SB199, SD1

Measure Title:	RELATING TO RENEWABLE ENERGY.
Report Title:	Net Energy Metering; Renewable Energy; Public Utilities Commission
Description:	Increases the net metering system size cap to two megawatts. Ensures that net metering contracts cannot be canceled with the introduction of new distributed generation energy procurement programs. (SD1)
Companion:	
Package:	None
Current Referral:	ENE, CPN

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WRITTEN ONLY

TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

FEBRUARY 24, 2011

MEASURE: S.B. No. 199 SD1
TITLE: Relating to Renewable Energy.

Chair Baker and Members of the Committee:

DESCRIPTION:

This bill amends Part VI. of Chapter 269, Hawaii Revised Statutes ("HRS"), the net-metering law, to:

- Increase the maximum capacity of eligible customer-generators to two megawatts; and

- Ensure that net-metering customers cannot be forced out of their contracts with the introduction of new distributed energy procurement programs.

POSITION:

The Commission opposes this bill because it believes that it is unnecessary. The Commission is already undergoing a detailed analysis of the issues involved in Net Energy Metering and related matters as explained below.

COMMENTS:

- On March 13, 2008, pursuant to the authority granted in §269-101.5, HRS, in Docket 2006-0084, the Commission approved, by order, an increase of the maximum size of a customer-generator from 50 to 100 kilowatts. (The individual customer-generator size limit remained 50 kilowatts in the Kauai Island Utility Cooperative ("KIUC").

- On January 13, 2011, the Commission issued an order in its net-metering docket (Docket No. 2006-0084) that, among other things, requires the HECO Companies and KIUC to continue development of pilot programs that provide for larger individual customer-generator units (up to 500kW and larger for the HECO Companies, and 200kW for KIUC) to evaluate the economic and reliability impacts of larger units on the systems.

- To co-exist on an integrated system with other system resources, the multiple programs must follow a consistent set of measures for monitoring, performance and assessment in order to determine overall system-wide impacts and to successfully move away from discrete program caps. The Commission's investigations include the review of such an integrated system.

- Thus, the Commission is already undergoing detailed analysis of these issues, while the proposal in this bill seeks to make decisions on these issues without a full and complete record. While the proposals in this bill are likely well intentioned, it may be counter-productive because it could undermine of the work and analysis that the parties to the Commission dockets and the Commission have already undertaken.

- The cost of raising the individual customer-generator size limit to two megawatts will be borne by ratepayers since net-metering credits at the retail rate.

- The Commission developed the feed-in-tariffs to provide a mechanism for larger generators to be fairly compensated (a return of their money invested and a reasonable profit) for the energy they provide to the grid.

- Additionally, the feed-in-tariffs do not preclude net-metering, but provide another option to eligible customer-generators.

Thank you for the opportunity to testify.

Testimony Before the Senate Committee on
Commerce and Consumer Protection

By Michael Yamane, P.E.
Engineering Manager
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Thursday, February 24, 2010, 11:00 a.m.
Conference Room #229

Senate Bill No. 199, S.D. 1 – Relating to Renewable Energy

To the Honorable Rosalyn H. Baker, Chair; Brian T. Taniguchi, Vice-Chair, and Members of the Committee:

Thank you for the opportunity to testify on this measure. My name is Michael Yamane, representing Kauai Island Utility Cooperative ("KIUC"). I am here today to testify in opposition of SB No. 199, S.D. 1 relating to Renewable Energy and specifically regarding further amendments to the established Net Energy Metering ("NEM") limits (aka, NEM Limits) for eligible residential or small commercial customer generators (i.e., increasing the net metering size cap to two (2) megawatts ("MW")).

Although KIUC acknowledges and commends the Legislature's desire to create incentives to promote and, when practical, increase the role of renewable generation, KIUC believes that this measure is presently unnecessary. KIUC believes that this measure, as drafted, is consistent with the process KIUC has undertaken with the Hawaii Public Utilities Commission ("Commission") in Docket No. 2006-0084 (aka, NEM Limits proceeding) and the parties to that proceeding over the past four to five years. In particular, the Commission has already addressed many of the NEM Limits issues noted in this measure in Docket No. 2006-0084. In this NEM Limits proceeding, KIUC has been diligently working with the Commission, the Consumer Advocate, Hawaii Solar Energy Association ("HSEA"), and Hawaii Renewable Energy Association ("HREA") to develop reasonable and appropriate NEM Limits for the island of Kauai, particularly in light of KIUC's unique, electric cooperative structure. A summary of this proceeding is noted below as follows:

- On April 10, 2006, the Commission initiated an investigatory proceeding to determine, among other issues, whether, and to what extent as authorized by law, the Commission should increase (1) the maximum capacity of eligible customer-generators to more than fifty (50) kilowatts ("kW") (aka, NEM Capacity); and (2) the total rated generating capacity produced by eligible customer-generators to an amount above 0.5 percent of an electric utility's system peak demand (aka, Percentage Amount), under Hawaii's existing NEM Law, codified as Hawaii Revised Statutes §§ 269-101 to 269-111.

- On September 17, 2007, KIUC and the other Stipulating Parties (i.e., the Consumer Advocate, HSEA and HREA) submitted their Stipulated Settlement

Letter in connection with modifying the existing thresholds or NEM Limits as it pertains to KIUC, as well as their agreements to propose a new mechanism and review process by which KIUC will ensure the regular and ongoing review of these thresholds or NEM Limits via the existing integrated resource planning process established by the Commission.

