



# STAFF REPORT

## CITY OF GREEN COVE SPRINGS, FLORIDA

**TO:** City Council Regular Session

**MEETING DATE:** May 4, 2021

**FROM:** Mike Null, Assistant City Manager

**SUBJECT:** City Council discussion and direction related to solar power net metering rates. *Mike Null*

### BACKGROUND

The Green Cove Springs City Council adopted Ordinance O-01-2012 and Resolution R-04-2012 at its January 3, 2012 and January 17, 2012 Council Meetings. With these actions, the City Council adopted the Tri-Party Net Metering Agreement and the Net Metering Service Rate Schedule, which are attached for your reference.

Following is a very high-level overview of net metering and the arrangements between the City, FMPA and our customers. Dan O'Hagan with FMPA will be at the meeting Tuesday evening to give a more detailed and concise analysis of the ins and outs for Council Consideration.

Customers who install solar power generating systems on their homes or businesses have the ability to return any unused power to the City electric grid. However, the City cannot directly purchase power from these customers because the terms of our "All-Requirements Project (ARP)" contract with FMPA require the City to buy all of its power from FMPA. Therefore, the Tri-Party agreement facilitates the customer selling their unused power by FMPA "buying" the power from the customer at "avoided cost" rates, which is reflected on the City's power bill from FMPA each month. The City then credits the customer on their monthly utility bill. The ARP contract does not prescribe the amount that the City must credit its customer on their monthly utility bill for excess power delivered to the City.

The "avoided cost" rate averages \$0.02 per kWh. This reflects the cost of power that the City purchases from FMPA. The remainder of the City's Purchase Power bill is "fixed cost;" meaning regardless of consumption, that cost remains unchanged. The City has been crediting all of its solar customers at the "avoided cost rate" since 2012. However, the language in the Net Metering Service Rate Schedule stipulates that the City should be crediting its solar customers at the City's full retail rate of \$0.083 per kWh PLUS the BPCA rate which varies from \$0.01 to \$0.02 per kWh each month. By crediting the full retail rate, the City would be purchasing net metered power at a rate that is far in excess of the City's wholesale power purchase costs since the full retail rate includes the City's fixed and avoided costs. Those fixed costs are the City's costs of providing services to its customers (e.g. meters, distribution system, billing system, utility staff, etc.). They are not components of the City's cost to purchase power, and therefore, staff believes, should not be included in the rate that the City credits net metering customers for excess energy delivered to GCS.

Again, the City has been crediting at the "avoided cost" rate since the very beginning of its net metering program. Staff is unclear on the original intent of the City regarding the net metering rate. Staff has reviewed the staff reports, backup documentation, minutes and audio recordings from both of the January 2012 City Council meetings and there is no written or verbal evidence regarding the City's original intent. However, the final tariff language is clear. Therefore, it is staff's opinion that all of our

solar customers (approximately 20) need to be retroactively credited the difference for all power delivered to the Green Cove Springs grid since 2012 to make them whole and to be in compliance with our own Public Service Commission (PSC)-approved rate schedule. Staff is currently in the process of crediting our customers.

Dan O'Hagan with FMPA will explain in more detail the concepts of "avoided cost" as well as the rate schedules of other FMPA ARP members Tuesday evening. The majority of ARP members credit at the avoided cost rate. However, there are some that credit either at full retail or a hybrid rate.

City staff is requesting that Council consider modifying our Net Metering Service Rate Schedule to be in line with what the City has been doing, which is crediting at the "avoided cost" rate. Again, this is the same rate at which FMPA credits the City's purchase power bill each month. Staff would also recommend "grandfathering" all existing solar customers to stay at the existing rate until such time as the account changes names. When the existing accounts change names to a new owner or tenant, then staff would recommend moving that account to the new "avoided cost" rate structure. All new customers moving forward would then be credited under the new "avoided cost" rate structure.

## **FISCAL IMPACT**

TBD

## **RECOMMENDATION**

Direct staff to prepare and bring back an ordinance to amend the City's Net Metering Service Rate Schedule to reimburse customers at the "avoided cost" rate only, to include a grandfathering clause for existing solar customers, pending approval by the Florida Public Service Commission.