

Honolulu, Hawaii

FEB 26 2010

RE: S.B. No. 2488

S.D. 2

Honorable Colleen Hanabusa  
President of the Senate  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2488, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose of this measure is to ensure that net energy metering, the system whereby customers who generate electricity primarily for their own consumption using solar, wind turbine, biomass, or hydroelectric facilities sell excess electricity to the electric utility company, should be continued in perpetuity.

Specifically, the measure, among other things:

- (1) Prohibits an electric utility from unreasonably denying, burdening, or delaying net energy metering service that is requested by an eligible customer-generator;
- (2) Establishes definitions for "net surplus customer-generator" and "net surplus electricity compensation rate";
- (3) Amends the definition of "eligible customer-generator" to include customers who lease or purchase electricity from a qualifying facility;
- (4) Increases eligible customer-generator maximum capacity to two megawatts;



- (5) Increases the total allowable generating capacity produced by customer-generators from 0.5 per cent of a utility's peak demand to fifteen per cent 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 by rule or order, whichever is higher;
- (6) Clarifies that the net surplus electricity compensation rate shall be set at the prevailing feed-in tariff rate for the project size for the year the project is placed in service;
- (7) Permits existing net-metered customers to remain with the net metering program even after alternative credits or compensation mechanisms are established;
- (8) Raises the electricity production threshold that triggers the requirement that the Public Utilities Commission's approve safety and performance standards for customer-generator systems from ten kilowatts for all customer-generators to up to five hundred kilowatts on Oahu, two hundred fifty kilowatts on Maui and Hawaii, and one hundred kilowatts on Molokai and Kauai;
- (9) Requires the Public Utilities Commission adopt best practices interconnection standards for certain renewable energy facilities by December 31, 2010;
- (10) Requires the Public Utilities Commission to establish the net surplus electricity compensation rate by January 1, 2011; and
- (11) Establishes that the net surplus electricity compensation rate shall apply to net surplus electricity credits that have accrued for any twelve-month reconciliation period that is in progress on September 1, 2010, and establishes payment schedules for the credits.

Although alternative compensation systems, such as the feed in tariff, are being developed by electric utilities, net energy metering has a history of proven effectiveness and serves different needs in the renewable energy marketplace. This measure not only helps to reduce Hawaii's reliance on imported fossil



fuels but it provides consumers with a financial incentive to make the initially expensive but cost-effective long term investment in alternative energy for homes and businesses.

Your Committee received testimony in support of this measure from the Blue Planet Foundation, the Hawaii Solar Energy Association, and the Hawaii Renewable Energy Alliance. Testimony in opposition to this measure was received from the Public Utilities Commission, Hawaiian Electric Company, Maui Electric Company, and Hawaii Electric Light Company. Written testimony presented to the Committee may be reviewed on the Legislature's website.

Your Committee finds that this measure will expand the allowable system size for net metered systems and will allow solar credits to retain their values for longer than twelve months. These changes may encourage more consumers to invest in alternative energy for their homes and businesses.

Your Committee further finds that it is in the State's interest to encourage alternative energy use by residents in order to make Hawaii more self-reliant in terms of energy production, to save some of the prodigious amounts of money spent outside of Hawaii on imported fossil fuels, and to help preserve our environment.

Your Committee has amended this measure by:

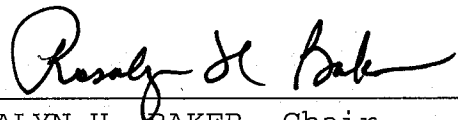
- (1) Leaving blank the amount of kilowatts a customer-generator may produce before approval from the Public Utilities Commission for safety and performance standards is required pending further discussion with the stake holders;
- (2) Changing the net energy metering reconciliation period from twelve to thirty-six months;
- (3) Deleting the provision that set the net surplus compensation rate at the prevailing feed-in tariff rate for the project size for the year the project is placed in service in order to allow the public utilities commission to set the compensation rate according to its statutory prerogative;



- (4) Inserting an effective date of July 1, 2050, to encourage further discussion of this measure; and
- (5) Making technical, nonsubstantive changes to ensure clarity and accuracy in the language of this measure.

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

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



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ROSALYN H. BAKER, Chair



