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TESTIMONY BEFORE THE ENERGY, UTILITIES AND TECHNOLOGY COMMITTEE

An Act To Amend the Net Energy Billing Laws to Require Net Energy Billing Credits to be Nonlapsing
L.D. 509

GOVERNOR'S ENERGY OFFICE
March 2, 2023

Senator Lawrence, Representative Zeigler, and Members of the Joint Standing Committee on Energy, Utilities and Technology (EUT): My name is Caroline Colan, and I am the Legislative Liaison for the Governor's Energy Office (GEO).

The GEO testifies neither for nor against L.D. 509.

This testimony is being provided as educational background regarding the topic of net energy billing credit expiration as the committee considers L.D. 509. This legislation removes the expiration date of twelve months for unused credits accumulated by a residential, commercial, or industrial customer participating in a net energy billing arrangement. It additionally strikes the provision that requires the Public Utilities Commission (PUC or the Commission) to apply unused kilowatt-hour credits to utility customer accounts enrolled in a utility's arrearage management program.

Under current law and Commission rule (Chapter 313), customers participating in net energy billing accrue kilowatt-hour credits equal to the number of kilowatt-hours exported to the grid from the customer's net energy billing facility such as a rooftop solar array. The credits are applied to reduce the customer's bill on a 1 to 1 basis, beginning with the oldest credits the customer has accrued. In the Commercial and Industrial (C&I) tariff net energy billing program, customers accrue dollar credits at a rate set by the Commission, which must be applied to the customer's electricity bill. In the event a customer has kilowatt-hour credits or dollar credits that have accrued but not been applied to a bill within a twelve-month period from when the credit was generated, the credit "expires" and the value of the credit is applied to a utility arrearage management program.

It is common for net metering programs to require credits to "expire" after twelve months, though some states do allow payments for surplus credits in limited circumstances. Periodic expiration of excess credits incentivizes participating customers to "right-size" their net energy billing facilities to meet their own electricity needs on an annual basis. For solar facilities, production is typically higher in the spring and summer months, but lower in autumn and winter. Typical customers will size their system to "bank" credits during months of higher production and "spend" them in months of lower production.

Without an expiration requirement, participating customers could oversize systems and seek opportunities to monetize their excess credits, creating an unintended secondary retail electricity market. Systems properly sized to meet annual customer load are unlikely to produce significant unused credits, though actual production and usage of a system is reasonably expected to fluctuate depending on variations in system productivity and customer habits. If customers subscribed to a community net energy billing facility end up with excess credits, they should be encouraged to work with the facility manager to adjust their subscription size to better match their usage.

If there is interest in moving forward with this legislation, the GEO is committed to working on it with the Committee.

Thanks for your consideration of this testimony.

Caroline Colan

Caroline Colan, Legislative Liaison
Governor's Energy Office