

HOUSE BILL REPORT

ESSB 6658

As Reported by House Committee On:
Technology, Energy & Communications

Title: An act relating to modifying community solar project provisions for investment cost recovery incentives.

Brief Description: Modifying community solar project provisions for investment cost recovery incentives.

Sponsors: Senate Committee on Environment, Water & Energy (originally sponsored by Senators Rockefeller, Morton and Pridemore).

Brief History:

Committee Activity:

Technology, Energy & Communications: 2/18/10, 2/22/10 [DPA].

**Brief Summary of Engrossed Substitute Bill
(As Amended by House)**

- Establishes a maximum generation capacity of one megawatt for community solar projects.
- Specifies that all renewable projects participating in the Cost-recovery Incentive Payment Program must be located in Washington.
- Increases the maximum generation capacity of a net metering system to one megawatt.
- Establishes virtual net metering as a form of meter aggregation under the state's net metering law.
- Qualifies a virtual net metering system that uses solar energy as a community solar project.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: Do pass as amended. Signed by 10 members: Representatives McCoy, Chair; Finn, Vice Chair; Carlyle, Eddy, Hasegawa, Hudgins, Jacks, Morris, Takko and Van De Wege.

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: Do not pass. Signed by 6 members: Representatives Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Hinkle, McCune, Nealey and Taylor.

Staff: Scott Richards (786-7156).

Background:

Cost-Recovery Incentive Program for Renewable Energy Systems.

In 2005 the Legislature created a Cost-recovery Incentive Payment Program to promote renewable energy systems that produce electricity from solar, wind, or anaerobic digesters. An individual, business, or local government purchasing an eligible system can apply for an incentive payment from the electric utility serving the applicant. The incentive provides at least 15 cents for each kilowatt-hour (kWh) of energy produced, with extra incentives for solar generating systems that use components manufactured in Washington. Payments are capped at \$5,000 annually per applicant.

In 2009 the Legislature expanded the program to include community solar projects, which are either: (1) a solar energy system owned by local individuals, households, or non-utility businesses that is placed on the property owned by their cooperating local governmental entity; or (2) a utility-owned solar energy system that is voluntarily funded by the utility's ratepayers where, in exchange for their financial support, the utility gives contributors a payment or credit on their utility bill for the value of the electricity produced by the project. Under current law, there are no electrical generation capacity limits established for individual community solar projects.

Community solar projects are eligible to receive incentives of 30 cents for each kWh of energy produced, unless the amount of requests for incentive payments exceeds the amount authorized for credit to the utility, in which case the incentive payments to applicants must be reduced proportionally. Payments to a community solar project are capped at \$5,000 annually per applicant. Incentive payments to participants in a utility-owned community solar project may only account for up to 25 percent of the total allowable credit.

The Cost-recovery Incentive Payment Program expires June 30, 2020.

Net Metering.

Current Washington law allows for the net metering of certain electricity generating systems owned by customer-generators. Net metering means measuring the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator's net metering system over a billing period. If the electricity supplied by the electric utility exceeds the electricity generated by the customer-generator and fed back to the electric utility during the billing period, the customer-generator is billed for the net electricity supplied by the electric utility.

Excess Generation Credits.

If electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer-generator is: (1) billed for the appropriate customer charges for that billing period; and (2) credited for the excess kWh generated during the billing period with the kWh credit appearing on the bill for the following billing period. On April 30 of each calendar year, any remaining unused kWh credit accumulated during the previous year is granted to the electric utility, without any compensation to the customer-generator.

Net Metering System.

A net metering system is defined as a fuel cell, a facility that produces electricity from used and useful thermal energy from a common fuel source, or a facility for the production of electrical energy that generates renewable energy. Renewable energy is defined as energy generated by a facility that uses water, wind, solar energy, or biogas from animal waste as a fuel. Additionally, a net metering system must: (1) have an electrical generating capacity of not more than 100 kilowatts; (2) be located on the customer-generator's premises; (3) operate in parallel with the electric utility's transmission and distribution facilities; and (4) be intended primarily to offset part or all of the customer-generator's requirements for electricity.

Meter Aggregation.

Under current law, electric utilities are required to provide meter aggregation for net metering customer-generators within their service area. Meter aggregation means the administrative combination of readings from and billing for all meters, regardless of the rate class, on premises of a customer-generator located within the service area of a single electric utility. If required by the electric utility, the customer-generator must purchase a production meter and necessary software. In calculating the bill of a customer-generator, kWh credits earned by a net metering system during the billing period first must be used to offset electricity supplied by the electric utility. Excess kWh credits earned by the net metering system during the same billing period are credited equally by the electric utility to remaining meters located on all premises of a customer-generator at the designated rate of each meter. In aggregating meters, the underlying rate class of that meter does not change. No more than a total of 100 kilowatts may be aggregated among all customer-generators participating in a generating facility.

Summary of Amended Bill:

Community Solar Projects.

Community Solar Projects Electric Generation Limit.

Only community solar projects with a maximum instantaneous output of one megawatt of electricity or less are eligible to receive incentive payments under the Cost-recovery Incentive Payment Program.

Virtual Net Metering Systems.

Virtual net metering systems that use solar energy to generate electricity qualify as a community solar project. A net metering aggregator must apply for the Cost-recovery Incentive Payment on behalf of customer-generators participating in the virtual net metering system. Among other application reporting requirements, a virtual net metering aggregator must include the name and address of each customer-generator participating in virtual net metering when applying to participate in the Cost-recovery Incentive Payment Program.

Location of Cost-recovery Incentive Projects.

