

JAN 18 2013

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# A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the creation of  
2 renewable energy within Hawaii provides significant financial,  
3 health, environmental, and workforce benefits to the State. Yet  
4 although Hawaii has made impressive steps forward in developing  
5 renewable energy and lowering dependence on fossil fuels,  
6 barriers remain which leave the majority of island residents  
7 without the opportunity to personally choose renewable energy  
8 for their home and business use.

9           Many property owners, such as those living in condominiums,  
10 or in shaded areas, and all of the forty per cent of state  
11 residents living in rental properties have no opportunity to  
12 install and benefit from renewable energy. Further, studies  
13 indicate as many as seventy per cent of businesses lease their  
14 locations, making them ineligible to install renewable energy  
15 onsite to meet their needs.

16           Local energy generation on a shared or community basis can  
17 significantly address those missed opportunities to reduce our  
18 reliance on important fossil fuels. Hawaii has a diverse and



1 deep pool of renewable resources ideally suited to these kinds  
2 of projects. Further, the development of mid to larger sized  
3 renewable generation projects can be done in a manner that  
4 enhances the performance and integrity of our island grid  
5 networks.

6 Shared renewable energy would create jobs, reduce emissions  
7 of greenhouse gases, and promote energy independence. Further,  
8 shared renewable energy will enable schools, colleges,  
9 universities, local governments, businesses, and consumers to  
10 save money on their electricity bills, thereby helping to fund  
11 educational programs, spur investments, and strengthen our  
12 communities.

13 Properly designed, shared renewable energy can also provide  
14 significant systemic benefits, such as avoided transmission and  
15 distribution upgrades, avoided line loss, and cleaner air and  
16 water while not shifting costs to non-participants, and should  
17 also allow electrical utilities to make a fair return on their  
18 investments, even if a customer chooses to participate. Such a  
19 program would also allow Hawaii to take significant steps to  
20 meet its renewable portfolio standard goals, and do so without  
21 the need for additional public funds.



1           There is widespread interest for the development of  
2 distributed generation facilities to serve the energy needs of  
3 many large institutional customers, including schools, colleges,  
4 universities, local governments, businesses, and the military.

5           Public institutions need the flexibility and opportunity to  
6 participate in shared renewable energy facilities to generate  
7 electricity as provided in this Act. Electricity usage is one  
8 of the most significant cost pressures facing public  
9 institutions at a time when they have been forced to cut  
10 essential programs. Savings under this program could be used  
11 for restoring funds for essential services, staff salaries,  
12 facility maintenance, and other budgetary needs.

13           Access to the fixed prices and potentially lower cost of  
14 renewable energy will also provide local businesses with the  
15 confidence they need to invest in our future expansion and  
16 growth.

17           The purpose of this Act is to build on the success of the  
18 current net metering program by establishing a virtual net  
19 metering program to expand access to renewable energy resources  
20 to all ratepayers. It is the intent of the legislature that  
21 this program be implemented in such a manner as to broaden  
22 access to self generation of renewable energy, while fairly



1 compensating electrical corporations for the services they  
2 provide. It is also the intent of the legislature that the  
3 public utilities commission minimizes the rate impact the  
4 program has on non-beneficiaries, with a goal of ratepayer  
5 indifference.

6 SECTION 2. Chapter 269, Hawaii Revised Statutes, is  
7 amended by adding four new sections to be appropriately  
8 designated and to read as follows:

9 "§269- Virtual net metering established. The public  
10 utilities commission shall establish a virtual net metering  
11 pilot program of fifty megawatts alternating current rated  
12 capacity for renewable energy projects, proportionally allocated  
13 between utilities, and shall ensure capacity is allocated and  
14 developed to achieve the intent of this program no later than  
15 January 1, 2014. Of the initial capacity, a minimum of twenty  
16 per cent shall be reserved to be built in low- to moderate-  
17 income areas, as the commission shall define, and a minimum of  
18 twenty per cent shall be set aside for residential subscribers.

