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HOUSE OF REPRESENTATIVES – REGULAR SESSION 2010
COMMITTEE ON CONSUMER PROTECTION & COMMERCE

March 29, 2010
2:10 P-M; Conference Rm. 325

HCR 291/HR 210 REQUESTING THE PUBLIC UTILITIES COMMISSION TO CONDUCT A STUDY ON RETAIL WHEELING TO SUPPORT THE DEVELOPMENT OF RENEWABLE ENERGY SYSTEMS TO MEET THE ELECTRICITY NEEDS OF RETAIL CUSTOMERS.

Rep. Chair Robert N. Herkes, V. C. Rep. Glen Wakai and Committee Members:

Good Afternoon. My name is Guy Kaniho, General Manager, BioEnergy Hawaii LLC (BEH). BEH strongly supports HCR 291/HR 210 which requests the PUC to conduct a study on Retail Wheeling to support the development of renewable energy systems in conjunction with the retail customers' electrical needs.

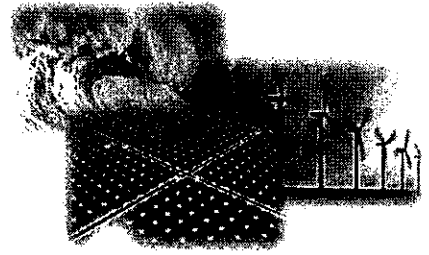
BioEnergy Hawaii LLC ("BEH"), whose managing member is Pacific Waste Inc. ("PWI"), has proposed to develop a waste to energy ("W-T-E") project and is currently negotiating to lease 25 acres of land within the Natural Energy Laboratory of Hawaii Authority ("NELHA") in Kona, Hawaii. PWI is the largest private municipal waste ("MSW") hauler in West Hawaii.

PWI hauls approximately 200 tons of MSW daily and aims to convert MSW into a renewable source and develop up to potentially 9 MW of electrical power at the NELHA. The renewable energy project will be capable of "exporting" between 5 to 9 megawatts of power to the surrounding project tenants, to the nearby Kona International Airport and/or to the West Hawaii County "grid," as well.

BEH has been an advocate of lower cost energy for the NELHA tenants, and potentially to the adjacent Kona International Airport on state lands, as well.

We strongly recommend passage of HCR 291/HR 210.

Thank you very much.



HOUSE COMMITTEE ON COMMITTEE ON CONSUMER PROTECTION & COMMERCE

March 29, 2010, 2:10 P.M.

Room 325

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HCR 291 AND HR 210, SUGGESTED AMENDMENT

Chair Herkes and members of the Committee:

The Blue Planet Foundation supports the intent of House Concurrent Resolution 291 and House Resolution 210, requesting that the public utilities commission (PUC) conduct a study on retail wheeling. We would prefer, however, that the resolution (or better, a bill) direct the PUC to initiate a full retail wheeling docket.

Blue Planet Foundation's mission is to end the use of fossil fuels on Earth, starting by making Hawai'i a role model for energy independence. To that end, we believe that the role of electric utilities in Hawai'i will shift from a centralized producer-distributor model to a mostly decentralized, distribution manager model—the utility will control and manage the wires of the new smart grid but most of the power will come from independent, clean energy sources.

For example, currently, electricity flows in one direction: from the power plant to your home or business. This is much like television in the 1960s. When you turned on the TV, you watched whatever one of the three networks was broadcasting. You couldn't store the broadcast and you couldn't contribute your own content. That's roughly how our power grid operates today. Our future power grid will resemble today's Internet—where distributed servers both send and receive packets of information—and less like yesterday's commercial television. The role of the utility will be similar to an Internet provider, moving the electrons in the most efficient and effective manner.

Retail wheeling is a step toward that new model for the utility, where independent power producers can enter into agreements with end users and effectively "rent" the transmission and distribution capability from the utility. Such an arrangement would open the doors to innovation and encourage more to invest in clean energy development.

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org

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For example, the Kaheawa wind farm on Maui currently does not sell its power at night because the Maui electricity grid can't handle the excess and Maui Electric keeps its baseload fossil-based generators running. If retail wheeling were allowed, the windfarm could find a potential customer for their wind energy at night—perhaps at a much discounted rate. Perhaps a large resort might be interested in purchasing lower cost electricity at night so they could do ice storage—making ice at night and using it for air conditioning during the day. This would have multiple benefits for the grid, clean energy power producers, and customers.

We note that electricity wheeling—in a more limited form—has been under consideration by the PUC. On June 29, 2007, the PUC initiated an investigation to examine the feasibility of implementing intra-governmental wheeling of electricity in Hawai'i. This was partially the result of Senate Concurrent Resolution 180 adopted on April 30, 2004. This docket was suspended by the PUC until December 2010 to allow for the other regulatory dockets (such as feed-in tariffs and decoupling) to be resolved. While we understand the need to proceed in an orderly way with these significant changes to the utilities' regulatory landscape, Blue Planet believes that further direction to the PUC to examine retail wheeling in a broad sense is warranted.

SUGGESTED AMENDMENT

Blue Planet Foundation respectfully requests that this Committee amend these resolutions to give direction to the PUC to open a docket that considers full retail wheeling. We believe that expanding retail wheeling of clean energy to encompass all potential customers will greatly spur innovation in the electricity market and hasten the transition to energy independence.

Thank you for the opportunity to testify.



