

KAYSVILLE CITY COUNCIL
AUGUST 12, 2015

Minutes of a special meeting of the Kaysville City Council held August 12, 2015 at 7:00 p.m. in the City Council Chambers of the Kaysville City Municipal Center.

Council Members present: Mayor Steve Hiatt, Mark Johnson, Ron Stephens, Jared Taylor, Brett Garlick and Susan Lee.

Others present: City Manager John Thacker, Recorder Linda Ross, Power Superintendent Gary Hatch, Power Resource Manager Bruce Rigby, Andre Lortz, Don Reeder, Gil Miller, Alan Naumann, John Loveless, Eric Baugh, Ramon Castro, Tonya LeDow, Kim Mortensen, Boyd Mortensen, Dan Black, Erica Dahl, Steve Mecham, David Packer, Neal Slade, Jackie Coombs, Doug Hunter, Alma Farnsworth, Carrie Farnsworth, Doug Shipley, Richard Ensign, Katie Witt, Ronda Page, Larry Page, Michael Scheuller, Kate Bowman, Meredith Roberts, Jake Garn, Spencer Luke and Audrey Luke.

Mayor Hiatt explained that a couple of months ago City staff began to question whether the City's net metering policy was fair and equitable. They recommended that the Council impose a moratorium on net metering so the issue could be studied. A meeting was held earlier this evening with representatives from Vivant, Utah Clean Energy, and Solar City to discuss the topic and help the City see their perspective. The City is not against solar and wants to make sure there is incentive for it. The City's true intent is to totally understand the benefits and to make sure the City is not detracting from alternative sources of energy. He explained that the City is leading toward a feed-in tariff program. The City also wants to understand what the fiscal impacts are to the City. A Cost of Service and Rate Design Study will be commissioned to do that. Tonight the Council will consider an ordinance that removes the moratorium while the City studies a feed-in tariff process, limits the capacity size to 10 kW, and requires a production meter to be installed.

Doug Hunter, CEO of Utah Associated Municipal Power Systems (UAMPS), stated that the utility business is in a big change. UAMPS believes coal is going to be less of a viable resource. He explained that UAMPS has general shut down dates for the three coal plants in which UAMPS participates. That will take place about ten years from now. He stated that it takes about ten years to put adequate planning together to replace resources. A lot of utilities are changing to natural gas. UAMPS is not opposed to natural gas but believes that it could come under fire as a source of greenhouse gas. UAMPS wants to look at a carbon hedge, an option for the City to take advantage of a program to move into if carbon becomes constrained or unavailable. Natural gas is available and can be put in very quickly but UAMPS decided to see if they could propose a program that would remove all carbon generation. He explained that UAMPS is a big supporter of solar but they want to be able to plan for it and integrate it into their resource plan. Current net metering programs in the United States look like a loss of load to the utility. When solar panels

start to work, the load drops off and utilities respond to it as a loss of load and remove their generating plants.

He explained that Germany wants to get off carbon so they put in a program associated with feed-in tariff and have had a great response. They can control power quality directly at the interconnection between the solar panel and they pay an incentive price for solar. UAMPS believes that solar has huge potential to meet future capacity needs so systems could avoid any capital investment in large generating resources. They want to promote that program before they invest in more generation capacity. They want to make sure, through an energy efficient program and a knowledgeable and transparent solar system, what it is producing and what the power quality looks like and then they can promote it. A feed-in tariff charges for system components. He explained that 65% of Kaysville's rate is fixed based on usage. He suggests that Kaysville look at a true cost of service and consider attributes the distributed generation actually provides so they can get a proper price established to meet the goal of the City. UAMPS suggests Kaysville set their standards high on how much solar they can get on the system. In order to do that, they would have to pay a price that would provide a rate of return within a reasonable period of time. Folding that cost of power into the rate mix for everyone on the system would be fair. Two weeks ago Germany supplied 78% of their daily energy from renewable resources. Their incentives use a tax structure, but UAMPS believes they can price appropriately. He recommends Kaysville do a rate study and look at attributes associated with distributed generation. That would then provide a rate that would be appropriate to pay and the City could increase that to add on a subsidy or incentive to promote more solar. That could be blended into all kilowatt hours and put into the rate study. UAMPS suggests Kaysville enter into a 20 year purchase agreement at a specified price. UAMPS could then take that amount of power and plan that into future resource needs. They want to get ready for the smart grid, increase solar and limit the amount of other power resources needed. UAMPS wants to make sure solar works as a utility generating resource because it is carbon free and out on the system. UAMPS sees this as the next least cost generation source before getting into natural gas or other forms of generation that will require long term capital investment with potential for stranded investment risk.

Mayor Hiatt asked Mr. Hunter to explain the difference between net metering and feed-in tariff.