19 §269- Bill credit calculation. (a) The commission  
20 shall establish a facility rate for each shared renewable energy  
21 facility by undertaking a comprehensive analysis of the costs  
22 and benefits associated with shared renewable energy generation



1 to determine a rate for each facility participating in the  
2 virtual net metering pilot program, which shall be based on the  
3 full value that the shared renewable energy generation provides.  
4 The commission shall adopt a methodology to calculate a facility  
5 rate for shared renewable energy generation that shall include  
6 the locational value and other systemic benefits of each  
7 facility no later than December 31, 2014.

8 (b) In order to ensure that this program becomes effective  
9 on January 1, 2014, an interim facility rate shall be set at the  
10 average retail rate per utility, as calculated based on their  
11 energy delivered in the previous year, less an appropriate  
12 amount to compensate the utilities for non-generation services  
13 provided.

14 (c) The facility rate shall be a price per kilowatt-hour  
15 of electricity and shall be determined as of the time of the  
16 application for an award of rated generating capacity for the  
17 shared renewable energy facility pursuant to the program that  
18 was subsequently granted. Once established, a facility rate  
19 shall be applicable to that facility for the operational life of  
20 the facility.

21 (d) The commission shall publish such tariffs applicable  
22 to all participants per electrical utility as necessary, no



1 later than ninety days following the enactment of Act ,  
2 Session Laws of Hawaii 2013, including a definition of what  
3 portions of a customer's bill may be offset by participation in  
4 this program.

5 (e) Any subsequent facility or subsequent expansion of a  
6 facility placed in service on or after the initial award of  
7 rated generating capacity that results in an increase in the  
8 facility's capacity to produce electricity shall be subject to  
9 the facility rate in effect on the date the participant  
10 organization applied for an award of rated generating capacity  
11 for the subsequent facility or increase in the facility's  
12 capacity.

13 §269- Bill credit revisions. (a) The commission may  
14 revise the bill credit mechanism at any time that it concludes  
15 that the existing mechanism does not provide program  
16 participants with the fair value of electricity and other  
17 benefits produced by the shared renewable energy facility or  
18 overvalues the benefits to nonparticipating customers of the  
19 electrical corporation for the electricity generated by a shared  
20 renewable energy facility. Any revision to the methodology for  
21 calculating the facility rate shall apply only to rated



1 generating capacity made available after the commission adopts a  
2 new bill credit methodology.

3 (b) For a shared renewable energy facility that has an  
4 established facility value for the bill credit, that value may  
5 be replaced by a replacement methodology determined by the  
6 commission; provided that the following occur:

7 (1) The commission determines that the replacement  
8 methodology provides a more accurate measure of the  
9 value of the generation provided by the shared  
10 renewable energy facility; and

11 (2) The replacement methodology results in a greater bill  
12 credit to the participant.

13 (c) Any renewable energy credits associated with an  
14 interest in a facility under this program shall be retired on  
15 behalf of the participant or transferred to the western  
16 renewable energy generation information system account of that  
17 participant, for the purpose of demonstrating the purchase of  
18 renewable energy. Those renewable energy credits shall not be  
19 sold, transferred, or otherwise monetized by a party for any  
20 purpose.

21 (d) For energy that is unallocated to a benefiting account  
22 during the previous billing period, the recipient electrical



1 corporation shall pay the participant organization the current  
2 wholesale rate plus the renewable energy credit value and  
3 receive any renewable energy credits associated with that  
4 energy.

5 (e) A shared renewable energy facility may be built,  
6 owned, or operated by a third party under contract with a  
7 participant organization.

8 (f) The electrical corporation shall ensure that no single  
9 entity or its affiliates or subsidiaries are awarded more than  
10 twenty per cent of any single calendar year's total cumulative  
11 rated generating capacity made available pursuant to subsection  
12 (g).

13 (g) Once the initial capacity has been awarded for shared  
14 renewable energy facility projects, the commission shall  
15 evaluate the functioning of the program. By January 1, 2015,  
16 the commission shall conclude an evaluation of the program as of  
17 that date, to determine if the goals of the program are being  
18 met, including but not limited to the goals of increasing access  
19 to renewable power and ensuring non-beneficiary ratepayer  
20 indifference. Unless the commission determines that the program  
21 goals are not being met per the agreed upon goals and timetable,  
22 the commission shall authorize additional capacity to be made





1 available under this program in keeping with the stated  
2 legislative intent.