- On March 13, 2008, the Commission issued Decision and Order No. 24089 approving, among other things, the Stipulating Parties' Stipulated Settlement Letter to change the NEM Limits (e.g., increase KIUC's total rated generating capacity limit or Percentage Amount from 0.5% to 1.0% subject to certain stipulated allocations reserved for electricity produced by eligible residential or small commercial customer-generators), and to regularly examine any future changes in NEM Limits in KIUC's existing integrated resource planning process. In addition, to allow the Commission to consider the impact of incorporating more NEM generation and facilitate future Commission decisions concerning NEM, the Commission directed all electric utilities including KIUC to institute a NEM Pilot Program subject to certain parameters, as stated in said Decision and Order.

- On October 15, 2009, the Stipulating Parties submitted their Stipulated Proposal for KIUC's NEM Pilot Program and Alternative Rate Structure. The significant components of the proposal included the following:

  - Paying the NEM Pilot Program participant a fixed $0.20 per kilowatt hour rate for excess energy that will apply for the twenty (20) year term of the agreement, in lieu of the existing NEM compensation structure;
  - Operating the NEM Pilot Program on a first-come, first-served basis for three (3) years, or until certain capacity limits are reached;
  - Expanding the NEM Pilot Program from the 50 kW to 200 kW range, as ordered by the Commission, by also including some small facilities of less than 50kW in size;
  - Allowing up to two (2) megawatts of alternating current ("AC") generation capacity from 50 kW to 200 kW facilities in the aggregate under the program; and
  - Allowing for up to one (1) MW of AC generation capacity in the aggregate from facilities smaller than 50 kW, with 50% of the one (1) MW going to participants of 10 kW to 50 kW in size and 50% of the remaining one (1) MW going to participants less than 10 kW in size.

- On January 13, 2011, the Commission issued its Decision and Order approving, among other things, the above-described Stipulated Proposal for KIUC's NEM Pilot Program and Alternative Rate Structure. In doing so, the Commission specifically directed KIUC that new customers eligible under KIUC's existing NEM program must still have the option of participating in the existing program, and that the approved KIUC NEM Pilot Program and Alternative Rate Structure represents another option and does not replace the existing program for customers under 50kW in size.

Thus, in light of the above, KIUC believes that the Commission already has addressed many of the issues that are intended to be addressed via this measure. KIUC is a member-owned electric cooperative. Unlike for profit corporations, cooperatives are non-profit and member-run. Without the need for profits and shareholder dividends like investor-owned utilities, cooperatives are free to invest what would normally be profits (cooperatives call them "margins") in the business by allocating margins to the cooperative's members as capital credit contributions, or, eventually, by making patronage capital refunds to its members. As such, the Commission should be allowed the flexibility and authority to modify the existing thresholds, if necessary, after considering salient factors such as KIUC's cooperative structure.

For the reasons discussed above, KIUC respectfully opposes this measure. Thank you for the opportunity to testify today representing KIUC.

Testimony before the Senate Committee on

Commerce and Consumer Protection

S.B. 199 S.D.1 -- Relating to Renewable Energy

Thursday, February 24, 2011
11:00 am, Conference Room 229

By Art Seki
Director, Renewable Energy
Hawaiian Electric Company, Inc.

Chair Baker, Vice-Chair Taniguichi, Members of the Committee,

My name is Art Seki. I am the Director of Renewable Technology for Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO).

We do not support S.B. 199 S.D. 1, which seeks to legislate the size of projects eligible for net energy metering to 2 MW. While we support the continued addition of renewable energy projects in Hawaii, including via net energy metering, mandating such program requirements without full consideration of the technical and economic impacts on all electric ratepayers is not appropriate. The Public Utilities Commission has the authority to consider such program modifications and has done so in a deliberate but aggressive manner, as evidenced by their most recent decision and order to remove the net energy metering program caps.

We have previously testified in support of net energy metering (NEM) bills that resulted in:

- Act 272, 2001--led to the state's first NEM law;
- Act 99, 2004--increased the cap from 10 kW to 50 kW
- Act 69, 2005—allowed PUC review; and

- Act 104, 2005--allowed the PUC to increase the qualifying system size or enrollment limit by rule or order.

The PUC made multiple modifications to the NEM tariff on its own authority when it approved changes to NEM in 2008 (Docket No. 2006-0084):

- Increased the maximum size of the eligible customer-generator that can qualify for a NEM agreement from 50 kW to 100 kW;
- Increased the total rated generating capacity produced by eligible customer-generators from 0.5% to 1.0% of the utility's system peak demand;
- Reserved 40%, 50%, and 50% of the total rated generating capacity produced by eligible customer-generators for HECO, HELCO, and MECO, respectively, for residential and smaller commercial NEM customers (system sizes of 10 kW or less);
- Utilized the Integrated Resource Planning (IRP) process to evaluate impact to the utilities' systems and determine further adjustments to the NEM system size and cap limits (limits are re-examined on an annual basis).

With the tremendous growth in NEM activity which was approaching the system cap, the PUC also approved:

- Increasing the total rated generating capacity produced by eligible customer-generators from 1.0% to 3.0% of the utility's system peak demand for HELCO and MECO;
- Updating the percentage to 40%, and 40% of the total rated generating capacity produced by eligible customer-generators for HELCO, and MECO, respectively, for residential and smaller commercial NEM customers (system sizes of 10 kW or less).

And as stated earlier, recently the PUC removed NEM program caps.

We strongly support the continued role of the PUC and the regulatory review process to examine these program design details. This is especially important given the complexity of the technical, cost, and regulatory policy issues associated with net metering and other renewable energy development mechanisms administered by the PUC.

Since the PUC can make modifications to the NEM tariff, by rule or order, and has done so in recent dockets or proceedings, we ask that you hold this bill.

Thank you for the opportunity to testify.