

SENATE BILL REPORT

ESHB 2352

As Reported By Senate Committee On:
Water, Energy & Environment, February 23, 2006

Title: An act relating to net metering.

Brief Description: Modifying net metering provisions.

Sponsors: House Committee on Technology, Energy & Communications (originally sponsored by Representatives Morris, Hudgins and B. Sullivan).

Brief History: Passed House: 2/10/06, 97-1.

Committee Activity: Water, Energy & Environment: 2/22/06, 2/23/06 [DPA, w/oRec].

SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

Majority Report: Do pass as amended.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Fraser, Honeyford, Mulliken, Pridemore and Regala.

Minority Report: That it be referred without recommendation.

Signed by Senator Delvin.

Staff: Richard Rodger (786-7461)

Background: Net metering allows electricity customers to offset their consumption of purchased electricity with electricity generated by their own small scale renewable system. Under net metering, the customer's small renewable energy system is connected to a utility's electrical distribution system and electricity is fed back to the electric utility over an applicable billing period.

As of September 2005, 35 states allow net metering statewide, including Washington. Amounts can range from 10 kW to as high as 1 MW in California and 2 MW in New Jersey. Of the states that allow statewide net metering, 21 states have net metering limits in the 25 kW to 100 kW range. State law also varies in the amount of electricity that is fed back into an utility's system. Of the 35 states with statewide net metering, 18 of those states place no cumulative limit on the amount of electricity that is fed back into a utility's distribution system. The majority of the remaining 17 states place limits in the .05 percent to .5 percent range. States vary in their approach to excess generation credits. Two states have no expiration date for excess generation credit. Twelve states grant credits back to the utility at the end of a 12-month billing cycle. Two states grant credits back to the utility monthly. Some states purchase credits at an avoided-cost rate at either the end of a 12-month billing cycle or monthly.

Under current law, a net metering system is defined as an electrical production facility that: (1) is a fuel cell or uses solar, wind, or hydro power; (2) has a generating capacity of 25

kilowatts or less; (3) is located on the customer-generator's premises; (4) operates in parallel with the electrical utility's distribution and transmission system; and (5) is intended primarily to offset part or all of the customer's electricity requirements.

Current law requires electric utilities to offer net metering to eligible customers-generators on a first-come, first-serve basis until the cumulative generating capacity of net metering systems equals 0.1 percent of the utility's peak demand during 1996, of which not less than 0.05 percent shall be attributable to net metering systems that use as its fuel either solar, wind, or hydro power. If electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer-generator shall be (a) billed for the appropriate customer charges for that billing period; and (b) credited for the excess kilowatt-hours generated during the billing period, with this kilowatt-hour credit appearing on the bill for the following billing period.

At the beginning of each calendar year, any remaining unused credits in excess of kilowatt-hours generated by the customer-generator must be granted to the electric utility, without compensation to the customer-generator.

Summary of Amended Bill: "Net metering" is redefined to delete the requirement that the customer-generator energy is fed back to the electric utility. "Net metering system" is redefined to include fuel cells, microturbines and facilities that generate renewable energy (as defined below). The generating capacity allowed for net metering systems is increased up to 100 kilowatts.

"Renewable energy" is defined to mean energy generated by facility that uses water, wind, solar energy, or biogas from animal waste as a fuel.

An electricity utility must offer to make net metering available to eligible customers-generators on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 0.25 percent of the utility's peak demand during 1996. On January 1, 2014, the cumulative generating capacity attributable to net metering systems will equal 0.5 percent of the utility's peak demand during 1996. Fifty percent of the capacity is reserved for renewable energy projects.

On April 30 of each calendar year, any unused kilowatt-hour credits accumulated during the previous year must be granted to the electric utility, without compensation to the customer-generator.

Electrical utilities may limit the number of net metering customer-generators and total capacity of net metering systems that may be interconnected to any distribution feeder line, circuit, or network that Utilities and Transportation Commission or the governing body of a consumer-owned utility determines are necessary to protect public safety and system reliability.

Amended Bill Compared to Original Bill: The amended bill modifies the definition of "net metering" to deal with a technical reverse flow issue; amends the "net metering system" definition to include microturbines; simplifies the definition of "renewable energy" contained in the original bill; ensures 50 percent of the net metering capacity is reserved for renewable energy systems.; and deletes the provision suggesting future legislative review of the cumulative generating capacity standards.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: When adopted, Washington's net metering law was the best in the nation. The law is in need of an update. This bill raises the size of systems allowable for net metering credits from 25 KW to 100 KW. The bill includes a new provision allowing credit for the use of microcombined heat and power, an important source of small scale energy generation. The bill allows the credits to continue until April of each year, an important benefit for solar systems that build up credit in the summer and fall but currently expire in January before the credit can be fully used. The bill presents a balanced approach between raising the net metering limits and providing safeguards for reliability of the electrical distribution system.

Testimony Against: None.

Testimony Other: The definition of renewable energy contained in the bill should be narrowed and reworked over the interim. The bill should be revised to ensure that fuel cells and microturbines are not allowed to eat up the entire net metering credits. The existing provision allowing 50 percent of the credit to be dedicated to renewables should be restored. No applicants have been turned down because of the current cumulative generating capacity limit, so why does the limit need to be raised at this time?

Who Testified: PRO: Representative Jeff Morris, prime sponsor; Jay Gordon, Washington State Dairy Federation; Bill Laborde, NW Energy Coalition; Collins Sprague, Avista Corp.

OTHER: Tony Usibelli, Department of Community, Trade & Economic Development; Kathleen Collins, PacifiCorp; Dave Warren, Washington Public Utilities Association.