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Title: Approve the recommendation to implement the proposed changes to the Renewable Energy Program

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9/17/2019	1	City Council	approved	Pass

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Approve the recommendation to implement the proposed changes to the Renewable Energy Program

DEPARTMENT: Electric Utility

SUBMITTED BY: Lucy Podlesny, Director

BOARD/COMMISSION REVIEW:

The Public Utility Advisory Board (PUAB) approved (3-0) staff recommendation for the phased in modifications to the program.

BACKGROUND:

Renewable Energy Program - The Beginning

In 2004 the City Council approved the Renewable Energy Program. This program is a way for electric utility customers to monetarily support renewable energy. This support comes in the form of a payment of \$5 per 200kilowatt hour (kWh) and is added to the participants' utility bill.

Renewable energy generators, such as solar and wind farms, produce both electrons and renewable energy certificates (RECs). Electrons are the electricity flowing in the wires from the generator to an outlet (equivalent to water in the pipes coming to a faucet). A REC is a certificate representing the number of electrons produced by a renewable energy generator and is given a dollar value. For more details view a short video [here <https://www.naperville.il.us/services/electric-utility/powering-our-community-for-the-future/renewable-energy-program/>](https://www.naperville.il.us/services/electric-utility/powering-our-community-for-the-future/renewable-energy-program/).

The electric utility purchases and retires RECs equivalent to the amount of renewable energy kWhs supported each year. The current Renewable Energy Program is comprised of 99% wind and 1% solar RECs. The City has purchased approximately 12,777,200 kWh in RECs, or \$27,800, annually

over the last five years.

Expanded Renewable Energy Program

In 2012, the program expanded to provide a single grant up to \$50,000 for non-residential customers with a total grant program maximum of \$150,000 per year. The intent of the grant was to incent individuals to measurably increase renewable energy usage, displace fossil fuels, develop community education opportunities, and to support recurrent projects.

Since 2014 the program has granted \$317,500 for nine projects. Recipients have included North Central College, Naperville Park District, Midwest Sports and Pain Specialist, and NEX-NRM.

The City Council approved a \$100,893 award for the installation of solar panels on the Municipal Center roof in 2016 and recently on August 20, 2019 a \$34,169 award for the installation of solar panels on the roof at the Department of Public Works on Forthill Drive.

Renewable Energy Program - Current State

The Renewable Energy Program currently has 2,959 (2,938 residential and 21 non-residential) participants. It generates approximately \$270,350 annually and has a cash balance of \$1.5 million that has been growing steadily over the years. In the beginning, the total cash collected was spent to purchase RECs (minus an administration fee). The decrease in purchase prices of the RECs on the market and lack of adjustment in the buying price for the participants over the years has been a significant reason for the growth of the cash balance.

DISCUSSION:

Recently staff has partnered with a small group of program participants, including members of the Sustainability Task Force, Naperville Park District, North Central College and non-profits (churches), to evaluate and recommend possible enhancements and modifications. The group met two times as well as several e-mail correspondences. Items discussed included, but were not limited to;

- A greater percentage of the moneys collected should buy more RECs,
- A grant option for residents because they are the majority of the participants,
- Increase the grant program for non-residential customers in order to incentivize more solar on the ground in Naperville,
- Offer a 100% REC only program,
- Start an educational campaign,
- Make the program more transparent,
- Continue to support a municipal solar installation,
- Talk with the school districts on possible programs,
- Offer grants for permitting fees for renewable installations,
- Offer an electric vehicle incentive, and
- Methods on spending down the cash balance

Because it is imperative to solicit feedback from a large number of program participants, a survey is currently being developed for distribution by the end of this year. Also, the Sustainability Task Force will be providing additional input.

In addition, earlier this year the Illinois Appellate Court affirmed the Illinois Commerce Commission's (ICC) decision of the Illinois Power Agency Plan to allow customer owned solar facilities located in the service territories of municipal electric utilities and rural cooperative to participate in the Future

Energy Jobs Act (FEJA) incentive programs. This allows Naperville customers to collect incentives to help offset the cost of installing solar facilities. As an example, for a solar installation on the home of an average residential electric consumption user, the cost to install the system would be approximately \$10,000. The incentive from the FEJA program would be approximately \$4,400. On July 11, 2019 ComEd filed in the Illinois Supreme Court a petition for leave to appeal the Illinois Appellate Court ruling. To date, the decision of the Illinois Supreme Court to hear the case is still pending. This may have a significant impact on any Naperville customer considering installing a solar facility.

There is more information needed to consider a comprehensive program overall, including a discussion on establishing measurable goals. However, there is great interest from the group in providing some immediate changes. At this time, the group recommends, and PUAB and staff concur with the following modifications as a stepped approach to updating the program.

Current Program	Modified Program
\$5 = 200kWh in RECs purchases	50% of dollars collected + \$50,000 from cash balance will purchase RECs
Non-residential grant program up to \$50,000 with council approval, with an annual program budget \$150,000	No change in grant amount, funding from 25% of dollars collected + \$82,500 from cash balance for an annual program budget of \$150,000
Support municipal solar installations with council approval	No change
None	Add a residential grant program for \$1000 per participant, with 25% of the dollars collected + \$82,500 from cash balance for an annual program budget of \$150,000
None	Develop a community outreach/education program about energy efficiency and renewables, with a yearly program spend of no more than \$10,000 a year

As proposed, the modified program would increase the annual spend on the purchase of RECs from \$27,800 to approximately \$185,000. This will increase our annual REC purchases to over 85,028,129kWh (more than six times today's quantity). It also ensures the cash balance will not grow as rapidly as before and there is potential for a balance decrease. This stepped approach will be monitored as more input is gathered from the community and the City Council, and future recommendations will be made over time.

FISCAL IMPACT:

The Renewable Energy Fund balance as of 12/31/18 is approximately \$1.5 million.