3 If the commission determines that one or more of the goals  
4 are not being met, the commission shall revise the program prior  
5 to authorizing additional capacity. After the commission has  
6 revised the program, the commission may authorize additional  
7 capacity to be released.

8 (h) Prior to completion of the pilot program, the  
9 commission may evaluate the program at any time, either on its  
10 own motion or upon motion by an interested party, and may modify  
11 or adopt any rules it determines to be necessary or convenient  
12 to ensure that program goals can be met.

13 §269- Program management. (a) The tariff applicable to  
14 a participant shall be identical, with respect to rate  
15 structure, all retail rate components, and any monthly charges,  
16 to the charges that the participant would be assigned if the  
17 participant did not receive a bill credit. Participants shall  
18 not be assessed standby charges on the shared renewable energy  
19 facility or the kilowatt-hour generation of a shared renewable  
20 energy facility.

21 (b) Prior to the sale or resale of an interest in a shared  
22 renewable energy facility, the participant organization or the



1 participant, or both, shall provide a disclosure to the  
2 potential participant that, at a minimum, includes all of the  
3 following:

4 (1) A good faith estimate of the annual kilowatt-hours to  
5 be delivered by the shared renewable energy facility  
6 based on the size of the interest;

7 (2) A plain language explanation of the terms under which  
8 the bill credits will be calculated;

9 (3) A plain language explanation of the contract  
10 provisions regulating the disposition or transfer of  
11 the interest; and

12 (4) A plain language explanation of the costs and benefits  
13 to the potential participant based on the potential  
14 participant's current usage and applicable tariff for  
15 the term of the proposed contract.

16 (c) The participant organization may change, add, or  
17 remove a benefiting account upon providing the electrical  
18 corporation with a minimum of thirty days' notice, and may not  
19 do so more than once per month. If the owner of a benefiting  
20 account transfers service to a new address or benefiting  
21 account, the electrical corporation shall transfer any credit  
22 remaining from the previous account to the new account.



1       (d) A participant organization shall be responsible for  
2 providing to the electrical corporation, on a monthly basis, a  
3 statement of the kilowatt-hours allocated to each participant to  
4 be used to determine the bill credit to each benefiting account.  
5 If there has been no change in the allocations from the previous  
6 submission, the participant organization is not required to  
7 submit a new statement. An electrical corporation may rely on  
8 the statement of kilowatt-hours allocated to each participant,  
9 as provided by the participant organization, in implementing the  
10 requirements of this chapter.

11       (e) If required by the electrical corporation, the  
12 participant organization shall provide real-time meter data to  
13 the electrical corporation and shall make the data available to  
14 a participant upon request. A participant organization shall be  
15 responsible for all costs of metering and shall retain  
16 production data for a period of thirty-six months.

17       (f) A participant organization shall provide to the  
18 electrical corporation information on the identity of the  
19 benefiting accounts that will receive a bill credit pursuant to  
20 this section no less than thirty days prior to the billing cycle  
21 for which the participant's account will receive a bill credit.



1       (g) A participant organization shall provide no less than  
2 one hundred twenty days' notice to the electrical corporation  
3 and the commission prior to the date the shared renewable energy  
4 facility becomes operational and shall execute all necessary  
5 interconnection agreements, participation, and surplus sale  
6 agreements with the electrical corporation and the independent  
7 system operator on a schedule required by those entities.

8       (h) Unless the electrical corporation will be registering  
9 renewable energy credits on behalf of the participant, the  
10 participant organization shall establish an account and register  
11 the shared renewable energy facility with the western renewable  
12 energy generation information system or its successor.

13       (i) The participant organization's interconnection process  
14 and cost allocation for facilities built under this section  
15 shall be determined by applicable rules for interconnection  
16 established by the commission. The facility owner shall be  
17 responsible for normal, applicable grid use and management fees,  
18 imbalance charges, or other costs allocated by the transmission  
19 or distribution system operator.

