Agenda
City Council Workshop Meeting
Tuesday, June 28, 2016
City Hall Council Chamber | 505 Swift Boulevard

City Council Workshop - 6:00 p.m. (City Hall Council Chamber)

Agenda Items:

1. 1,341-Acre Master Plan (30 minutes)
   - Kerwin Jensen, Community Development Director

2. Review of 2017 Budget Process and Comprehensive Annual Financial Report (CAFR) Review (30 minutes)
   - Cathleen Koch, Administrative Services Director

3. Electric Utility Distributed Generation (30 minutes)
   - Bob Hammond, Energy Services Director

Adjournment

Richland City Hall is ADA accessible with special parking and access available at the entrance facing George Washington Way. Requests for sign interpreters, audio equipment, and/or other special services must be received 48 hours prior to the City Council Workshop by calling the City Clerk's Office at 942-7388.

COUNCIL WORKSHOP COVERSHEET

Council Date: 06/28/2016

Department: Community & Development Services

Key Element: Key 2 - Infrastructure & Facilities
Key 3 - Economic Vitality

Subject:
1,341-Acre Master Plan (30 minutes)

Summary:
The City of Richland and Port of Benton recently acquired a combined total of 1,341 acres located north of Horn Rapids Road from the Department of Energy. In a joint effort, the City and Port have hired a local consulting firm to create a master plan for this area.

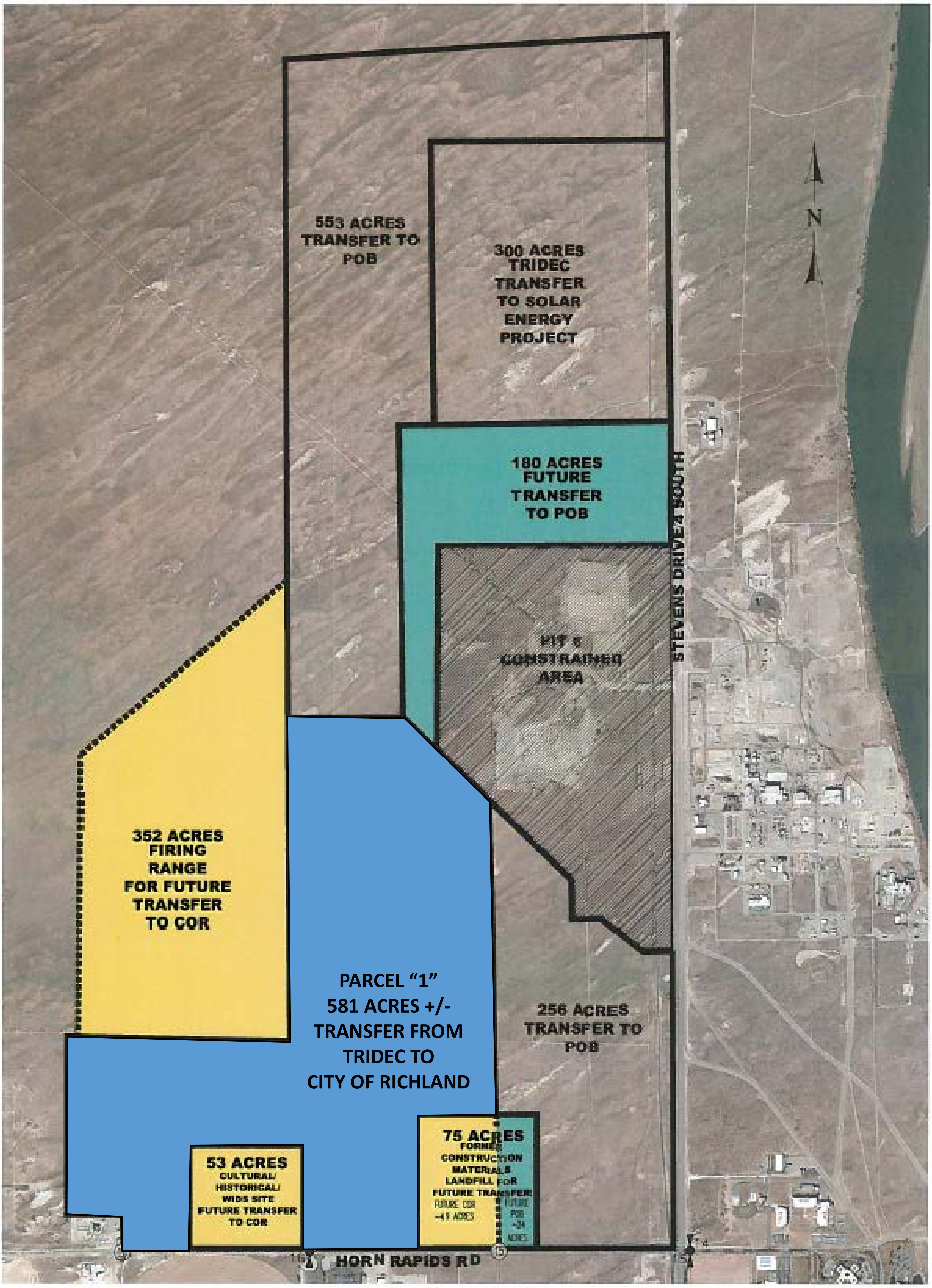
At the Council workshop on June 28th, JUB Engineers, Inc., along with City staff, will engage in a discussion with Council in order to identify particular areas of interest to the Council. Additionally, staff will seek input on ideas that Council may have relative to future development and growth of
the subject property.

