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Bill No. 591

Support Y N

Date 2/10/09

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TO THE HOUSE COMMITTEES ON ENERGY AND ENVIRONMENTAL PROTECTION
AND AGRICULTURE

THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

THURSDAY, FEBRUARY 12, 2009
9:30 A.M.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS TO THE HONORABLE REPRESENTATIVE HERMINA
MORITA AND CLIFT TSUJI, CHAIRS, AND MEMBERS OF THE COMMITTEES

HOUSE BILL NO. 0591 – RELATING TO PUBLIC UTILITIES.

DESCRIPTION:

This measure authorizes a preferential rate for electricity purchased by electric utilities from renewable energy producers that are associated with agricultural activities and offers incentives to encourage electric utility companies to exceed their renewable portfolio standards or to meet their renewable portfolio standards ahead of time.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) provides comments on this measure for the Committees’ consideration.

COMMENTS:

The measure amends the section of the renewable portfolio standard (“RPS”) law that provides electric utilities with incentives to exceed their RPS requirements or to meet their RPS requirements ahead of time. Three new incentives are described in the measure:

1. A preferential rate for the purchase of renewable electrical energy pursuant to section 269-27.2 from a renewable energy producer who is also associated with agricultural activities;
2. Renewable energy credit trading programs which establish a value for all of the attributes associated with renewable energy production; and
3. Credits for providing environmental services, such as improving air and water quality, enacting flood control measures, improving wildlife habitat areas, and carbon sequestration.

I'll discuss the questions and / or the concerns with each incentive in turn.

First, the section providing for a preferential rate for the purchase of renewable electrical energy from a renewable energy producer associated with agricultural activities is not clear. This is categorized as a utility incentive for meeting the RPS requirements, but the measure appears to intend to provide the renewable energy producer with a preferential (premium) rate.

The Hawaii Public Utilities Commission ("Commission") reviews purchased power agreements ("PPA") between electric utilities and independent power producers, including renewable energy power producers. As such, the Commission already possesses the authority to determine whether the PPA terms, including pricing, are reasonable and in the public interest. Therefore, the first incentive mechanism appears to be unnecessary.

At present, the law at Hawaii Revised Statutes section 269-27.2 may in some circumstances prohibit the provision of a premium price – one that exceeds 100 percent of the electric utility's avoided costs.

The second incentive mechanism permits the establishment of a renewable energy credit trading program. Here again, the Commission already has the authority to initiate such a program, so the provision appears to be unnecessary.

During the Commission's RPS docket, one party (out of five) supported the review of a renewable energy certificate ("RECs") system for the purpose of certifying renewable electricity under the RPS law and to facilitate RECs transactions. After discussion, the parties to the docket agreed that the RPS law does not list RECs as a form of renewable electrical energy by which an electric utility may meet the RPS, and the creation of a RECs system would present a number of implementation and other issues. In addition, the parties agreed to further examine whether RECs or other mechanisms can be used to increase the value of renewable energy projects in Hawaii. The discussion of RECs continues in the Hawaii Clean Energy Initiative, where it was

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raised for consideration in the straw proposal prepared by the U.S. Department of Energy's consultant. A RECs system still needs additional vetting.

Finally, the last incentive will provide "credits" to electric utilities for providing "environmental services." It is unclear what kind(s) of credits are being suggested in the measure. Are these tax credits? Are they ratemaking incentives? The Consumer Advocate cautions that ratemaking incentives are borne by ratepayers, so if contemplated, appropriate consideration and analysis must be completed to ensure that ratepayers are not hit with unreasonable rate impacts.

Thank you for this opportunity to testify.

EEPttestimony

From: E. Alan Kennett [eak@gayandrobins.com]
Sent: Wednesday, February 11, 2009 10:13 AM
To: EEPtestimony
Cc: Howard Greene
Subject: Testimony on HB 591

Bill No. 591

Support Y N

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Testimony Before the House

Committee On Energy & Environmental Protection

and the House

Committee on Agriculture

**HB 591
Relating to Public Utilities**

Thursday, February 12, 2009
9:30 a.m.

Chairs Morita and Tsuji:

My name is E. Alan Kennett and I am President & General Manager of Gay & Robinson, Inc., a sugar plantation and cattle ranch on Kauai. I am testifying on behalf of Gay & Robinson, Inc.

We strongly support HB 591 for the incentives and support it gives to agricultural operations that produce renewable electrical energy and manage natural resources.

Thank you for the opportunity to present testimony in support of the bill.

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