Doug Hunter explained that net metering limits the amount of power put on a facility for economic reasons. Net metering is offsetting the entire retail rate. 65% of Kaysville's retail rate represents fixed cost. When someone is not buying a kilowatt hour but they are producing it themselves, they are still on the grid and using the system. Kaysville supplies power with several components. Net metering is a natural discriminatory rate and the best way to get rid of that is to remove the mechanism of net metering but not necessarily the price. Feed-in tariff requires a generator to interconnect directly to the utility and Kaysville could pay participants 9.2 cents. Every community can make their determination of what the rate will be. Net metering is a lazy way of dealing with solar by utility companies. With feed-in tariff, power quality and frequency is not a worry. UAMPS believes they can increase the amount of solar on a system and support community solar.

Council Member Lee wanted to know if a 10 kW cap is needed with a feed-in tariff program.

Doug Hunter explained that a cap would not be needed with feed-in tariff. There is no limitation of what can be put on a house except for what it can hold with feed-in tariff. UAMPS wants to recognize the value of energy efficiency and distributed generation as the first two legs of implementing a long term integrated resource plan.

Council Member Lee wanted to know if there are any negative aspects with feed-in tariff.

Doug Hunter stated that with a tariff there is always potential for rate discrimination and need for proper rate setting. Kaysville would set a price based on an avoided cost. Based on his experience, net metering in states with low retail rates has not produced the amount of capacity they would like to see. It is not as transparent. They believe a feed-in tariff will accelerate and increase the amount of capacity on the system. He doesn't see anything wrong with feed-in tariff. UAMPS believes they can better integrate feed-in tariff into current operation and future planning.

Council Member Garlick wanted to know if UAMPS would participate with incentives.

Doug Hunter stated that UAMPS is not in a position to subsidize anyone's distributed generation. If the City wants to add an incentive that would be up to them. The City will buy power from the producer, not UAMPS. The avoided costs, recognizing the proper operation of solar on the system, should be more than a sufficient incentive for people to make the investment, especially with a 20 year contract. UAMPS is supportive of additional tax benefits at a national or state level but not at a distribution customer level.

Mayor Hiatt wanted to know what added technology costs there would be with feed-in tariff.

Doug Hunter stated that right now, even with net metering, a box is installed called an inverter that converts the power from direct current to alternate current. UAMPS suggests the utility company install the converter and pay for it, amortizing it into the cost of service. That way the City can put what components they think are important in the box and control it. The box is for the utility company's benefit and not the customer's benefit. If the City does not want to deal with the dispatch, UAMPS could do that.

Mayor Hiatt stated that there would be no difference to a current net metering customer if the feed-in tariff were implemented today and the customer was currently using less than 1,000 kilowatt hours in a billing cycle with the payback agreement at 9.2 cents. The City Council wants to determine what the proper costs should be. The Council at this time wants to lift the moratorium and allow new connections with a few restrictions. One would be a cap at 10 kW until the cost study has been completed. He is not sure the 10 kW number is a hard and fast number. That number was set to make sure people don't hurry to get in at the 9.2 cents payback rate. There has been discussion to set it at a percentage. The national average to pay is 7 cents on a residence. He anticipates that participants currently on the system will be grandfathered in.

John Thacker stated that the proposed ordinance repeals the moratorium and amends the net metering policy in two ways, it limits the additional generating capacity to 10 kW and requires installation of a production meter. Distributed generation applies to solar, wind, or other qualified renewable resources.

Mayor Hiatt stated that the City Council received a letter from Sarah Wright, representing Utah Clean Energy, asking some questions. One question was about the ordinance referring to feed-in tariff. She wonders if the Council has to determine now if feed-in tariff is the right approach. He asked City staff if it is necessary to declare that in the proposed ordinance.

John Thacker stated that it would not need to be specified in the ordinance.

Mayor Hiatt stated that another question from Sarah Wright had to do with the cost of service study, which will be discussed later this evening.

QUESTIONS, ANSWERS AND COMMENTS

Audrey Luke explained that she already has a large solar system on her home so what the Council is dealing with right now does not apply to her. She is, however, concerned about the 10 kW cap. One of the reasons so many people have decided to do solar is because of a national tax incentive of 20% of the entire system that will expire December 31. If people have a house large enough for more than 10 kW they will have to decide if they want to participate now in order to get the tax incentives or hold off. When people decide to do solar she doesn't believe one of the things they consider is how much Kaysville will pay. They usually talk about rate of return over the life of the system.

Council Member Taylor wanted to know how much her home produces at this time and what she returns back.

Audrey Luke stated that their home produces about 12 kW and they have accumulated about 2,800 excess hours.