The intent of this acreage is to reserve property for large, single-user sites in order to accommodate light industrial, manufacturing, and research related uses. Please be prepared to share your ideas, thoughts, and questions relative to this topic at the upcoming workshop.

Attachments:

1. Land Transfer Map

DEPARTMENT OF ENERGY LAND TRANSFER



Lands Division-
City of Richland and Port of Benton

COUNCIL WORKSHOP COVERSHEET

Council Date: 06/28/2016

Department: Administrative Services

Key Element: Key 1 - Financial Stability & Operational Effectiveness

Subject:

Review of 2017 Budget Process and Comprehensive Annual Financial Report (CAFR) Review (30 minutes)

Summary:

In accordance with Washington State law (RCW 35.33.075), the final budget passed by Council must be a balanced budget. The 2017 budget process and timeline will be reviewed with Council.

The City, like all cities that follow Generally Accepted Accounting Principles (GAAP), must prepare a Comprehensive Annual Financial Report (CAFR) by the end of May each year for the prior fiscal/calendar year. The 2015 CAFR is currently in draft form because it is not considered complete until the State Auditors have conducted their audit of the City's financial statements and rendered an opinion that will be included with the CAFR. Staff will be present to provide an overview of the City's financial results for 2015.

No action is needed. This is just an informational item.

Attachments:

COUNCIL WORKSHOP COVERSHEET

Council Date: 06/28/2016 Department: Energy Services

Key Element: Key 1 - Financial Stability & Operational Effectiveness

Subject:

Electric Utility Distributed Generation (30 minutes)

Summary:

Attached please find an informational fact sheet regarding the Richland Energy Services (RES) administration of the State of Washington Renewable Energy System Cost Recovery (RESCR) Program. At the workshop, RES Director Hammond will summarize information found in this fact sheet and talk to the future challenges of "distributed generation", for example, rooftop solar systems.

Attachments:

1. ICR Information Sheet

BACKGROUND AND HISTORY OF STATE RESCR PROGRAM

In 2006, the WA State Department of Revenue issued WAC 458-20-273 establishing rules for utilities choosing to offer renewable energy production incentives for qualifying customer generation. The program offers a base-level production incentive of 15 cents per kilowatt-hour ($0.15/kWh) capped at $5,000 per year, for individuals, businesses, or local governments that generate electricity from solar power, wind power or anaerobic digesters (the great majority of these systems being solar). Higher incentive levels are available (up to 54 cents per kilowatt-hour) if the solar electric photo-voltaic (PV) panels and/or inverters are manufactured in the State of Washington. If the system is a community-solar system, the base rate is 30 cents per kilowatt-hour ($0.30/kWh) with higher incentive levels if system components are made in-state. The program runs from July 1, 2005 through June 30, 2020, when State RESCR incentive payments will sunset unless the State legislature extends the RESCR program.

The state's utilities pay production incentives to qualified renewable power - generating customers within their service territories and earn a Washington Utility Excise Tax credit equal to the cost of the payments. The annual tax credit that the utility may claim cannot exceed the greater of $100,000 or 0.5% of the utility's taxable power sales for the same state fiscal period for which the eligible renewable power is generated.

