HOUSE BILL REPORT
HB 1049

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

Title: An act relating to net metering of electricity.

Brief Description: Concerning net metering of electricity.

Sponsors: Representatives McCoy, Frockt, Morris and Moeller.

Brief History:
Committee Activity:
Technology, Energy & Communications: 1/18/11, 2/15/11 [DPS].

Brief Summary of Substitute Bill

- Increases the allowable electrical generating nameplate capacity of a net metering system to 199 kilowatts.
- Allows electric utility customers to participate in community net metering.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives McCoy, Chair; Jacks, Vice Chair; Billig, Carlyle, Eddy, Frockt, Hasegawa, Kelley, Liias and Morris.

Minority Report: Do not pass. Signed by 9 members: Representatives Crouse, Ranking Minority Member; Short, Assistant Ranking Minority Member; Anderson, Dahlquist, Haler, Harris, Kristiansen, McCune and Nealey.

Staff: Scott Richards (786-7156).

Background:

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

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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. 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 kilowatt-hours (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, 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 (kW); (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.

Cumulative Generating Capacity of Net Metering Systems.
Electric utilities must 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 0.25 percent of the utility's peak demand during 1996. On January 1, 2014, the cumulative generating capacity available to net metering systems increases to 0.5 percent of the utility's peak demand during 1996.

Meter Aggregation.
Under current net metering 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 in order to provide meter aggregation, 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.

Summary of Substitute Bill:

Electricity Generating Cap on Net Metering Systems.

The maximum electric generating capacity of a net metering system is no more than 199 kilowatts.

Community Net Metering.
Electric utilities are required to provide community net metering to their customer-generators. Community net metering is defined as measuring the difference between the electricity supplied by an electric utility and that generated by a customer-generator's assigned fraction over the applicable billing period. Kilowatt-hours (kWh) credits generated by the net metering system must be credited to participating customer-generators in proportion to each customer-generator's assigned fraction.

An assigned fraction means the percentage of all kWh generated by a net metering system as contracted for by a customer-generator with a community net metering aggregator.

A community net metering system may not have assigned fractions smaller than: (1) one-tenth of 1 percent (1/1000) and on average produce no less than 1,000 kWh annually for utilities with more than 25,000 ratepayers; (2) 1 percent (1/100) and on average produce no less than 2,000 kWh annually for utilities with less than 25,000 ratepayers; or (3) a size limit set at an electric utility's discretion that is less than required of the electric utility under (1) and (2). A net metering aggregator must submit an updated list of assigned fractions and operating fractions to the electric utility no more than once per quarter by a date determined by the electric utility.

On April 30 of each calendar year, any remaining unused kWh credit accumulated by a customer-generator during the previous year must be granted to the electric utility, without any compensation to the customer-generator, unless: (1) the utility establishes a date other than April 30 that is more appropriate for the seasonal output of a specific net metering system; or (2) the utility establishes a program for rolling over all or part of a customer-generator's kWh credit to the subsequent year.

If a production meter, project specific software, associated interconnection equipment, or distribution system upgrade is required by the electric utility to connect a community net metering system, the community net metering system aggregator is responsible for the purchase of the items. If an electric utility chooses to update its billing software to accommodate meter aggregation, the customer-generator of the connected community net metering system is not responsible for the costs of the billing software update. If any requirements to connect a community net metering system are imposed by the Bonneville Power Administration, the community net metering system aggregator is responsible for any such requirements.

A community net metering aggregator may choose to retain an operating fraction of the electrical output of a community net metering system and sell the electricity to the electric utility, under terms negotiated with the electric utility. An electric utility may negotiate a power purchase agreement for an operating fraction with the community net metering aggregator of the community net metering system using rates, tariffs, contracts, and conditions as would otherwise apply to the utility buying power from a comparable renewable energy generator.

An operating fraction means the percentage of all kWh generated by a net metering system that is: (1) specified by the community net metering aggregator; (2) not assigned to a customer-generator for community net metering; and (3) sold by the community net metering aggregator to the electric utility under terms as determined through negotiations between the community net metering aggregator and the electric utility.

