

Honolulu, Hawaii

March 19, 2010

RE: S.B. No. 2488
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2010
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 2488, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY,"

begs leave to report as follows:

The purpose of this bill is to help provide sustainability for the net energy metering system by, among other things:

- (1) Prohibiting an electric utility from unreasonably denying, burdening, or delaying net energy metering service that is requested by an eligible customer-generator;
- (2) Establishing definitions for "net surplus customer-generator" and "net surplus electricity compensation rate";
- (3) Amending the definition of "eligible customer-generator" to include customers who lease or purchase electricity from a qualifying facility;
- (4) Increasing eligible customer-generator maximum capacity from 50 kilowatts to two megawatts;
- (5) Increasing the total allowable generating capacity produced by customer-generators from 0.5 percent of a



utility's peak demand to 15 percent of the customer-generators distribution feeder's penetration level or the penetration level that triggers additional technical study as determined by the Public Utilities Commission (PUC), whichever is higher;

- (6) Extending the reconciliation period to 36 months and requiring the electric utility to compensate the net surplus customer-generator at the rate established by the PUC for any credits for excess electricity that remains unused after each reconciliation period;
- (7) Permitting existing net-metered customers to remain with the net metering program even after alternative credits or compensation mechanisms are established;
- (8) Changing to an unspecified amount the electricity production threshold that triggers the requirement that the Commission approve safety and performance standards for customer-generator systems;
- (9) Requiring the PUC to adopt best practices interconnection standards for certain renewable energy facilities by December 31, 2010;
- (10) Requiring the PUC to establish the net surplus electricity compensation rate by January 1, 2011; and
- (11) Providing that the net surplus electricity compensation rate shall apply to net surplus electricity credits that have accrued for any 12-month reconciliation period that is in progress on September 1, 2010, and establishing payment schedules for the credits.

Sierra Club-Hawaii Chapter, Hawaii Renewable Energy Alliance, Hawaii Solar Energy Association, and Blue Planet Foundation testified in support of this bill. Hawaiian Electric Company, Maui Electric Company, Hawaii Electric Light Company, and Kauai Island Utility Cooperative opposed this measure. PUC provided comments.

As discussed in PUC's testimony, your Committee finds that the PUC is already undergoing detailed analysis of the issues surrounding distributed generation and programs that support their implementation, including net energy metering and feed-in tariffs. As received, however, this measure seeks to make decisions on



these programs and issues before a full and complete understanding of the record of dockets has been reached, and on-going investigations have been completed. While the proposals in this measure are likely well-intentioned to aggressively pursue the adoption of renewable energy technologies, your Committee finds it to be counter-productive as it would undermine all of the work and analysis that the PUC and the parties to the PUC dockets have already undertaken.

The PUC specifically states in their September 25, 2009, Decision and Order (Docket 2008-2073):

In some cases, certain parties have argued that it would be efficient to oversize projects in net energy metered locations if the generators were compensated for excess generation. The commission recognizes that this may be suboptimal in certain situations, but finds that allowing both NEM and the ability to sell excess generation at FIT rates provides excessive benefits to such customers at the expense of other ratepayers.

Your Committee finds, therefore, that the portions of the bill as received that allow compensation for producing surplus energy may help to incentivize and produce renewable energy generation through net energy metering, however, your Committee also finds that such an incentive at a certain threshold may result in an unbearable burden to other ratepayers who may have to pay for these credits. Further, there may be additional administrative costs for the utilities to administer and issue payments to surplus net-metered customer-generators. As a result, your Committee finds that the PUC should be given additional guidance in weighing all factors when implementing the net metering program.

Accordingly, your Committee has amended this bill by:

- (1) Deleting language that:
 - (A) Establishes definitions for "net surplus customer-generator" and "net surplus electricity compensation rate";
 - (B) Amends the definition of "eligible customer-generator" to include customers who lease or purchase electricity from a qualifying facility;



- (C) Increases eligible customer-generator maximum capacity from 50 kilowatts to two megawatts;
 - (D) Increases the total allowable generating capacity produced by customer-generators from 0.5 percent of a utility's peak demand to 15 percent of the customer-generators distribution feeder's penetration level or the penetration level that triggers additional technical study as determined by the PUC, whichever is higher;
 - (E) Extends the reconciliation period to 36 months and requires the electric utility to compensate the net surplus customer generator at the rate established by the PUC for any credits for excess electricity that remains unused after each reconciliation period;
 - (F) Changes to an unspecified amount the electricity production threshold that triggers the requirement that the PUC approve safety and performance standards for customer-generator systems;
 - (G) Requires the PUC to adopt best practices interconnection standards for certain renewable energy facilities by December 31, 2010;
 - (H) Requires the PUC to establish the net surplus electricity compensation rate by January 1, 2011; and
 - (I) Provides that the net surplus electricity compensation rate shall apply to net surplus electricity credits that have accrued for any 12-month reconciliation period that is in progress on September 1, 2010, and establishes payment schedules for the credits;
- (2) Inserting language that:
- (A) Authorizes the PUC to specify separate generating capacity requirements or limits for specified individual generation technologies;



- (B) Requires the PUC to ensure that the impacts of net energy metering on rates charged to utility customers are reasonable; and
- (C) Requires the PUC to take specified factors into consideration in determining generating capacity requirements or limits;
- (3) Replacing language in the purpose section with new language that reflects amendments made to the bill; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2488, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2488, S.D. 2, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,


HERMINA MORITA, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCR 877

Record of Votes of the Committee on Energy & Environmental Protection

3-18-2010 De

Bill/Resolution No.: SB 2488 SD2	Committee Referral: EEP, CPC	Date: 3-16-10
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The committee is reconsidering its previous decision on the measure.

The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold
 Pass short form bill with HD to recommit for future public hearing (recommit)

EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. MORITA, Hermina M. (C)	✓			
2. COFFMAN, Denny (VC)	✓			
3. CABANILLA, Rida				✓
4. CHANG, Jerry L.	✓			
5. CHONG, Pono				✓
6. HAR, Sharon E.	✓			AD DC
7. HERKES, Robert N.	✓			
8. ITO, Ken	✓			
9. LEE, Chris	✓			
10. LUKE, Sylvia	✓			
11. SAGUM, Roland D., III	✓			
12. CHING, Corinne W.L.	✓			
13. THIELEN, Cynthia	✓			
TOTAL (13)	11	0	0	2

The recommendation is: Adopted Not Adopted
 If joint referral, _____ did not support recommendation.
 committee acronym(s)

Vice Chair's or designee's signature: Denny Coffman

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