Andre Lortz stated that he is representing Maverick who is considering solar on their canopies. The 10 kW cap limitation would not give them incentive to do solar. They would do a 20 to 30 kW system. He believes a 10 kW limitation would not be good for businesses.

John Thacker stated that the City would plan with businesses how to implement it and work with them on an individual basis. This ordinance only applies to residential.

Eric Baugh stated that he works in the solar industry. He believes 10 kW might be a little restrictive. He would like to size it so he can meet the needs of his home and a car. He likes the idea of percentage. A 15 kW would cost about \$75,000. He doesn't believe many people would do a system that large. He encouraged the Council not to restrict the size. He hopes the cost analysis will be an independent study.

Tom Summers wanted to know how long the lift on the moratorium will last.

Mayor Hiatt stated that he anticipates that it will be lifted indefinitely. The policy would be in place until the study is complete and the City Council can consider another alternative.

Tom Summers stated that if the City decides to do a feed-in tariff, he hopes they will not pay less than 4 cents. He can't see why the City would put any limit on it at all.

Spencer Luke stated that net metering is very confusing because the meter can run both ways. That happens because a participant can get electricity and still be producing it. That is the reason for production metering. He is producing 2 kW and using 1 kW. The payout doesn't pay out until after a full year. At that time, he will not get retail, but wholesale. He is concerned that people will not participate in the system with the 10 kW restriction. His concern is that UAMPS who sells power to the City is making the feed-in tariff recommendation.

Mike Scheuller stated that he has an 18 kW system and an electric car. He is a member of Utah Physicians for a Clean Environment. He explained that power is more expensive in Kaysville than in Park City and the system is unreliable. He has incentives to make his own power. He believes the world will modernize and people will make and store their own power. Net metering is confusing and his electrons are not worth as much as ones from Rocky Mountain Power. He gets paid wholesale and the City charges him retail. He uses his own electrons at night. He urged the Council to provide incentives for positive behavior and think of the future. He would like Kaysville to lead out with forward thinking. He would also like the Council to lift the moratorium on the 10 kW cap.

Richard Ensign stated that if the City goes with a feed-in tariff he will never be able to afford a system that pays more than what he is using. Right now he pays 10.5 cents per kilowatt. He wonders if he will pay 10.5 cents while the City pays him 9 cents during the same day. He wanted to know if he produces 1 kW but is still producing extra, if he will be paid. He wanted to know if net metering and feed-in tariff are good for 20 years or if there is a time limit. He stated that Rocky Mountain Power provides incentives of up to \$2,000 or a dollar per watt for new systems. He believes Kaysville should also provide those incentives. He believes there is a 16 month window on tax incentives.

Mayor Hiatt stated that the City's current cost is 9.24 cents for 1 to 1,000 kilowatt. If Mr. Ensign is going over 1,000 kilowatts he would be paying 10.5 cents. Most solar users are not going to surpass that amount. The current ordinance has no time limit. The City could terminate the agreement at any time.

Spencer Luke stated that the current agreement does not transfer to new owners.

Bruce Rigby explained that a new owner would have to sign their own agreement.

Jake Garn stated that Kaysville has an opportunity to lead out. His concern is when moving from one place to another, a bridge has to be built to go from point A to point B. He believes the City is doing the right thing by conducting a study to know how to build that bridge and know the costs. An incentive would be great but he wonders who would pay for it. To him, that would be another way to raise taxes. Cities are not for profit. They have impressed funds only for that purpose. He believes the City needs to build a bridge first and know who is going to pay for it. Kaysville should lead out but not to the point that it becomes a revenue budget issue that can't be balanced because so many people want to do it.

John Loveless stated that people have to be careful with solar because it's a gateway drug that leads to increased energy efficiency, electric cars, and geothermal heating. He got solar to reduce his bills. It was never to make more money. It lead him down a slippery slope and into other things and the solar rate was covering more than his house needed. He has been on the system for five years and has never received a check back because he found a way to use power in other ways. He believes as more people get on the system, people will see they can offset other costs. Having a 10 kW cap is not a big deal to residents and he doesn't believe people will hurry to get in on the plan.

Alma Farnsworth stated that he looked at three different solar companies who all recommended more than 10 kW.

ADOPTION OF ORDINANCE AMENDING SECTION 10-2-13, NET METERING POLICY, AND REPEALING SECTION 10-2-13.1, NO ADDITIONAL APPLICATIONS FOR PARTICIPATION IN NET METERING POLICY – EXISTING PARTICIPANTS, OF CHAPER 10-2, ELECTRIC POWER AND LIGHT, OF TITLE 10, ELECTRIC POWER AND LIGHT, OF THE REVISED ORDINANCES OF KAYSVILLE CITY AND CONSIDERATION OF GENERATING FACILITIES CONNECTED TO THE KAYSVILLE DISTRIBUTION SYSTEM PROGRAM AND POLICIES

Mayor Hiatt stated that the intent of the City Council is to understand net metering and feed-in tariff and to lead out on this issue. The 10 kW cap was suggested to make sure people were not oversizing. Bountiful City has a 10 kW cap.