Hawaii Solar Energy Association

Serving Hawaii Since 1977

March 29, 2010
2:10PM

House
**COMITTEE ON CONSUMER PROTECTION
AND COMMERCE**

Mark Duda
President

HCR 291 / HR 210

TESTIMONY IN SUPPORT

Aloha Chair Herkes, Vice Chair Wakai, and Members of the Committee:

As noted in HCR 291 and HR 210, despite Hawaii's ongoing efforts to be a leader in the renewable energy field, the state remains dependent on imported oil to meet 90% of Hawaii's energy needs, resulting in the state having both the highest electricity costs and the highest petroleum shares of total generation in the entire country. There is a need to restructure our electricity markets in ways that will promote efficiency throughout the system and lower costs to end-users.

Retail wheeling is an application of simple economic logic that says that a market in which a large number of producers compete with one another to provide a product to a large number of buyers will result in lower costs to end users and greater systemic economic efficiency than when a single seller serves all customers. Although historically electricity has not been viewed as this kind of market, this paradigm is changing. Vertical integration is no longer necessary and may actually be an impediment to the kind of change that Hawaii so desperately needs to lower its reliance on imported fossil fuels; improve its energy security; and lower the exposure of its economy to oil price spikes and shocks as quickly as possible.

Retail wheeling is a significant step that is now overdue and which will help us move towards energy independence. In the process, it will create jobs and develop Hawaii's emerging renewable energy economy.

Thank you for the opportunity to testify on this measure.

Mark Duda
President, Hawaii Solar Energy Association

About Hawaii Solar Energy Association

Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance

the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.

HAWAII RENEWABLE ENERGY ALLIANCE

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Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

HCR291/HR210, REQUESTING THE PUBLIC UTILITIES COMMISSION TO CONDUCT A STUDY ON RETAIL WHEELING TO SUPPORT THE DEVELOPMENT OF RENEWABLE ENERGY SYSTEMS TO MEET THE ELECTRICITY NEEDS OF RETAIL CUSTOMERS.

March 29, 2010

Chair Herkes and Vice-Chair Wakai and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HCR291/HR210 to request the public utilities commission to conduct a study on retail wheeling to support the development of renewable energy systems to meet the electricity needs of retail customers. HREA supports these measures and offers the following comments in support:

1. What are the benefits to End-users? Retail wheeling offers an innovative solution to end-users to who want to reduce their energy bills, and can also help the military meet its RPS.
2. What are the benefits to the State? Retail wheeling can help state agencies "lead by example," and energy savings translate directly to taxpayer savings. We do recognize there are implementation issues, but we view these challenges as opportunities to increase "innovation and competition" in the market place.
3. What are the benefits to the Renewable Industry. Overwhelmingly, retail wheeling will unleash the "innovative" spirit of industry, and offer renewable producers the opportunity to earn a fair return on their investment. Specifically, retail wheeling offers an additional option to for pursuing project opportunities in currently unavailable market segments, e.g., a renewable producer could sell electricity to power: (i) the City and County's rail system or (ii) the state Capitol.
4. What are benefits the utility and its customers? Retail wheeling precludes the need for expensive, time-consuming, potentially litigious solicitations, and complements net metering ("NM") and Feed-In tariffs ("FIT") for acquisition of renewables. The utility would receive a T&D access charge from providers, that is not available from NM and FIT.
5. Recommendations. The issues in the proposed study are similar to those in the existing Intragovernmental Wheeling, which focuses on only government retail customers, while the proposed study would apply to ALL retail customers. Thus, we are in favor of doing ONE study NOW, as opposed to ONE now and ONE later. Please pass out this measure to encourage the Commission to study ALL retail wheeling issues NOW.

Thank you for this opportunity to testify.

TESTIMONY BEFORE THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Monday, March 29, 2010
2:10 p.m.
Conference Room 325, State Capitol

H.C.R. 291/H.R. 210

REQUESTING THE PUBLIC UTILITIES COMMISSION TO CONDUCT A
STUDY ON RETAIL WHEELING TO SUPPORT THE DEVELOPMENT OF
RENEWABLE ENERGY SYSTEMS TO MEET THE ELECTRICITY NEEDS OF
RETAIL CUSTOMERS

By Kevin Katsura
Associate General Counsel, Legal Department
Hawaiian Electric Company, Inc.

Chair Herkes, Vice-Chair Wakai, and Members of the Committee:

My name is Kevin Katsura providing testimony in opposition to H.C.R. 291 and H.R. 210 on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd. (collectively, the Hawaiian Electric Companies).

The Hawaiian Electric Companies oppose these resolutions to the extent they require a study instead of an investigative proceeding by the Public Utilities Commission. An investigative proceeding provides a meaningful forum whereby all stakeholders can provide testimony and support for their positions. It should also be noted that the Commission has already initiated a proceeding examining the feasibility of intra-governmental wheeling.

Retail wheeling creates a new complex regulatory structure which benefits a few large-load customers at the expense of other customers. Many of these benefits can already be captured through the existing regulatory structure, which allows contracts with independent power producers ("IPPs") through competitive bidding and negotiations, where the benefits flow to ALL customers instead of a select few.

The PUC should be allowed to continue its investigation into whether intra-governmental wheeling is feasible, has definite benefits in Hawaii, and is in the public interest. Any additional legislation is unnecessary.

For these reasons, we oppose H.C.R. 291 and H.R. 210. Thank you for the opportunity to provide testimony.