

**SB 2488**

**WRITTEN ONLY**

**TESTIMONY OF CARLITO P. CALIBOSO  
CHAIRMAN, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
FEBRUARY 4, 2010**

**MEASURE: S.B. No. 2488  
TITLE: Relating to Renewable Energy**

Chair Gabbard and Members of the Committee:

**DESCRIPTION:**

This bill would require electric utilities to compensate net-metering customer-generators for excess electricity generated at the end of the twelve-month reconciliation period at a rate to be determined by the Public Utilities Commission ("Commission").

**POSITION:**

The Commission defers to the legislature on the policy objectives of the bill, and provides the following comments.

**COMMENTS:**

- This bill may help to incentivize and produce more renewable energy generation through net energy metering. However, this Committee should also be aware that the measure may result in additional out-of-pocket costs to pay for these credits, which will be passed on to other ratepayers, as well as additional administrative costs for the utilities to administer and issue payments to surplus net-metered customer-generators.
- The measure may also increase system costs to the utility to make necessary upgrades to allow for an increase in the use of distributed intermittent renewable resources.
- The comments on costs are not meant to be negative, but offered to make this Committee aware that many of the necessary programs or initiatives necessary to move the state away from fossil fuel consumption may likely result in increased cost to ratepayers, at least in the short-term. The policy issue is whether we should incur these costs to attain the benefits and policy objectives of this bill.

Thank you for the opportunity to testify.



# LIFE OF THE LAND

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## COMMITTEE ON ENERGY AND ENVIRONMENT

Senator Mike Gabbard, Chair

Senator J. Kalani English, Vice Chair

DATE: Thursday, February 4, 2010

TIME: 3:00 p.m.

PLACE: Conference Room 225

~~SB 2333~~ RELATING TO RENEWABLE ENERGY.

**SUPPORT**

Aloha Chair Gabbard, Vice Chair English and Members of the Committees

Description: SB 2488 requires electrical utilities to compensate net metering surplus customer-generators for excess electricity generated by the customer-generators at the end of the twelve-month reconciliation period. Directs the PUC to determine the net surplus compensation rate.

Life of the Land is Hawai'i's own energy, environmental and community action group advocating for the people and `aina for four decades. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

### Life of the Land's Analysis:

This bill does two important things: (a) it recognizes that customers should be compensated for electricity given to the utility; and (2) it lets the PUC set the rate that is reasonable for all ratepayers and consistent with the feed-in tariff program.

Mahalo,

Henry Curtis  
Executive Director



# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803  
808.538.6616 hawaii.chapter@sierraclub.org

## SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

February 4, 2010, 3:00 P.M.

(Testimony is 1 page long)

### TESTIMONY IN SUPPORT OF SB 2488 WITH A PROPOSED AMENDMENT

Aloha Chair Gabbard and Members of the Committees:

The Hawai'i Chapter of the Sierra Club supports SB 2488, which would require the purchase of excess clean energy provided by residential providers. In order to give the Public Utilities Commission direction, we suggest an amendment stating that: "It shall be the public policy of the State of Hawai'i to encourage the development of distributed renewable energy and the net surplus electricity compensation rate shall be set accordingly."

This bill fairly compensates residents producing clean electricity and encourages continued development of distributed, renewable energy. We note several other states have similar measures: Arizona; Georgia; Idaho; Iowa; Massachusetts; Minnesota; New Jersey; North Dakota; Texas; Wisconsin; and Wyoming.<sup>1</sup> Residents should not be asked to simply "give away" the energy they provide to the utility, no more than the utility would consider "giving away" its electricity for free.

Please move this measure forward. Thank you for the opportunity to testify.

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<sup>1</sup> Thomas J. Starrs (September 1996). Net Metering: New Opportunities for Home Power. Renewable Energy Policy Project, Issue Brief, No. 2. College Park, MD: University of Maryland.