Bruce Rigby stated that City staff thought 10 kW was generous. 95% of participants in Kaysville have less than that. The reason for that cap was concern about people installing more than they needed.

Council Member Garlick stated that during the first full year it is banking hours of electricity that can be used when needed. If there is excess, participants are only getting paid 4 cents. It doesn't seem like the City will be losing anything so he sees no reason for the cap. He hopes everyone pays for infrastructure.

Dan Black stated that percentage is what a lot of companies use. Rocky Mountain Power uses a percentage of consumption. He divides that by his needs and then sizes the system appropriately.

Mayor Hiatt stated that the percentage recommended is 115% to 120%. The proposed ordinance is a temporary measure. If the Council sets a percentage tonight without any homework, there is risk. He recommended the cap be set at 15 kW. The national average is 7. The Council could then consider percentages in the long term agreement.

Council Member Taylor wanted to know if all amps are created the same.

John Loveless stated that if a house has less roof space it might cost more for high efficiency panels. The average is 12 watts per square foot. His house is south facing and is 2,500 square feet. He has 1,000 square feet of solar panels.

The Council Members then discussed whether or not they wanted to keep a cap in the ordinance.

John Thacker suggested that the fifth and sixth sentence of the proposed ordinance could be changed to read, "Whereas, Kaysville City has commissioned a Cost of Service and Rate Design Study (the Study) and; Whereas, Kaysville City desires to amend Section 10-2-13 to be in effect until the Study is complete and further action is taken."

Council Member Taylor made a motion adopting Ordinance No. 15-8-1, An Ordinance Amending Title 10, Chapter 2 of the Revised Ordinances of Kaysville City by Repealing Section 10-2-13.1 and Amending Section 10-2-13 and Providing for an Effective Date with language changes to sentences five and six as recommended above, and changing the capacity from 10 kW to 15 kW, second by Council Member Johnson.

The vote on the motion was as follows:

Council Member Johnson, yea
Council Member Stephens, yea
Council Member Taylor, yea
Council Member Garlick, yea
Council Member Lee, yea

The motion passed unanimously.

AUTHORIZATION OF COST OF SERVICE AND RATE DESIGN STUDY

John Thacker distributed a copy of an Appendix to the Member Services Agreement with UAMPS which is an engagement letter for a Cost of Service and Rate Design Study. UAMPS has an arrangement with a national firm to do cost of service studies and rate analysis. Expected completion would be in 12 weeks.

Jackie Coombs, representing UAMPS, stated that this is a national firm through the American Public Power Association. They follow the guidelines of the American Public Power Association and the National Association of Regulatory Commission. This would not be a UAMPS study. This would commission Kaysville City to work directly with a third party to collect all the City's past data on rates and expenses. They will talk about distribution changes, transmission charges, present power supply costs, and any future power supply costs. They would do an entire rate unbundling and make the presentation to the City on any rate changes.

Mayor Hiatt stated that this is the first time the Council Members have seen this document. He recommended that action not be taken tonight but be placed on the August 18, 2015 agenda.

The Council Members concurred.

Jackie Coombs stated that this study will begin when the Council approves it and it will take about 90 days to complete depending on how readily available the City's data is.

Council Member Lee wanted to know if the cost benefit analysis and rate impact analysis would be covered by this study.

Jackie Coombs stated that UAMPS would work with them to see what category they fit that in. She recommends UAMPS along with the City contact them on the phone to make sure the study will meet the needs of the City.

Spencer Luke wanted to know if UAMPS is in favor of solar.

Doug Hunter stated that UAMPS is an organization that acts as a platform. Generation has no impact on them. Each community chooses where they buy their power. UAMPS bills the City for power but each city goes through its own investigation to purchase power. UAMPS is not for profit, they facilitate projects. He explained that power changes hands every hour. Kaysville buys and sells power. If there is surplus and no one is watching it, the market clearing house will immediately buy it at market price or sell it at market price.

David Packer commended the City Council for moving quickly and carefully and commended the rate study. He suggested the Council consider a process to incorporate input from the solar community to develop a philosophy. He believes it would be helpful to have the solar community input prior to a public hearing.

Kate Bowman, representing Utah Clean Energy, thanked the Council for taking the time to consider this issue and for working collaboratively with everyone in an open and transparent process.

Council Member Garlick made a motion for adjournment at 9:30 p.m., second by Council Member Taylor and passed unanimously.