HOUSE BILL REPORT
ESHB 2352

As Passed House:
February 10, 2006

Title: An act relating to net metering.

Brief Description: Modifying net metering provisions.

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

Brief History:
Committee Activity:
Technology, Energy & Communications: 1/13/06, 1/20/06 [DPS].
Floor Activity:
Passed House: 2/10/06, 97-1.

Brief Summary of Engrossed Substitute Bill

- Increases the generating capacity of a net metering system to 100 kW or less.
- Provides a definition for renewable energy.
- Increases the cumulative generating capacity of net metering systems to 0.25 percent of the utility's peak demand.
- Changes the date which unused kilowatt-hour credits are granted to the electric utility to April 30 of each year.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Hankins, Hudgins, Nixon, P. Sullivan, Sump, Takko and Wallace.

Staff: Scott Richards (786-7156).

Background:

Net Metering

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. 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. State law varies on the amount of electricity that is fed into a utility's electrical distribution system through net metering. 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. Ohio does not place size limits on eligible systems (except for microturbines – 100 kW), but stipulates that overall enrollment shall not represent more than 1 percent of a utility's peak demand.

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 electric 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. Nevada, Ohio and Vermont allow for 1 percent of an utility's peak capacity to come from net metering systems.

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.

Current Law

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, shall be granted to the electric utility, without compensation to the customer-generator.

Summary of Engrossed Substitute Bill:

*Net Metering System*Current net metering law is amended so that the definition of net metering system includes renewable energy and has a generating capacity of not more than 100 kilowatts.

Definition of Renewable Energy"Renewable energy" means resources whose common characteristic is that they are nondepletable or are naturally replenishable existing or emerging nonfossil fuel energy sources or technologies, and shall include but not be limited to the following:
solar photovoltaic or solar thermal electric energy;wind energy;ocean thermal, wave, or tidal energy;fuel cells;landfill gas;incremental gains in energy production from capital and operational improvements in hydroelectric generating facilities;run of river hydropower generation;hydroelectric generation that does not impede the flow in naturally flowing water; advanced biomass power conversion technologies, such as gasification using such biomass fuels as wood, agricultural, or food wastes, energy crops, biogas, biodiesel, or organic refuse-derived fuel;biomass energy using animal waste, solid organic fuels from wood, forest, or field residues, dedicated energy crops that do not include wood pieces that have been treated with chemical preservatives such as creosote, pentachlorophenol, or copper-chrome- arsenic; and lignin in spent pulping liquors.
The following technologies or fuels shall not be considered renewable energy supplies: coal, oil, nuclear power, or fuel gases, excluding fuel gases that are used in a combined heat and power plant designed to produce both heat and electricity from a single heat source.
*Cumulative Generating Capacity*An electricity utility shall 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. If one or more utilities are found to be approaching the maximum cumulative generating capacity of net metering systems allowed under this subsection, the Legislature may review the generation threshold contained in this section for potential modification. On January 1, 2014, the cumulative generating capacity of net metering systems will equal 0.5 percent of the utility's peak demand during 1996.
*Unused Kilowatt-Hour Credits*On April 30 of each calendar year, any unused kilowatt-hour credits accumulated during the previous year shall be granted to the electric utility, without compensation to thecustomer-generator.

Public Safety and System Reliability
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.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support) Washington used to have the best in the nation net metering law. Other states have surpassed Washington's standard in recent years. Current net metering law has encouraged growth of systems net metered. Increasing to 100kW makes sense and can be accommodated by utilities.

(With concerns) Allowing net metering systems equal up to 1 percent cumulative aggregate demand seems reasonable, but may not need to go that high at this point. It may be worth setting this amount a bit lower at 0.5 percent. At an 1 percent cap for net metering systems connected a utilities system cost-shifting starts to occur, so it may be worth looking at lower amount for right now. At 1 percent there could be some reliability problems related to circuit loading if too many people connect in one area. The definition for renewable energy may need to be expanded to include small biomass systems.

Testimony Against: Increasing the aggregate cumulative threshold is of concern to utilities. One percent of load coming from net metering systems would range from 0.5 percent of a retail rate increase to as much as a 1 percent increase to customers. A time adjusted threshold (an escalator) would be helpful to utilities in accommodating new net metering systems. As more net metering systems come on board, there needs to be a re-evaluation of the value of the power sold back to the utilities.

Persons Testifying: (In support) Toni Usibelli, Department of Community, Trade & Economic Development.

(With concerns) Jay Gordon, Washington State Dairy Federation; Dave Warren, Washington Public Utility Districts Association; and Mike Tracy, Puget Sound Energy.

(Against) Collins Sprague, Avista Corporation.

Persons Signed In To Testify But Not Testifying: Al Aldrich, Snohomish Public Utility District.