**DOWLING  
COMPANY, INC**

February 3, 2010

Hearing on SB2488, Relating to Renewable Energy  
Before the Senate Energy & Environment Committee  
on Thursday, February 4, 2010 at 2:45 p.m. in Conference Room 225

Dear Chair Gabbard and members of the Committee:

I am writing on behalf of Dowling Company in support of Senate Bill No. 2488. Dowling Company is a Maui-based real estate development company that is committed to green building practices and sustainable development.

As Project Coordinator, I have been involved in the installation of numerous residential and commercial photovoltaic installations and their required net energy metering agreements. I am familiar with the advantages and pitfalls of net energy metering for customer-generated electricity. One pitfall that this bill aims to address is the utility's inadequate compensation for electricity produced by customer-generators. In order to realize a full return on investment, customer-generators should be compensated in part or in whole for surplus energy produced. Passage of this bill will allow the PUC to develop a system of compensating customer-generators surplus energy generated in a manner that rewards the customer-generators efforts to utilize renewable energy while ensuring that the economic viability for electric companies is maintained.

While the utility has been instrumental in instituting a net energy metering framework for our state, the time has come to expand upon these efforts in accordance with state energy goals of energy independence. I applaud your initiative in advancing this objective and encourage you to vote to recommend its approval.

Sincerely,

Tia Ferguson

**Testimony Before the Senate Committee**

**On**

**Energy and the Environment**

**S.B. 2488 RELATING TO RENEWABLE ENERGY**

**By: Peter Young  
Energy Services Department  
Hawaiian Electric Company, Inc.**

Chairman Gabbard, Vice-Chairman English, Members of the Committee on Energy and Environment:

My name is Peter Young, and I represent Hawaiian Electric Company (HECO) and its subsidiary utilities, Hawaii Electric Light Company (HELCO) and Maui Electric Company (MECO). I appreciate the opportunity to present testimony on S.B. 2488.

The HECO Companies support customer participation in Net Energy Metering projects. We have the following comments regarding the proposed net surplus electricity compensation rate for net surplus electricity credits at the end of the twelve-month reconciliation period.

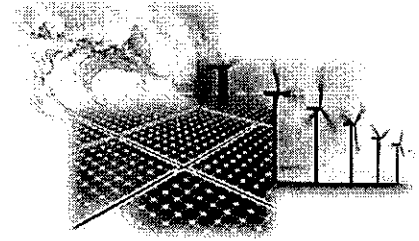
The Net Energy Metering statute is intended to give customers the opportunity to use their own generators primarily to offset part or all of the customer's own electrical requirements. The intent is for customer-generators to "right size" their units to match their requirements.

It was anticipated that customer participation would be expanded as a result of the 2005 amendment to NEM to allow month to month carryover of unused credits for excess customer-generated electricity within a twelve-month period. This instant bill proposes that electric utilities compensate customers for excess electricity remaining at the end of the twelve-month period. In doing so, the proposed amendment removes the discipline for customers to efficiently align the size of their own energy systems with the amount of their electricity consumption.

The current law (269-108) already provides that a customer-generator can get compensation for excess kilowatt-hours through a purchase agreement with the electric utility.

We suggest that expansion of the credit carryover reconciliation period from 12 months to 36 months is a better way to balance incentivizing customers to right size systems to match energy requirements with giving the customer an adequate opportunity to get full value for all energy produced, as we have testified in SB 2619. We therefore request that you defer this measure.

Thank you for this opportunity to testify.



**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

February 4, 2010, 3:00 P.M.

Room 225

**(Testimony is 1 page long)**

**TESTIMONY IN SUPPORT OF SB 2488**

Chair Gabbard and members of the Committee:

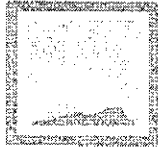
The Blue Planet Foundation supports Senate Bill 2488, a measure that requires that the electric utilities compensate net metered customers for excess credits at the end of a one year billing cycle. This measure will encourage further investment in customer-sited clean energy systems statewide, further reducing Hawaii's dependence on fossil fuel and moving toward energy independence.