A community net metering aggregator is an entity that: (1) is responsible for professionally managing the community net metering system for the life of the project; (2) acts as the sole point of contact with the electric utility, responsible for maintaining and communicating to the electric utility a list of assigned fractions and an operating fraction of the electrical output of a net metering system; and (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.

Renewable Energy Credits.
All renewable energy credits produced as a result of the generation of electricity from a net metering system are the property of the electric utility.

Renewable Energy.
Renewable energy is defined to mean electrical energy derived from a "renewable resource" as defined under the Energy Independence Act (Initiative 937).

Substitute Bill Compared to Original Bill:

The provision in the definition of net metering system that makes a distinction between electric utilities that are full requirement customers and electric utilities that are not full requirement customers is removed. The definition of renewable energy is modified to mean the electrical energy derived from a "renewable resource" as defined under the Energy Independence Act (Initiative 937).

The term "virtual net metering" is renamed to community net metering. The bill is reorganized to provide a separate section for provisions relating to community net metering. A definition of "community net metering" is provided to mean measuring the difference between the electricity supplied by an electric utility and that generated by a customer-generator's assigned fraction over the applicable billing period. The definition for "aggregate assigned fraction" is modified to mean the total percentage of the output of a net metering system assigned to customer-generators for community net metering. An electric utility may negotiate, rather than must negotiate, a power purchase agreement for an operating fraction with a community net metering aggregator. Electric utilities may require customer-generators participating in community net metering and meter aggregation to have their meters read on the same billing cycle. The community net metering aggregator is responsible for the purchase of distribution system upgrades, if required by an electric utility. If any additional requirements are imposed by the Bonneville Power Administration for meter aggregation or to connect a community net metering system to a distribution system, the customer-generator or the community net metering aggregator are responsible for these additional requirements.

Electric utilities may establish a date, other than April 30 of each year, for the granting of unused net metering or community net metering credits to an electric utility that is more appropriate for the seasonal output of a specific net metering system or community net metering system. An electric utility, if it chooses, is authorized to establish a program for rolling over all or part of a customer-generator's net metering or community net metering credits.

All renewable energy credits associated with the production of electricity from a net metering or a community net metering system are the property of the electric utility.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on January 1, 2012.

Staff Summary of Public Testimony:

(In support) The policies in the bill do not cost the state money and they represent a very low cost to electric utilities. The bill helps keep our energy supplies local. Net metering is a tool to help offset peak electricity demand. The grid benefits would be numerous. Virtual net metering is one approach for making small-scale renewables to people who do not have a good site and allows people to join together with others. Increasing the maximum generating size of a net metering system from 100 Kilowatts to five megawatts (MW) makes it consistent with the definition of distributed generation under the Energy Independence Act (Initiative 937). There is no definition of renewable energy credit in the bill. The definition for renewable energy credit under the Initiative 937 could be referenced. The cumulative cap needs to increase to 5 percent of peak demand especially if the maximum generating capacity of a net metering system is increased to five MW.

This bill would allow me to put a wind system up on my farm and help my neighbors get part of that power. I cannot afford to put one up myself and by joining with my neighbors it would help me finance a wind energy system and provide benefits to them.

(Opposed) For a small rural electric cooperative, a five MW system poses a major engineering problem and would require costly upgrades. It is not clear in the bill on how credits are managed between the virtual net metering aggregator, the utility, and the customers participating in a virtual net metering system. This bill is not net metering as it was intended originally. There are no protections for the customers involved in a virtual net metering system. There is no accountability for the virtual net metering aggregator. This bill has federal jurisdictional issues, especially as it relates to the potential to sell power for resale power above avoided costs. This bill makes net metering a commercial-scale program rather than the original intent of the program. Requiring that an electric utility buy an operational fraction may violate federal law.

Persons Testifying: (In support) Representative McCoy, prime sponsor; Chuck Collins, Cascade Power Group; Danielle Dixon, Northwest Energy Coalition; Terry Meyer, Local Energy Alliance of Washington; and Mel Dyk.

(Opposed) Kent Lopez, Washington Rural Electric Cooperative Association; Kathleen Collins, PacifiCorp; Dave Warren, Washington Public Utilities District Association; Ken Johnson, Puget Sound Energy; and Collins Sprague, Avista Corporation.

Persons Signed In To Testify But Not Testifying: None.