over

the past few years. Because of the extended time period, the long-term contracts increase risk to EWEB's remaining customers due to the volatility of the future power price curve and forward REC curve over the 15-year time horizon.

**Discussion**

Staff has calculated the following renewable rate updates using the Board approved avoided cost methodology:

<u>Program/ Characteristics</u>	<u>Renewable "Net Metered"</u>	<u>Annual Renewable Generation Purchase Rate</u>	<u>Long-Term Generation Purchase Rate</u>
Size	<25kW	25kW to <200kWkW	25kW to <200kWkW
Type	Surplus above consumption	Generation Production Purchase	Generation Production Purchase
Losses Credited	✓	✓	✓
Renewable Energy Certificate (REC) Purchase	∅	✓	✓
Rate Dynamics	Annual	Annual	15-Year
2014 Rate	\$0.0375/kWh	\$0.0383/kWh	\$0.0579/kWh
2015 Rate	\$0.0416/kWh	\$0.0436/kWh	Discontinue
Change	+10.9%	+13.8%	

**Recommendation**

EWEB management recommends removal of the Long-Term Generation Rate from the EWEB Electric Policies and Procedures E-VI, and the update of the Renewable Net Metered and Annual Renewable Generation Purchase Rate as described in Resolution No. 1413.

**Requested Board Motion/Action**

A Motion is set forth to approve resolution 1413 updating EWEB Electric Policies & Procedures E-VI with new customer generation rates, effective January 1, 2015, and the removal of the Long-Term Renewable Generation Purchase Rate.

**Further Information**

If you have any questions or wish to make comments or suggestions on the information provided in this memorandum, please contact Frank Lawson at (541)685-7621 or via email at [frank.lawson@eweb.org](mailto:frank.lawson@eweb.org).

**Attachments:**

- Resolution No. 1413

**EUGENE WATER & ELECTRIC BOARD  
RESOLUTION NO. 1413**

**Customer Generation Rates Revision  
August 5, 2014**

**WHEREAS**, Oregon Senate Bill 84 regarding net metering. (ORS 757.300 (1) states “An electric utility may value the excess kilowatt-hours at the avoided cost of the utility, as determined by the commission or the appropriate governing body.”); and

**WHEREAS**, in response, EWEB has developed a Customer Generation Policy to support the installation of electric generation systems by customers within the utility’s service area; and

**WHEREAS**, EWEB’s Customer Generation Policy includes rate schedules for the purchase by EWEB of the electric output from customer-generation installations at established per kilowatt-hour rates; and

**WHEREAS**, such purchase rates are not affiliated with nor do they otherwise affect rates charged for electricity supplied to customers by EWEB for normal distribution service; and

**WHEREAS**, the Board has reviewed background concerning EWEB’s Customer Generation Policy parameters and proposed rates for said power purchases from qualifying customer installations for consideration and approval on its August 5, 2014 Consent Calendar.

**NOW, THEREFORE, BE IT RESOLVED** by the Eugene Water & Electric Board that:

1. The Board hereby grants approval to the 2015 Customer Generation Policy and Rate Schedule which will be reflected in updated Policies & Procedures, section E-VI: and
2. Grants the General Manager or his designees the continuing authority to enter into Standard Offer contracts for the purchase of customer-generation system output at the established purchase rates, as may be generally amended from time to time.

DATED this 5<sup>th</sup> day of August 2014.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

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President

I, TARYN M JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its August 5, 2014 Regular Board Meeting.

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Assistant Secretary