Oppose King-Reid Amendment #3120 That Preempts State Retail Electric Service Decisions

An amendment proposed by Senators Angus King (I-ME) and Harry Reid (D-NV) would impose prescriptive electricity policies on the states and on certain localities, and would intrude on critical retail electric service decisions that are—and have always been—subject to the authority of states, localities, and rural electric cooperatives. This federal, one-size-fits-all mandate should be rejected.

The King-Reid amendment would dictate how state net metering programs should work and would impede states' abilities to make their own policy decisions. It also would promote subsidies that benefit customers with residential rooftop solar systems or other distributed energy resources (DER) at the expense of electricity customers who do not have these systems and who will pay higher electricity prices to cover the cost of these subsidies.

Why the Senate Should Oppose the King-Reid Amendment

The King-Reid amendment establishes punitive federal standards that must be considered by states, rural electric cooperatives, and certain localities with public power utilities. These federal standards would:

- Prevent states, rural electric cooperatives, and certain localities from modifying their existing (and potentially future) net metering programs unless they first jump through a number of federally mandated hoops (including evidentiary hearings as part of a general rate case).

- Subsidize net-metered customers by forcing other customers to pay for the cost of the electric grid, which almost everyone uses—including most residential rooftop solar customers—to deliver electricity around the clock.

- Create an overly broad federal definition of "distributed energy resource" that includes any "resource, technology or service" that is interconnected to a utility's distribution system and supplies electricity to the distribution system by generating or storing energy. There are no reasonable limits on the size or type of resource, technology, or service that would qualify.

- Compensate residential solar rooftop customers for "societal value" and other benefits. Electricity prices currently are based on competitive market pricing or cost-of-service regulation, not benefits provided. This provision could substantially increase electricity prices by paying DER providers for undefined and estimated benefits far into the future that lack any reasonable certainty as to their accuracy.

Many state legislatures, regulatory bodies, and local jurisdictions are reconsidering their current net energy metering policies. Some net metering proponents clearly want to force a mandate and federal prescription on states, localities, and rural electric cooperatives because they do not like the outcomes of these policy debates. But, states, localities, and rural electric cooperatives must carefully weigh both the benefits of DER and the challenges created by outdated net metering policies.

One of the challenges is cost shifting. It is only fair that everyone who uses the electric grid should continue to share equitably in the costs of maintaining the grid and keeping it operating reliably. Yet, under current net metering policies in many states, these costs are shifted to the majority of electricity customers who do not have residential rooftop solar systems, unfairly raising their electricity rates.

Almost all customers with residential rooftop solar systems are still connected to the electric grid. If they self-generate, residential rooftop solar and other DER customers use the grid both to sell excess power and to buy power from their utility when they need more than they can generate. These customers also rely on the utility's grid services around the clock to ensure that their power needs are met reliably and safely.

While the costs of producing solar energy have declined substantially since net metering policies were first introduced, the rates paid to net-metered customers have not been adjusted to reflect this. The intent of original net metering policies was to incentivize early adopters, not to create huge subsidies from one group of customers to another.

Today, more renewables—including large-scale solar and wind—are being added to the energy mix, and large-scale projects offer the most cost-effective way to increase the use of renewables that benefit all electricity customers.

Electricity markets are evolving rapidly, with significant changes in how electricity is generated, delivered, stored, and used. As electricity customers increasingly self-generate and manage their own electricity use, states, localities, and rural electric cooperatives are focused on updating policies to ensure that changes in electricity markets benefit all customers and recognize both the benefits and challenges of DER.

The Senate should reject the King-Reid amendment and any other efforts intended to expand net metering subsidies at the expense of the vast majority of electricity consumers who do not have residential rooftop or other DER systems and who will pay higher electricity prices to cover the cost of these subsidies. The states should continue to have the ability to make their own retail electricity decisions to benefit all of their customers.

The American Public Power Association (APPA) is the national service organization for the more than 2,000 not-for-profit community-owned electric utilities in the U.S. Collectively, these utilities serve more than 48 million Americans in 49 states (all but Hawaii).

The Edison Electric Institute (EEI) is the association of U.S. investor-owned electric utilities, international affiliates, and industry associates worldwide. Our members provide electricity for 220 million Americans, directly and indirectly employ more than one million American workers, and operate in all 50 states and the District of Columbia.

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for-profit rural electric cooperatives and public power districts providing retail electric service to more than 42 million consumers in 47 states and whose retail sales account for approximately 12 percent of total electricity sales in the United States.

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