

SENATE BILL REPORT

SB 5223

As Reported by Senate Committee On:
Environment, Energy & Technology, January 24, 2019
Ways & Means, February 18, 2019

Title: An act relating to net metering.

Brief Description: Concerning net metering.

Sponsors: Senators Palumbo, Rivers, Rolfes, King, Carlyle, Mullet, McCoy, Wellman, Das, Nguyen, Randall, Frockt, Salomon, Keiser, Wilson, C., Kuderer, Darneille, Cleveland, Saldaña, Dhingra, Pedersen, Conway and Van De Wege.

Brief History:

Committee Activity: Environment, Energy & Technology: 1/16/19, 1/24/19 [DPS-WM, w/oRec, DNP].

Ways & Means: 2/05/19, 2/18/19 [DP2S, DNP, w/oRec].

Brief Summary of Second Substitute Bill

- Increases the 0.5 percent minimum threshold to 4 percent for the cumulative generating capacity that a utility must make available for net metering systems.
- Requires as of March 31, any remaining unused kilowatt-hour (kWh) credit generated for the calendar year to be used to assist low-income residential utility customers.
- Requires electric or gas utilities to include on customer bills the total amount of kWh of electricity consumed for the most recent 12-month period.
- Directs the Department of Commerce to convene a workgroup to identify when compensation changes for net metering systems are warranted.

SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

Majority Report: That Substitute Senate Bill No. 5223 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Carlyle, Chair; Palumbo, Vice Chair; Billig, Das, Hobbs, Liias, McCoy, Nguyen and Wellman.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: That it be referred without recommendation.

Signed by Senator Fortunato, Assistant Ranking Member, Environment.

Minority Report: Do not pass.

Signed by Senators Ericksen, Ranking Member; Sheldon, Assistant Ranking Member, Energy & Technology; Brown and Short.

Staff: Kimberly Cushing (786-7421)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5223 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Billig, Carlyle, Conway, Darneille, Hunt, Keiser, Lias, Palumbo, Pedersen, Rivers and Van De Wege.

Minority Report: Do not pass.

Signed by Senators Brown, Assistant Ranking Member, Operating; Bailey, Becker and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Honeyford, Assistant Ranking Member, Capital; Wagoner and Warnick.

Staff: Claire Goodwin (786-7736)

Background: Net Metering. Net metering allows electricity customers to offset their consumption of purchased electricity with electricity generated by their own small-scale, renewable systems. Net-metered electricity is valued at the utility's retail rate. Under current law, a net-metering system must be located on a customer's premises and must generate no more than 100 kilowatts (kW) using cogeneration, fuel cells, water, wind, solar energy, or biogas. On April 30th of each year, any remaining unused kWh credit accumulated during the previous year must be granted to the utility without compensation to the customer.

Electric utilities must offer to make net metering available to eligible customer-generators on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 0.5 percent of the utility's peak demand during 1996. As of December 2018, 20 utilities have exceeded the 0.5 percent threshold.

Information Required on Customer Billings. Any customer billing issued by a light or power business that serves more than 20,000 customers in Washington must include:

- the rates and amounts of taxes paid directly by the customer on products or services from the light and power business; and
- the rate, origin, and approximate amount of each tax levied on revenues of the light and power business.

Summary of Bill (Second Substitute): Net Metering. The 0.5 percent threshold for each utility's cumulative generating capacity of net metering systems is increased to 4 percent.

A customer-generator may:

- aggregate a designated meter—the meter for the net metering system—and an aggregated meter located on the same parcel or on a contiguous parcel; or
- aggregate two designated meters, provided they are on the same parcel or a contiguous parcel, are the legal responsibility of the same retail customer, and do not exceed 100 KWs AC.

The date changes from April 30 to March 31 for determining whether a customer has any remaining unused kWh credit accumulated. Additionally, any unused kWh credits on March 31 are required to be used to assist low-income residential utility customers.

Amount of kWh of Electricity on Customer Bills. All electric or gas utilities in Washington that serve more than 20,000 customers are required to include the total amount of kWh of electricity consumed for the most recent 12-month period on customer bills.

The State Building Code Council Study. The State Building Code Council, in consultation with the Department of Commerce (Commerce) and local governments, is required to conduct a study of the building code and adopt changes necessary to encourage greater use of renewable energy systems.

