

HOUSE BILL REPORT

SHB 2773

As Passed House:
February 13, 1998

Title: An act relating to net metering for certain renewable energy systems.

Brief Description: Requiring electric utilities to provide net metering systems to their customer-generators.

Sponsors: By House Committee on Energy & Utilities (originally sponsored by Representatives Poulsen, Crouse, Morris, Cooper and Constantine).

Brief History:

Committee Activity:

Energy & Utilities: 1/27/98, 2/3/98 [DPS].

Floor Activity:

Passed House: 2/13/98, 96-0.

HOUSE COMMITTEE ON ENERGY & UTILITIES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives Crouse, Chairman; DeBolt, Vice Chairman; Mastin, Vice Chairman; Poulsen, Ranking Minority Member; Morris, Assistant Ranking Minority Member; Bush; Cooper; Delvin; Honeyford; Kastama; Kessler; Mielke and B. Thomas.

Staff: Margaret Allen (786-7110).

Background: "Net metering" allows electricity customers to offset (over a predetermined time period) their consumption of purchased electricity with electricity generated by their own small scale renewable system, without considering when the electricity is consumed or generated. Under net metering, the customer's small renewable energy system is connected to the utility grid, and electricity produced by the customer's system flows into the utility grid, spinning a bi-directional electricity meter backwards.

The meter measures the difference between the electricity supplied by the electric utility, and the electricity generated by the customer that is fed back to the electric utility, over the applicable billing period. At the end of the billing period, the customer may owe the

utility for the excess electricity consumed, or may receive a credit for the excess electricity generated.

Standard bi-directional meters spin forward to measure a customer's consumption of electricity and backward to measure the amount of electricity produced by the customer's own system, and do not reveal the total amounts of electricity supplied by the utility and generated by the customer's system.

As part of the Public Utility Regulatory Policies Act of 1978, Congress required utilities to purchase excess power generated by non-utilities using qualifying small power production facilities. One of the criteria to qualify was that at least 75 percent of the energy used by the facility must be from renewable resources, geothermal resources, biomass, waste, or any combination of those fuel sources. The utilities were to purchase the electricity at their "avoided cost" of having to acquire other resources.

The National Electrical Code contains standards for small scale renewable energy systems sited on customer premises, and the interconnection of those systems to the power grid. The Institute of Electrical and Electronic Engineers and Underwriters Laboratories also have established such standards. Small generating systems that do not operate in parallel with (that is, are not synchronized with) the utility grid pose significant safety risks, and jeopardize the reliability and quality of the electrical system.

Over time, the Legislature has made findings and enacted a variety of policies encouraging the development and use of renewable resources. For example, in 1975, the Legislature found that it was the "continuing purpose of state government, consistent with other essential considerations of state policy, to foster wise and efficient energy use and to promote energy self-sufficiency through the use of indigenous and renewable energy sources, consistent with the promotion of reliable energy sources,..." Also, in 1981, the Legislature enacted a state policy of encouraging the "development and use of a diverse array of energy resources with emphasis on renewable energy resources."

Summary of Bill: The Legislature finds it is in the public interest to: (1) encourage private investment in renewable energy resources; (2) stimulate the economic growth of this state; and (3) enhance the continued diversification of the energy resources used in this state.

A utility 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 0.1 percent of the utility's peak demand during 1996. "Eligible" is undefined. A "customer-generator" means a user of a net metering system. A "net metering system" is defined as a facility for the production of electrical energy that: (1) uses solar, wind, or hydro power; (2) has a generating capacity of not more than 25 kilowatts; (3) is located on the customer's premises; (4) operates in parallel with the

electric utility's transmission and distribution facilities; and (5) is intended primarily to offset part or all of the customer's requirements for electricity.

The utility must allow net metering systems to be interconnected using standard bi-directional meters, unless the Washington Utilities and Transportation Commission (WUTC) or the governing body of a consumer-owned utility determines: (1) that additional metering equipment is necessary and appropriate after taking into account the benefits and costs of purchasing and installing additional metering equipment; and (2) how the cost of purchasing and installing an additional meter is to be allocated between the customer and the utility.

The utility must charge a customer-generator a minimum monthly fee that is the same as other customers in the same rate class. However, the utility may charge the customer an additional standby, capacity, interconnection, or other charge or fee if the WUTC or governing body determines: (1) that the utility will incur direct costs associated with interconnecting or administering net metering systems that exceed any offsetting benefits; and (2) public policy is best served by imposing these costs on the customer-generator rather than allocating the costs among the utility's entire customer base.

The electric utility must measure the net electricity produced or consumed during the billing period using normal metering practices. If the electricity supplied by the electric utility exceeds the amount generated by the customer, the customer will be billed for the net electricity supplied by the utility. If the electricity generated by the customer exceeds the electricity supplied by the utility, the customer will be billed for other charges ordinarily on the bills of customers of the same class, and will be credited for the excess electricity on the customer's bill for the following month. At the beginning of each calendar year, any remaining unused credit accumulated during the previous year will be granted to the utility.

A net metering system must include, at the customer-generator's own expense, all equipment necessary to meet applicable safety, power quality, and interconnection requirements established by the National Electric Code, Institute of Electrical and Electronic Engineers, and Underwriters Laboratories. The WUTC (for investor-owned utilities) or a governing body (for a consumer-owned utility) may adopt additional safety, power quality, and interconnection requirements.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: (original bill) This bill will reduce emissions and help the environment. This bill is a response to utilities treating very small customer-generators in the same

manner as very large generators; some burdens or costs are appropriate for a large generating system, but inappropriate for a small system on a customer's premises. The vast majority of meters already in place are bi-directional. Currently it is not financially viable to generate one's own power; this bill is a step in the right direction. This bill helps eliminate the need to keep batteries. The more power citizens generate themselves, the less likely utilities will have to invest in new generating resources. This is a huge economic development opportunity for the state because it assists businesses that manufacture net metering and related equipment. Running the meter backwards may not always accurately account for costs, but it is a simple accounting method and helps offset environmental costs of other kinds of generation.

Testimony Against: Rates charged to customers include fixed costs; this bill will result in other ratepayers having to pay a larger percentage of those costs. The safety of linemen and other electrical workers is a serious issue where self-generation is concerned and is why utilities have special contracts with self-generators. This bill does not give utilities the right to require additional safety measures. This bill creates a subsidy, and does not increase the capacity of the system. If the Legislature wants to create a subsidy, put the expense of the subsidy on the general public rather than the utility's other ratepayers. This bill could be devastating to a utility's distribution system.

Neutral: (original bill) Some of the bill's provisions may raise costs to other customers. The power provided by a utility is firm power, but the power generated by a customer-generator is non-firm, so the crediting method likely will result in overvaluation of the power generated by the customer.

Testified: Tom Starrs, Northwest Council on Climate Change (pro); John Schlick, citizen (pro); Pathfinder School students (pro); Chandra Shah, Northwest Energy Coalition (pro); K. C. Golden, Department of Community, Trade, and Economic Development (pro); Bryan Flint, Citizen (pro); Ron Newbry, Pacificorp (con); Mike Tracy, Puget Sound Energy (con); George Tyler, citizen (problems); and Teresa Orsinski, Washington Utilities and Transportation Commission (neutral).