CITY OF RICHLAND ELECTRIC UTILITY - STATE UTILITY TAX CREDIT STATUS

For state fiscal year 2015 (7/1/2014 through 6/30/2015), the RES taxable power sales totaled approximately $49.8 million, resulting in a maximum tax credit (RESCR program cap) of approximately $249,000. For this same period, RES paid approximately $92,000 in RESCR incentives to 46 qualifying customers, considerably below the tax credit cap.

In the past year, aggressive marketing and sales tactics by solar contractors have resulted in an additional 42 solar systems, bringing the number of RESCR qualifying customers to 88. It is projected that for state fiscal year 2016 (7/1/2015 through 6/30/2016), that the RES power sales revenue will be approximately $53 million, resulting in an RESCR tax credit cap of approximately $266,000. For this same period, RES staff estimates that we will pay approximately $204,000 in RESCR incentive payments to qualifying customers.

FUTURE OF RES SOLAR NET METERING AND RESC PROGRAM

Recognizing the extreme rapid growth of the solar system installations and the possibility that this might result in going over the 2016 RESCR cap, RES staff made a decision on April 11, 2016 to temporarily suspend RESCR program applications pending further financial analysis. All prospective customers including their solar system contractors were and continue to be notified of this decision and the reasoning behind it. These communications have occurred in person, over the phone, in writing, and on our RES Solar webpage. For example, the following highlighted below was added to the RES Solar webpage on April 12, 2016.

WA State Production Incentive

Washington State has enacted production incentive legislation (WAC 458-20-273; RCW 80.60.30; RCW 82.16.110) that authorizes a minimum payment of $0.15 per kWh for qualifying systems, not to exceed $5000 per year.
Update: Given the current level of tax credit the City can claim from Washington State to offset the cost recovery incentives we provide customers, we are not approving additional Renewable Energy System Cost Recovery incentives applications at this time. We will have information about the future of the program as soon as possible.

The law that created the incentive program states: "If requests for the investment cost recovery incentive exceed the amount of funds available for credit to the participating light and power business, the incentive payments must be reduced proportionately." The WAC 458-20-273 (201) states: Participation by a light and power business in this incentive payment is voluntary.

These two state requirements set parameters for the future policy of the RESCR program. RES does not have to accept applications; however if it does so and the RESCR incentives for any given state fiscal year exceed the tax credit RESCR cap, then the incentive payments for all customers (those that have been in place for years as well as all new ones) must be reduced by a pro-rated based on size of system. This poses a question of fairness to customers who have already invested in systems that had no way to know that their incentives might be reduced in the future as others built solar systems after theirs.

Other Washington State electric utilities are addressing this situation in different ways. Some of the larger utilities on the west side of the state have informed their customers that incentives will be reduced when they exceed the cap. Others are not allowing any new applicants into their programs when they approach or reach the cap so that the incentives of those already in the program are not reduced.

Ultimately there is also the chance that the Washington legislature will decide to extend the RESCR program past its current sunset date of 2020 and that there could be different levels of incentives and/or a different basis of calculating the tax credit RESCR cap. Those would of course also be considerations for future RESCR program policy.

SUMMARY AND CONCLUSION

RES staff intends to continue denying RESCR program applications until better estimates are developed for state fiscal year 2017. Due to large size of many of the new systems installed the past six months, it is highly probable that RES incentive payments may exceed the RESCR tax credit cap for state fiscal year 2017.

This will also allow time to address prospective policy issues first by the City's Utility Advisory Committee (tentatively scheduled for the September UAC meeting), then ultimately by City Council.

Although suspending the RESCR program applications, RES staff continues to accept net metering for all solar systems. Several customers continue to move forward with these systems in order to take advantage of net metering advantages, which in summary just displaces the amount of power delivered by RES when customer usage exceeds the solar system generation and sells power to RES at existing retail rates when customer usage is less than the solar system generation.

While this write-up is centered on the financial aspects of incentive payments, the proliferation of distributed generation (local power generation like solar systems integrated into the City's electric utility system grid) is anticipated to eventually cause complications with power quality and offset revenues necessary to recover basic costs to operate the electric utility. RES staff will be closely considering this matter with all future policy considerations like retail rate analysis and smart grid deployment and will be prepared to bring forward associated policy recommendations for UAC and City Council consideration.