



City of Grand Island

Tuesday, August 22, 2006

Council Session

Item G9

**#2006-234 - Consideration of Energy Policy Act of 2005
Requirements - Utilities Department**

Staff Contact: Gary R. Mader

Council Agenda Memo

From: Gary R. Mader, Utilities Director

Meeting: August 22, 2006

Subject: Energy Policy Act of 2005

Item #'s: G-9

Presenter(s): Gary R. Mader, Utilities Director

Background

In the early '70's, a natural gas shortage and Arab Oil Embargo spurred Congress to pass the Public Utilities Regulatory Policies Act of 1978; most frequently known as PURPA . In hope of finding new, creative ways to meet the nation's energy needs, PURPA created a new class of electric producers called "Non-Utility Generators" operating small uniquely fueled plants. If available, utilities were required to accept and pay for this generation as a resource component; the pricing mechanism was prescribed within PURPA regulation.

The Energy Policy Act of 1992 provided Non-Utility Generators even more ready access to the national transmission grid and to local distribution systems. This created a mechanism for Non-Utility Generators to compete in the retail market. The result is a "deregulated" electric system within the United States. Grand Island's low rates and isolation have discouraged retail competition, but deregulation has complicated day-to-day operation.

In partial response to the Enron debacle (Enron was a Non-Utility Generator) and regional blackouts, the Energy Policy Act of 2005, continues the federal push towards deregulation. This is being done by creating more federal regulation to define and control deregulation. As with its predecessors, the Energy Policy Act of 2005 is sweeping legislation encompassing: energy conservation, tax credits, nuclear energy, Daylight Savings Time (DST), transmission siting, etc. It also requires conventional utilities, like Grand Island to undertake a number of studies for several components of the federal government's design of deregulated electric service.

Utilities with annual retail sales greater than 500,000 MWh are required to employ a "consideration" and "determination" process to address the following issues:

1. Net Metering – “Each utility shall make available upon request net metering service to any electric consumer that the electric utility serves.”
2. Smart Metering – “Time-Based Metering and communications – Not later than August 8, 2007, each electric utility shall offer each of its customer classes, and provide upon customer request, a time-based rate schedule under which the rate charged by the electric utility varies during different time periods and reflects the variance, if any, in the utility’s cost of generating and purchasing electricity. The time-based rate shall enable the electric consumer to manage energy use and cost through advance metering and communication technology.”
3. Interconnection – “Each electric utility shall make available, upon request, interconnection service to any electric consumer that the utility serves...”
4. Fuel Diversity – “Each utility shall develop a plan to minimize dependence on one fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.”
5. Fossil Fuel Generation Efficiency – “Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation”.

Because of its size, Grand Island is subject to these requirements. The precise definitions and expectations appear intentionally ambiguous in the federal law. Deadlines for “consideration” and “determination” fall at various dates from 2006 through 2008.

Discussion

In most states, the implementation of the new federal requirements would be done by state regulatory agencies, often called Public Utility Commissions, that have regulatory and rate approval authority under a given state’s laws. However, Nebraska is unique, being a public power state with a number of different entities governing the state’s electric utilities; all with publicly elected boards with control and rate setting authority. In the case of municipally owned electric utilities, the City Council is the governing board with responsibility to implement the requirements of the Energy Policy Act of 2005.

As mentioned previously, there is some ambiguity in the details of what actions, studies, “considerations and determinations” need to be done to meet the requirements of the law. The Act affects five Public Power Districts and the two larger municipals in the state, Grand Island and Lincoln. Those utilities are working together on the evaluation of the requirements and the development of implementation. Since the City Council is the governing board of an affected Utility, it is the recommendation of the Electric Department that the Council take formal action to direct the initiation of the considerations as required in the Energy Policy Act of 2005. Any future specific policies or actions resulting from the Act would need to be brought to the Council for their consideration and approval prior to implementation.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council authorize the Electric Department to begin “consideration” of: Net Metering, Smart Metering, Interconnection, Fuel Diversity, and Fossil Fuel Generating Efficiency as required by EAct 2005.

Sample Motion

Make a motion to authorize the Electric Department to begin “consideration” of: Net Metering, Smart Metering, Interconnection, Fuel Diversity, and Fossil Fuel Generating Efficiency as required by EAct 2005.

RESOLUTION 2006-234

WHEREAS, the United States Congress enacted the Energy Policy Act of 2005 which was signed into law on August 8, 2005; and

WHEREAS, the Energy Policy Act of 2005 was intended to establish a comprehensive, long-range energy policy to provide incentives for traditional energy production as well as newer, more efficient energy technologies, and conservation; and

WHEREAS, the Energy Policy Act of 2005 amended the Public Utilities Regulatory Policies Act of 1978; and

WHEREAS, those amendments require that the regulatory agencies of the nation's utilities initiate consideration and make determinations for five specific components of electric utility service and operation, which include Net Metering, Smart Metering, Interconnection, Fuel Diversity, and Fossil Fuel Generation Efficiency; and

WHEREAS, Nebraska is an all public power state and the Grand Island City Council is the regulatory and controlling authority for the Grand Island Electric Utility; and

WHEREAS, the Grand Island Electric Utility has annual sales in excess of 500,000 megawatt hours and is therefore included under the provisions of the Energy Policy Act of 2005.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Grand Island Electric Department is hereby authorized and directed to proceed with the investigation and evaluation of the actions and policies necessary to meet the requirements of the Energy Policy Act of 2005.

BE IT FURTHER RESOLVED, that the Grand Island Electric Department staff shall report the results of such investigation to the City Council with recommended actions essential to meet the requirements of the Act.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, August 22, 2006.

Jay Vavricek, Mayor

Attest:

Approved as to Form	☐ _____
August 17, 2006	☐ City Attorney

RaNae Edwards, City Clerk