20       (j) An electrical corporation shall ensure that requests  
21 for establishment of bill credits and changes to benefiting  
22 accounts are processed no more than thirty days from the date it



1 receives the request. An electrical corporation shall cooperate  
2 fully with shared renewable energy facilities to implement this  
3 chapter. The commission shall not regulate the prices paid for  
4 an interest in a shared renewable energy facility, but may  
5 enforce the required disclosures, and may establish rules  
6 applicable to participant organizations to ensure consumer  
7 protection. Any interested person or corporation may file a  
8 complaint with the commission contending that a participant  
9 organization or electrical corporation is not complying with any  
10 requirement of this chapter and seek an order of the commission  
11 to enforce the requirements of this chapter and take necessary  
12 actions to ensure consumer protection and compliance with the  
13 requirements of this chapter.

14 (k) The electrical corporation may petition the commission  
15 to incorporate in its bill those charges by the participant  
16 organization to participants; provided that the electrical  
17 corporation recovers all incremental costs of providing that  
18 service; provided further that the participant organization  
19 elects to use this service. Unless the electrical corporation  
20 elects to provide the service of incorporating in its bill those  
21 charges by the participant organization to participants, the



1 following process shall be used when billing and crediting a  
2 benefiting account:

3 (1) An electrical corporation shall bill a benefiting  
4 account for all electricity usage, and for each  
5 applicable bill component. Participants shall not be  
6 subject to any departing load charge;

7 (2) An electrical corporation shall subtract the bill  
8 credit applicable to the benefiting account. The  
9 electrical corporation shall ensure that the  
10 participant receives the full bill credit to which the  
11 participant is entitled;

12 (3) If the total otherwise applicable energy component of  
13 the bill exceeds the bill credit at the end of each  
14 billing cycle, the benefiting account shall be billed  
15 for the difference; or

16 (4) If the bill credit exceeds the amount billed to the  
17 account at the end of each billing cycle, the  
18 difference shall be carried forward as a dollar credit  
19 to the next billing cycle. Any earned credit shall  
20 roll over to the subsequent billing period and shall  
21 continue to roll over until used or until the annual  
22 anniversary date of the participant's initial bill



1           credit, whichever occurs first. On the annual  
 2           anniversary date of the participant's initial bill  
 3           credit, any remaining bill credit earned shall cease  
 4           to roll over.

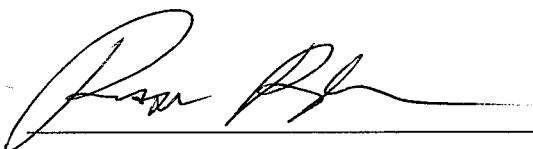
5           On or before July 1, 2015, the commission shall require  
 6           each electrical corporation to file with the commission, for its  
 7           approval, any revisions to its tariffs, rates, and rate design  
 8           as are necessary to ensure an equitable allocation to all  
 9           customers, consistent with the commission's evaluation.


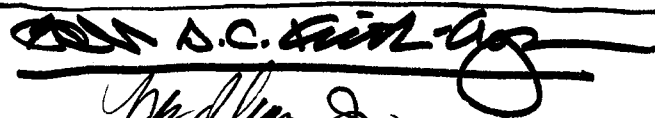

10           The commission shall ensure full and timely recovery of all  
 11           reasonable costs incurred by an electrical corporation to  
 12           implement the program, including reasonable expenses for changes  
 13           to their billing system and handling of collections, and shall  
 14           determine the appropriate method of allocating those costs."


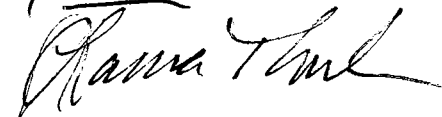


15           SECTION 3. New statutory material is underscored.

16           SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: 

  
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# S.B. NO. 379

**Report Title:**

Renewable Energy; Public Utilities; Virtual Net Metering

**Description:**

Establishes a virtual net metering pilot program for renewable energy projects to be proportionally allocated between utilities. Provides the opportunity for the commission to revise the bill credit mechanism for renewable energy credits.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

