COUNCIL AGENDA: 04-21-09
ITEM: 3.6

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Lee Price, MMC
City Clerk

SUBJECT: **AB 560 (SKINNER) – NET ENERGY METERING**

DATE: 04-16-09

RECOMMENDATION

As referred by the Rules and Open Government Committee on April 15, 2009 and outlined in the attached memo previously submitted to the Rules and Open Government Committee, consider a position of support for AB 560 (Skinner) – Net Energy Metering.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: **RULES AND OPEN GOVERNMENT COMMITTEE**

FROM: Mayor Chuck Reed

SUBJECT: **AB 560 NET ENERGY METERING**

DATE: 04/09/2009

Approved Chuck Reed Date 4/9/09

Recommendation

It is recommended that the Rules and Open Government Committee agendize the following for the 04/21/09 City Council Meeting;

Allow the City Council to take a position on AB 560 Net Energy Metering (Skinner)

Background

This bill is consistent with our Clean Tech Legislative Agenda, supports the Bay Area Regional Climate Compact, and San José's Green Vision. AB 560 is supported by the SolarAlliance, a solar industry trade organization.

Net energy metering is a simple billing arrangement that exists in 44 states for customers using on-site renewable energy. This billing arrangement permits eligible customer-generators to offset retail electricity purchases with the renewable electricity generated on-site. Over a 12- month period, a customer has to pay only for the net amount of electricity supplied by a utility over-and-above the amount of electricity generated by an on-site renewable energy system.

Net metering improves the economics of installing a solar system by allowing surplus power generated by the systems to be fed onto the electric grid for the benefit of other customers. In exchange, the net metered customer receives a kilowatt-hour bill credit that can be used to offset the amount of electricity that the customer must purchase from a utility. Net metering is used by more than 40,000 homeowners, hundreds of small and large businesses, and all sizes of public facilities, from schools to water district lands to Department of Defense bases. California solar customers rely on net metering to get the full value of their solar generation over the course of the year. Net metering allows homes and businesses to reduce their electric bills and fix their solar power cost which is particularly helpful in these difficult economic times. Existing law requires retail electric service providers, investor-owned utilities, cooperatives and most municipal utilities, to make net metering available to eligible customer-generators on a first-come-first-served basis until the total rated generating capacity of net metered systems exceeds 2.5% of a retail electric service provider's "aggregate customer peak demand."

California has been a leader in renewable energy and was one of the first states to enact net metering legislation. In 2006, when the California legislature enacted the California Solar Initiative (CSI), it increased the state-wide net metering cap to 2.5% of a retail electric service provider's "aggregate customer peak demand." The net energy metering cap was increased in recognition of the fact that net energy metering would be necessary in order for the state to meet its CSI goals. Most of the electricity that is generated on-site by a net energy metered customer is used on-site by that customer and is not fed onto the grid. This is particularly true for large solar systems installed by commercial customers that have significant and predictable on-site electricity needs during daytime hours. To the extent net metered systems serve on-site load and do not export, they reduce demand on the grid in the same way as on-site energy efficiency from the perspective of a utility and other utility ratepayers. Under the current method of calculating the net metering cap, capacity that serves on-site load and does not export is still counted towards the cap. Of the 44 states that offer net metering, 18 have eliminated the cap on total net metered capacity. The Utah Public Service Commission just increased that state's cap to 20% of utility peak demand.