



AGENDA ITEM SUMMARY

City Council

STAFF

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SUBJECT

Second Reading of Ordinance No. 106, 2022, Amending Chapter 26 of the Code of the City of Fort Collins Regarding Net Metered Renewable Energy Generation System Sizing and Adopting Administrative Rules for Net Metered System Sizing.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on October 4, 2022, amends sizing requirements in City Code that limit the generating size (i.e. production capacity) of renewable energy systems, removing reference to 120% of a customer's annual electric consumption and adopts administrative program rules to guide the Utilities' Executive Director to define allowable generation system sizing consistent with the City's 2030 energy and climate goals.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

BACKGROUND / DISCUSSION

Renewable energy system generation sizing requirements in City Code tied to 120% of customer consumption (the "120% Rule") were designed as a financial limit, mitigating the financial exposure for Fort Collins Utilities in paying retail solar credit rates by limiting the size of customer-sited generation. As Fort Collins seeks to achieve the ambitious target of 5% of energy delivered in 2030 to be generated by local renewable resources, as well as the electrification of transportation and buildings, the existing sizing requirements represent an inflexible constraint on that effort, imposing a point-in-time limit on how and when customers can make investments in electrification and renewable generation.

Administrative rules submitted for Council adoption with this Ordinance, in combination with Utilities metering standards and electric rates, provide similar financial risk management as the 120% Rule, while aligning with policies and strategies to achieve 2030 goals.

This Ordinance does not propose changes to solar credit rates. Rather, solar credit rates will be included with the electric rate agenda item at the Council meeting November 1.

Understanding the Existing 120% Rule Sizing Requirement

The existing City Code Sections governing electric rates (Sec. 26-464 for residential and all rate categories following) limit the size of a renewable energy generation system (typically solar) to a production capacity of no more than 120% of a customer's annual historical electric use. The intent of the 120% Rule is to support customers who want to self-generate electricity in an amount that matches their typical annual use and enables them to offset a majority of their electric bill (i.e. net-metering), rather than creating a situation where Utilities is buying/crediting for excess energy produced by customers whose generation significantly exceeds their regular consumption.

120% Rule Key Points

- The intent was to set a practical financial limit; it was not related to distribution system requirements or capacity.
- The 120% Rule is defined in City Code and was aligned with state statute until the passage of [SB21-261](#) in 2021, which expanded the sizing limit to 200% in other Colorado utility service territories.
- The 120% Rule is currently applied only at the time of solar system interconnection application and is not tracked or (re)calculated related to electric use by subsequent homeowners.
- Additional sizing limitations on solar systems include the National Electric Code (NEC) related to the home's electric panel and the customer service entrance capacity.
- The proposed changes to City Code will not affect reference to 120% sizing in the Platte River Power Supply Agreement that constrains renewable generation system sizing in circumstances where a third party is the generator, rather than the utility electric customer.

Why Replace the 120% Code Language with Administrative Rules

The 120% Rule has been an effective tool for many years. However, new practices are needed that will better serve updated community climate and renewable strategies along with existing advanced metering and time-based electric rates. Utilities and Platte River are planning for widespread solar adoption by 2030 with an estimated 5,000 to 7,000 solar systems in place providing between 60 and 75 megawatts of capacity.

More flexibility for customer solar generation under administrative policies, maintained by the Utilities Executive Director pursuant to Section 26-463 of the City Code will:

- *Encourage* solar systems that serve increased use from electrification (e.g. electric vehicles, heat pumps). Customers are regularly inquiring about sizing their solar systems to accommodate increased usage as they electrify their home heating, cooking and transportation. These electrification strategies are a key strategy for Our Climate Future and will be essential to reducing emissions from natural gas and petroleum.
- *Accelerate* local solar contribution to reaching community renewable electricity goals. The increased size of solar systems envisioned supports the ambitious target of reaching 5% local renewable electricity, as a part of our 100% renewable electricity goal by 2030. With aligned rate and incentive components, this is an effective approach to leverage customer interest and investment.
- *Simplify* and streamline solar application and interconnection processes for customers, solar trade allies and staff. The 120% Rule adds multiple evaluation steps to the solar application process for all parties without providing significant short or long-term benefit.

Additional rationale for replacing the 120% Rule include:

- It is applied as a one-time estimate when a new solar application is received. It represents only a snapshot of the home and current customer.
- It does not take into account a customer's future potential electrification, nor can it be used for customers without a use history (e.g. new home or recent move). There is no tracking of usage of homes with solar that change ownership or when a customer's household situation changes.

- As solar has become common, residents are purchasing existing homes with solar, and the system sizing may not be aligned with the new household's usage.

CITY FINANCIAL IMPACTS

Adoption of this ordinance has no direct impact to City finances. Utilities uses the Budgeting for Outcomes process to plan for purchases of surplus renewable energy from solar customers based on the applicable rate structures adopted by Council.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The Energy Board voted to recommend Council adopt the Ordinance based on the materials presented and discussion at the September 8, 2022, Energy Board meeting.

PUBLIC OUTREACH

Utilities shared a draft of the proposed administrative rules with the Colorado Solar and Storage Association and gathered input from local solar contractors, each of whom voiced enthusiastic support.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance for Consideration
2. Exhibit A