All renewable projects participating in the Cost-recovery Incentive Payment Program must be located in Washington.

Single Point of Contact for Community Solar Projects.

Owners of a community solar project that are not a Limited Liability Company (LLC) must appoint one owner as an administrator who is responsible for applying and receiving incentive payments on behalf of the other owners. The administrator, in addition to the other owners, is eligible for an incentive payment up to \$5,000 per year.

Limitations on Cost-Recovery Incentive Program Payments.

Owners of any community solar project are only entitled to incentive payments in proportion to each ownership share or contribution. No owner in a community solar project is eligible for incentives of more than \$5,000.

Community Solar Projects Owned by a Limited Liability Company.

A LLC that owns a community solar project may submit one incentive application on behalf of each member of the LLC. The LLC is eligible for one incentive payment up to \$5,000 per year.

Electric Utility and Employee Protections.

The owners of community solar projects must hold harmless the electric utility and its employees for their good faith reliance on the information in a Cost-recovery Incentive Payment Program application or certification. In addition, the electric utility and its employees are immune from civil liability for their good faith reliance on the information contained in such documents.

Net Metering.

Maximum Generating Capacity of a Net Metering System.

The allowable electrical generating nameplate capacity of a net metering system is increased from 100 kilowatts to one megawatt. For electric utilities that are full requirements

customers, a net metering system must either: (1) have an electrical generating capacity of no more than 199 kilowatts and be metered by one meter; or (2) have an electrical generating capacity of up to one megawatt and be metered by multiple meters with no meter measuring more than 199 kilowatts in electrical generating capacity. A "full requirements customer" is an electric utility that relies on the Bonneville Power Administration for all power needed to supply its total load requirement other than that served by non-dispatchable generating resources totaling no more than six megawatts or renewable resources.

Virtual Net Metering.

Electric utilities are required to provide virtual net metering to their customer-generators. Virtual net metering is the administrative combination of readings from the production meter of a single net metering system and billing for multiple meters, regardless of class, from a group of customer-generators according to either an assigned fraction, share, or net meter reading of that net metering system for each customer-generator as contracted with a virtual net metering aggregator. For virtual net metering, the net metering system and the group of customer-generators must all be within the same electric distribution system.

Virtual Net Metering Aggregator.

The virtual net metering aggregator is an entity that: (1) is responsible for professionally managing the net metering system; (2) acts as the sole point of contact with the electric utility, responsible for calibrating, maintaining, and communicating to the electric utility a list of assigned fractions, shares, or net meter readings of the electrical output of a net metering system depending on if utility or aggregator is providing software for meter aggregation; (3) registers the net metering system with the Western Renewable Energy Generation Information System and accounts for all renewable energy credit transactions on that system; and (4) registers with the Secretary of State as either: a LLC; a profit corporation; a non-profit corporation; a limited partnership; or a limited liability partnership.

Production Meters, Software, and Interconnection Equipment.

A production meter, software, and associated interconnection equipment may be required by the electric utility to provide meter aggregation, including virtual net metering. Customer-generators or virtual net metering aggregators are responsible for the purchase of the production meter, software, and associated interconnection equipment.

If the electric utility decides to update its billing software to accommodate meter aggregation, the aggregator must assign fractions to customer-generators in a manner consistent with the requirements provided in the bill. If the net metering aggregator is required by the electric utility to provide software, the aggregator must provide net meter readings to the electric utility in the form the electric utility uses to read meters.

Excess Credits.

Excess kWh credits earned by the virtual net metering system, during the same billing period, must be credited by the electric utility to remaining meters in proportion to the contracted specified fraction, share, or net meter reading for each customer-generator.

Renewable Energy Credits.

All renewable energy credits produced as a result of the generation of electricity from a net metering system is the property of the customer-generator. For renewable energy credits generated through virtual net metering, an assigned fraction or share of the renewable energy credit is assigned to the customer-generator by the virtual net metering aggregator.

Amended Bill Compared to Engrossed Substitute Bill:

Community Solar Projects.

The bill increases the maximum instantaneous output of a community solar project from 100 kilowatts to one megawatt. Virtual net metering systems that use solar energy to generate electricity are eligible as a community solar project. Provisions are removed that specify that a community solar project owned by a LLC may have a maximum instantaneous output of more than 100 kilowatts of electricity, if the project has received all required government permits and approvals and begins construction by December 31, 2010. The bill specifies that a LLC is eligible for only one incentive payment up to \$5,000 per year rather than each member of a LLC receiving a payment up to \$5,000 per year.

Net Metering.

The bill makes changes to the net metering law that includes increasing the electricity generating capacity of a net metering system from 100 kilowatts to one megawatt and providing for virtual net metering.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available. New fiscal note requested on February 22, 2010.

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

Staff Summary of Public Testimony:

(In support) This bill reflects further refinements to concepts adopted last year that allowed for community solar projects. Since adoption of the community solar project provisions, it has been learned that there needs to be some limits imposed so that community solar projects happen in the state. There needs to be a cap on the size of community solar systems so that the program remains focused on distributed generation. However, there is a limited window of time allowed for systems larger than 100 kilowatts to qualify if these systems are constructed by the end of the year. This bill represents bold, sensible action that kick starts the solar industry in Washington and creates a means to put money back into local economies through job creation.

(Opposed) None.

Persons Testifying: Senator Rockefeller, prime sponsor; Joe Deets, Community Energy Solutions; Jason Twill, Vulcan Inc.; and Chris Van Dyle, No on 98.

Persons Signed In To Testify But Not Testifying: None.