Net Metering Workgroup. Commerce must convene a workgroup with specific representatives to identify issues and laws associated with the future of net metering. The workgroup must identify the specific circumstances in which changes in compensation for net metering systems would be warranted and what the policy should be for each customer-generator rate class, as well as consider the reduction in utility income associated with different levels of net metering and whether there are any cost shifts to associated ratepayers. The workgroup must report back to the Legislature by December 1, 2020.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):

- Clarifies the definition of renewable energy.
- Limits the aggregation of a net metering system to 2 meters.

EFFECT OF CHANGES MADE BY ENVIRONMENT, ENERGY & TECHNOLOGY COMMITTEE (First Substitute):

- Adds two representatives to the work group.
- Allows a customer-generator to aggregate a designated meter—the meter for the net metering system—and an aggregated meter located on the same parcel or on a contiguous parcel; or aggregate two designated meters, provided they are on the same parcel or a contiguous parcel, are the legal responsibility of the same retail customer, and do not exceed 100 KWs AC.

- Clarifies that KWh credits earned by the net metering system, at the site of the designated meter, during a billing period must be credited by the utility for KWh charges due at the aggregated meter or second designated meter.
- Defines aggregated meter and designated meter.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill (Environment, Energy & Technology): *The committee recommended a different version of the bill than what was heard.* PRO: Palumbo: This bill passed out of the Senate last year. Ninety percent of utility owners live in service areas of utilities that hit the threshold. Washington State has the most restrictive net metering law. Four utilities have abandoned net metering. Utilities want clarification. Solar customers are all over the map and stimulate economic growth in the state. Net metering allows the average person to make their own clean energy. Customers pay a basic charge for having utility connection and should not be penalized for not using any electricity. We are at net metering 1.0 and should think about 2.0. The task force is the way to do this. Two solar representatives should be on the taskforce, one for installers and one for manufacturers.

CON: Electric cooperatives must pass on to members all costs regardless of how insignificant. Some have reached the 0.5 threshold and some have continued to provide this even though aware of cost-shifting, but local boards made this decision. If the local governing board wants to subsidize the non net metering customers, that is their choice. Overall state policies are in a period of transition with many states considering other options, such as net billing to address cost shifts from high to low-value homes. Hold off on section one of the bill. We support making recommendations on the best and fairest way to move forward.

OTHER: This is a timely discussion because there is a lot of development in self-generation with customers taking advantage of tax incentives. Net metering shifts costs from more affluent customers to other rate payers. Avista is approaching cap and wants to establish the appropriate mechanism. The meter aggregation statues are unworkable. Customers don't want to apply their unused credits to other customers.

Persons Testifying (Environment, Energy & Technology): PRO: Senator Guy Palumbo, Prime Sponsor; Dave Warren, Silfab Solar Inc.; Allison Arnold, Solar Installers of Washington; Jeremy Smithson, Puget Sound Solar.

CON: Kent Lopez, Washington Rural Electric Cooperative Association; Nicolas Garcia, WPUDA.

OTHER: John Rothlin, Avista.

Persons Signed In To Testify But Not Testifying (Environment, Energy & Technology):
No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: Last year, this bill passed out of the Senate on a bipartisan basis with 28 votes. Changes have been made and a few more changes are coming. We support the bill and are working with our utility partners to reduce the fiscal impacts. Net-metering provides a fair and clear mechanism to use energy residents are creating. Washington has one of the lowest thresholds for net-metering. Not all lost revenue to utilities automatically means a cost shift to customers. There a number of actions customers take such as energy efficiency that reduces the energy used by the customer and net-metering is very similar. The Commerce study would address the concerns raised.

CON: The bill increases the amount of net-metered electricity a utility is required to credit at the retail rate without addressing the shift in costs that occurs with a retail credit for net-metered electricity. Electric cooperatives are not-for-profit utilities which must pass on the cost of the utility to its consumer members. It should be the decision of the governing boards.

OTHER: This is timely discussion since we have seen a larger number of net-metering systems increasing. We are willing to continue net-metering beyond the minimum requirement. We think the work group is not necessary because the issues around net-metering are well established. We suggest utilities be allowed to submit an alternative plan to regulators to establish an alternative to net-metering once the utility exceeds the 4 percent. Puget Sound Energy believes the work group is not necessary. There is a clear path forward with what comes next after net-metering.

Persons Testifying (Ways & Means): PRO: Brad Boswell, Solar Installers of Washington; Jaimes Valdez, Spark Northwest.

CON: Kent Lopez, Washington Rural Electric Cooperative Association.

OTHER: John Rothlin, Avista; Laura Wilkeson, Puget Sound Energy.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.