After wisely being passed in 2001, net energy metering slowly began with a handful of renewable energy generators. As more homeowners learn about the program and its impacts on the payback period for renewable energy devices, the subscription rate has dramatically increased. In fact, we may be nearing a "tipping point" where many residential customers invest in renewable energy devices because of their relative cost and environmental advantages.

Senate Bill 2488 should pick up where prior legislation left off—allowing net metered customers to be compensated for excess energy credits at the end of a billing cycle. While most customers size their system to simply meet their needs, some provide excess power to the grid. They should be compensated for this clean electricity production.

The feed-in tariff docket pending before the public utilities commission (Blue Planet is an intervenor in the docket) should set reasonable rates for compensation that can be used for purposes of this measure.

Thank you for the opportunity to testify.



**Hawaii Solar Energy Association**  
*Serving Hawaii Since 1977*

**February 4, 2010**  
**3:00 P.M.**

**Senate**  
**COMITTEEE ON ENERGY AND ENVIRONMENT**  
**HB 2488**

**Mark Duda**  
**President**

**TESTIMONY IN SUPPORT WITH PROPOSED AMENDMENT**

Aloha Chair Gabbard and Vice Chair English:

HSEA supports this measure, which seeks to compensate generators of excess energy under NEM contracts. HSEA points out that at some point in 2010, net metered utility customers will likely have a similar option, but will need installing two systems on their homes or businesses to achieve it. One system would offset their own electrical load, which would be net metered, and a second one would make them some additional money, which would be a feed-in tariff project. In order to get to this point, however, the customer would need two electrical services and incur two sets of charges for what is, in essence, the same system. This measure makes the process far more administratively simple and cheaper for the customer-generator.

In addition, HSEA notes that there may be an easier way to arrive at a compensation rate for this excess energy than that envisioned in the bill itself. This is the case because the Public Utilities Commission, along with the HECO Companies and nearly twenty other intervener organizations, has spend more than a year working out compensation rates for energy produced under similar, if not identical, conditions in the feed-in tariff docket (2008-0273). By the time the feed-in tariff comes out, the pricing that emerges for kWhs generated will have been thoroughly discussed, analyzed and vetted by the intervener parties, the HECO Companies, and the Commission. HSEA recommends simply employing the feed-in tariff rates for the appropriately sized system rather than under-taking the process proposed in this bill, which would largely duplicate the process just conducted in the feed-in tariff docket.

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

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

## TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

### SB 2488, RELATING TO RENEWABLE ENERGY

February 4, 2010

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Herbert M. (Monty) Richards  
Kahua Ranch Ltd.

Chair Gabbard and Vice-Chair English 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 purposes of SB 2488 are to (i) require electrical utilities to compensate net metering surplus customer-generators for excess electricity generated by the customer-generators at the end of the twelve-month reconciliation period; and (ii) direct the PUC to determine the net surplus compensation rate.

HREA offers the following comments and recommendations on this measure:

1. Net metering is a "power exchange agreement" and therefore we do not believe it is appropriate to modify the existing statute as proposed in this measure, as it would turn net metering into a type of "power purchase agreement."
2. Moreover, an option to sell excess electricity already exists in the current statute. Specifically, the CG owner can enter into a separate agreement to sell excess net annual electricity delivered to the utility via a separate power purchase agreement. So, on the surface, this measure is not needed. .
3. But What Type of Payment? The current statute is "vague" and one might assume the payment would be at avoided cost. Yet, state policy is now to decouple the price of renewables from fossil fuel, which severely drives the price of our electricity in Hawaii. In the interim Decision and Order on the Feed-In Tariff ("FIT") docket, the PUC denied a request to allow payment at the "to-be-established" FIT payment rate. So, we have a bit of a conundrum, a payment at avoided cost or at a FIT rate or somewhere between?
4. Recommendation. HREA recommends, if this bill is moved forward (or perhaps in another vehicle), that the Commission be asked to investigate further the issue of the appropriate power purchase agreement payment for excess net annual electricity delivered to the utility under a net metering agreement.

Thank you for this opportunity to testify.