

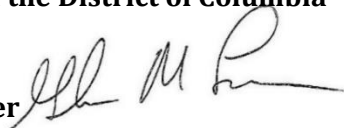
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

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

FROM: Glen Lee
Chief Financial Officer 

DATE: November 30, 2022

SUBJECT: Fiscal Impact Statement – Local Solar Expansion Amendment Act of 2022

REFERENCE: Bill 24-950, Draft Committee Print as circulated on November 29, 2022

Conclusion

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill's changes to the District's Renewable Energy Portfolio Standard's (RPS) solar carve-out and compliance fees will generate new special purpose revenues of approximately \$516,000 in fiscal year 2025 and \$3.4 million in fiscal year 2026 for the Renewable Energy Development Fund (REDF).¹

Background

The District's RPS requires electricity suppliers to generate a prescribed share of their supply from renewable sources. The Council recently updated RPS to require electricity providers to generate 100 percent of their supply from renewable sources by 2032 with a required carve-out of the energy supply from solar energy sources equal to 10 percent by 2041.² Energy suppliers meet these requirements through the purchase of Renewable Energy Credits from renewable producers. If a supplier is unable to meet RPS, they are subject to a compliance fee depending on whether the shortfall is on tier one sources, tier two sources, or solar sources. The bill accelerates and increases the solar carve-out until it reaches 15 percent in 2041. The bill also updates the compliance fee for a

¹ Renewable Energy Portfolio Standard Act of 2004, effective April 12, 2005 (D.C. Law 15-340; D.C. Official Code § 34-1436).

² CleanEnergy DC Omnibus Amendment Act of 2018, effective March 22, 2019 (D.C. Law 22-257; D.C. Official Code § 34-1432(c)).

supplier’s shortfall in achieving the required solar source carve-out. The chart on the following page details the changes to the solar energy requirement and compliance fees:

Year	Minimum Solar Sources		Solar Compliance Fee (per kWh)	
	Current	Bill 24-950	Current	Bill 24-950
2023	2.85%	3.0%	\$0.50	\$0.50
2024	3.15%	3.65%	\$0.40	\$0.48
2025	3.45%	4.3%	\$0.40	\$0.46
2026	3.75%	5.0%	\$0.40	\$0.44
2027	4.1%	5.65%	\$0.40	\$0.42
2028	4.5%	6.3%	\$0.40	\$0.40
2029	4.75%	7.0%	\$0.30	\$0.38
2030	5.0%	7.65%	\$0.30	\$0.36
2031	5.25%	8.3%	\$0.30	\$0.34
2032	5.5%	9.0%	\$0.30	\$0.32
2033	6.0%	9.65%	\$0.30	\$0.30
2034	6.5%	10.3%	\$0.30	\$0.30
2035	7.0%	11.0%	\$0.30	\$0.30
2036	7.5%	11.65%	\$0.30	\$0.30
2037	8.0%	12.3%	\$0.30	\$0.30
2038	8.5%	13.0%	\$0.30	\$0.30
2039	9.0%	13.65%	\$0.30	\$0.30
2040	9.5%	14.3%	\$0.30	\$0.30
2041	10.0%	15.0%	\$0.30	\$0.30
2042	10.0%	15.0%	\$0.10	\$0.10

The bill exempts from these changes for three years any contracts entered before the bill’s effective date. However, the exemption does not apply to any contract renewals or extensions of those contracts.

Compliance fees, which are remitted by energy providers but are paid by ratepayers, are deposited into the REDF administered by the Department of Energy and Environment (DOEE). DOEE can use REDF resources for a variety of efforts to increase renewable energy in the District, including grants and loans, supporting the District’s Green Bank, studies and plans, and supporting interagency efforts around renewable and sustainable energy. The bill expands the allowable uses of REDF resources to include up to \$150,000 to increase awareness of the Solar for All³ program and increase participation in low-income utility assistance beginning in fiscal year 2025. The bill also authorizes DOEE to transfer funds, beginning in fiscal year 2026, to the Energy Assistance Trust Fund (EATF) to support low-income utility assistance programs. The bill’s increases to the compliance fee will also impact District government utility costs and the bill allows the District to use REDF resources to cover these costs.

The bill requires the People’s Counsel to commission a triennial study assessing the costs and benefits of solar energy requirements in the District. The study should look at the benefits of locally-produced solar energy, the District’s current energy goals and programs, the ratepayer costs of the

³ Renewable Portfolio Standard Expansion Amendment Act of 2016, effective October 6, 2016 (D.C. Law 21-154; D.C. Official Code § 8-1774.16).

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RPS solar requirement, and solar expansion efforts in other jurisdictions. The People's Counsel should submit the first study by October 1, 2027. The bill allows REDF resources of up to \$100,000 annually, beginning in fiscal year 2025, to be spent to fund the study.

Financial Plan Impact

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill both accelerates the required solar carve-out for electricity providers and slows the reduction in the compliance fee for providers that fail to generate enough solar energy. The combined impact of these changes will generate additional compliance fee revenues for the REDF of approximately \$516,000 in fiscal year 2025 and \$3.4 million in fiscal year 2026.⁴

Compliance fees are passed through to ratepayers and therefore District government utility (electricity) bills will increase. The bill authorizes REDF resources to cover the incremental District costs caused by the bill's changes which are expected to be approximately \$15,000 in fiscal year 2023 and \$475,000 over the four-year financial plan period.

The bill authorizes three additional authorized expenditures from REDF to support low-income utility support programs through the EATF, increased participation in these low-income programs and the Solar for All program, and a triennial study of the District's solar programs and mandates. The bill authorizes these efforts beginning in fiscal years 2025 and 2026 when the increased compliance fee revenues will begin to be remitted to the District. These efforts will only be funded if REDF funds are available to support them.

⁴ The bill's changes begin in calendar year 2023, but the compliance payments for 2023 are paid in October 2024, which is the District's fiscal year 2025.