

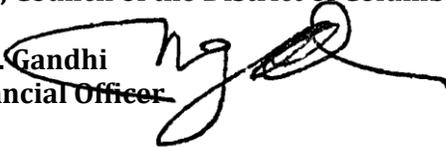
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: July 2, 2013

SUBJECT: Fiscal Impact Statement – “Community Renewables Energy Act of 2013”

REFERENCE: Bill 20-57, Committee Print provided to the Office of Revenue Analysis on June 21, 2013

Conclusion

Funds are sufficient in the approved FY 2013 budget, and the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

Background

The bill establishes requirements for the creation and operation of Community Renewable Energy Facilities (CREFs) in the District. CREFs are entities that generate electricity from renewable sources¹ sufficient enough to put back into the local electricity grid. Subscribers² to a CREF are entitled to an agreed upon portion of the CREF electricity output and realize the value of this output in the form of a credit on their electric bill. The details of the arrangement may vary by facility.

Currently, individual homeowners are permitted to receive credit on their own meter for the electricity they generate and put back into the grid. Renewable generation facilities under five megawatts are also currently permitted—and indeed encouraged³—to operate in the District.

¹ Only sources known as “tier one” renewable sources are included and are defined in D.C. Official Code § 34-141(15). Tier one sources include solar energy, wind, biomass, methane (from landfill or wastewater treatment plant), geothermal and ocean.

² Retail electric customers in the District (PEPCO customers) who own a subscription in a CREF and have a billing meter within the District to which the subscription can be attributed.

³ The Distributed Generation Amendment Act of 2011, effective October 20, 2011 (D.C. Law 19-36; D.C. Official Code §§ 34-1432, 34-1434 and 34-1436) requires energy suppliers to pay a fine if they cannot generate a certain percentage of renewable energy in the District or in locations served by the distribution grid serving the District.

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However, neither individuals nor generation facilities may currently offer direct subscriptions to other District residents.

The bill limits subscriber credits in a given year to 120 percent of the electric consumption at a meter over the previous 12 months. Under the legislation, the credits do not expire. CREFs must have at least two subscribers and can be any type of third-party entity, such as non-profit or for-profit. CREFs are responsible for installing meters that track the output back to the grid. CREFs may expand, so long as the existing subscribers do not reduce the production benefit to which they are entitled. Only one change to subscriber lists can be made per quarter, and proper notifications must be made to the District Department of the Environment and PEPCO. If a CREF's output is not fully subscribed, the Standard Offer Service Administrator⁴ (in most cases, this is PEPCO) must purchase the energy from the CREF at a cost based on a formula outlined in the bill.

The bill requires certain disclosure requirements regarding the sale of interests in a CREF, and permits the Mayor to establish rules and regulations to carry out disclosure requirements. District Department of Environment (DDOE) will be required to report on the number of CREFs and the subscribers annually. The bill requires additional rulemaking to be worked out through the Public Service Commission. PEPCO will be responsible for tracking and administering the credits owed to CREF subscribers.

Financial Plan Impact

Funds are sufficient in the FY 2013 budget, and the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

Once in place, CREFs will require some administrative oversight: DDOE will be required to report on CREFs annually, a Mayor's designee may be involved in establishing disclosure requirements, and the Public Service Commission will engage in additional rulemaking. It is not possible to estimate how many CREFs will be established during the four-year financial plan period, but the Office of Revenue Analysis expects that the number would be small, and therefore the administrative burden can be absorbed with existing resources.

Once a subscriber in a CREF, a customer (whether residential or non-residential) is not likely to pay sales taxes over electricity purchase. The loss of revenue from this new arrangement also cannot be reliably estimated at this time, but is expected to be small.

The bill requires the Standard Offer Service Administrator (PEPCO) to correctly apply credits to subscribers of a CREF. This will be done by developing a system that would credit subscribers at appropriate rates, and adjust such credits for changes in output and subscriber base. Any costs associated with interconnection of CREFs to the grid, or strain on the distribution system will be determined on a case by case basis as each CREF that is established. The bill allows electric

⁴ D.C. Official Code § 34-1509 defines "Standard offer service" as electricity supply made available on and after the initial implementation date to: (1) Customers not yet allowed to choose an electricity supplier under the phase-in of customer choice under;(2) Customers who contract for electricity with an electricity supplier, but who fail to receive delivery of electricity under such contracts;(3) Customers who cannot arrange to purchase electricity from an electricity supplier; and (4) Customers who do not choose an electricity supplier.

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customers to subscribe to more than one CREF at a time. This could add administrative complexities that could drive up costs.

CREF subscribers will also no longer pay PEPCO for distribution services over their CREF credits, as subscribers are expected to be close to the point of generation (for example, apartment dwellers in an apartment building subscribed to a CREF that uses the rooftop for solar power generation). If CREFs become relatively common, PEPCO may seek readjustments to its distribution charges through Bill Stabilization Adjustment mechanism, and recover its documented cost by increasing distribution rates, similar to the current process for Net Energy Metering customers.

Because it is not possible to estimate how many CREFs will be in place, PEPCO cannot provide an estimate of administrative costs, or make projections of any rate increase requests over distribution. Any additional incremental costs to PEPCO will be addressed in future requests for rate adjustment. If the Public Services Commission approves these requests, these costs would be passed onto rate payers.

It is expected (although the legislation does not specify) that billing disputes resolutions will be facilitated by PEPCO. The CREF itself will likely be responsible for resolving contractual disputes with subscribers. Billing matters could potentially be brought to the PSC's Office on Consumer Services, but this is not specified in the legislation. Additionally, it is unclear who will ensure that CREFs are meeting all applicable safety standards.