

SB 2555

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. 2555

TITLE: Relating to Electricity Usage

Chair Gabbard and Members of the Committee:

DESCRIPTION:

This bill would require the Public Utilities Commission ("Commission") to adopt rules to enable government entities to aggregate their demand and purchase electricity in bulk loads from electric utilities, and to allow those that purchase in bulk loads to contract with renewable energy producers.

POSITION:

The Commission takes no position on the bill at this time, and provides the following comments for discussion of the issues raised by this bill.

COMMENTS:

- The proposal in this measure for electricity aggregation appears to assume a certain amount of utility cost savings would result by the government aggregated electricity demand, which would then presumably justify a reduction in electricity rates for "bulk" electricity purchases by an aggregator. It is not clear whether this is a valid assumption.
- It is unclear if the intent is to allow unlimited "aggregation" of government entities, or to have some geographic restrictions. For example, could the state aggregate its entire electricity needs within a utility's service territory? Or is it to be limited to facilities in close geographic proximity, such as the capitol district?
- Section (a)(2) of the bill provides that generation installed by aggregators shall be done through net metering. While net-metering is a way to incent additional systems, it should be kept in mind that the retail rates being credited to customer-generators are being subsidized by ratepayers. In addition, this prescriptive requirement would not allow other means of connecting to the utility's grid, such as through Feed-In-Tariffs or negotiated or competitively bid power purchase agreements.

- Section (a)(3) of the bill would essentially allow the wheeling of electricity if the state contracts with a renewable energy producer that is located on property other than the site of consumption. There are many complex issues involved in determining whether and how electricity should be allowed to be wheeled and under what circumstances, conditions and costs. The Commission began the investigation of intra-governmental wheeling in a docket, but suspended it pending the consideration of other means of connecting renewable generation to the electrical grid. A more detailed analysis and evaluation of wheeling proposals should probably be considered before deciding to require it.

Thank you for the opportunity to testify.

**Testimony Before the Senate Committee
On
Energy and the Environment
February 4, 2010 (3:00PM)**

S.B. 2555 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. 2555.

The HECO Companies support customer participation in Net Energy Metering projects, including government entities that participate as customer-generators. However, we oppose S.B. 2555

First, it is not clear that government entities will achieve electric bill savings through purchasing electricity in bulk. Unlike on the mainland where municipalities have been able to aggregate loads and achieve a discount for bulk electricity purchases under a deregulated environment, here in Hawaii, the aggregated load may in fact lead to a higher bill, based on the allocation of revenue recovery from the different customer classes approved by the Public Utilities Commission.

Second, government entities can already take advantage of adding renewable energy resources by participating in Net Energy Metering without aggregating energy purchases.

Third, contracting with a renewable energy producer remote from the customer's property entails retail wheeling. The HECO Companies have concerns that this bill appears to authorize wheeling without first determining whether wheeling is feasible, has definite benefits in Hawaii, and is in the public interest. These are the same concerns that we have raised in our testimony for S.B. 2858. Wheeling is a complex process which raises many operational, regulatory, legal, and ratemaking issues.

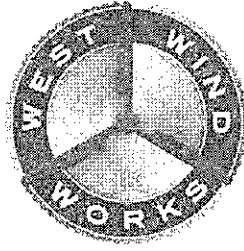
These issues include:

- (1) identifying what impact, if any, wheeling will have on Hawaii's electric industry;
- (2) addressing interconnection matters (for safety and reliability);
- (3) identifying the costs to the utilities of implementing wheeling;

- (4) identifying any rate design and cost allocation issues amongst customers associated with wheeling;
- (5) the financial cost and impacts of wheeling on non-wheeling customers of a utility;
- (6) identifying any power back-up issues;
- (7) addressing how rates for wheeling would be set.

As we have described in our S.B. 2858 testimony, given the many activities ongoing to promote renewable energy and the limited resources of the PUC, the Consumer Advocate and many other stakeholders, the PUC determined it is wiser to delay further consideration of intra-governmental wheeling until these issues are resolved. This delay was recommended by the State of Hawaii, including the Consumer Advocate, along with Hawaiian Electric in signing the energy agreement under the Hawaii Clean Energy Initiative in October 2008.

For these reasons, we oppose S.B. No. 2555. Thank you for the opportunity to testify.



TESTIMONY BEFORE THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT IN SUPPORT OF S.B. NO.2858 RELATING TO RETAIL WHEELING AND S.B. NO. 2555 RELATING TO GOVERNMENTAL AGGREGATION OF ELECTRICITY USAGE

February 4, 2010, 3:00pm, Conference Room 225

Chairman Gabbard and Vice-Chairman English and members of the Committee, I am Keith Avery, President, and testifying on behalf of West Wind Works, LLC (3W) and Oahu Wind Power Partners, LLC (OWP). West Wind is a local wind energy development company that has been originating wind projects in Hawaii for almost 30 years with some connection to most of the wind projects in the State. Our goal continues to be to utilize Hawaii's indigenous renewable resources to provide the people of Hawaii with long-term fixed price energy supply and price security. In maintaining our goal, we support the multiple existing energy self-sufficiency Plans, Policies and Initiatives, as well as new, 21st century legislation, regulation and policy changes for the federal, state and local governments, the State of Hawaii Public Utilities Commission ("PUC"), and the electric utilities to encourage increased use of renewables in Hawaii.

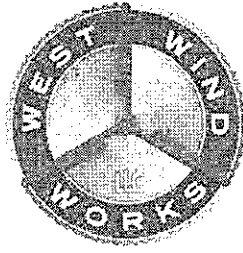
SB 2555, by requiring the PUC to adopt rules that will enable government entities to purchase directly, through Power Purchase Contracts, aggregated and bulk power from renewable energy producers; partnered with SB 2858, which would establish the basis for a retail wheeling mechanism for renewable energy producers to provide electricity directly to retail consumers, thereby increasing competition, customer choice, and promoting maximum integration of renewables, offers the following additional opportunities and benefits:

1. Generates "Renew Revenues" for the State created by the increased market development opportunity of the State's renewable indigenous resources producing the two-fold benefit of monetizing our abundant wind and other renewable resources, while reversing the outflow of balance of trade oil dollars.
2. Creates needed "admission" for renewable energy suppliers by providing open access to transmission, supporting and enhancing critically needed local energy supply alternatives.
3. The Utility participates by providing transmission access, firming and ancillary services. Through the Renewable Energy Infrastructure

67-287 Kahaone Loop
Waialua, Hawaii 96791
Ph: 808.430.9989

keith@westwindworks.com

1800 Eagle Mill Road
Ashland, Oregon 97520
Ph: 541.944.2327



Program, the HECO Companies will be permitted to rate base costs for new transmission, storage, control devices, etc., to incorporate the potential new inflow of renewable Projects and Renewable dollars.

4. 3W and OWP are in the process of developing three wind Projects on Oahu: The Na Pua Makani 25MW near Kahuku; a 270MW project off-shore Campbell Industrial; and a 5MW wind-to-renewable hydrogen demonstration project. All the Projects would be on State land and would allow the State to maximize new revenues and develop long-term revenue producing resource assets.
5. Total capital costs for our proposed wind projects are above \$2 billion. Lease payments to the State should approach over \$100 million, balance of trade at a conservative \$1 billion, and 20 year fixed price energy and supply security, which provides immeasurable and "priceless" benefits.
6. The additional benefit, besides the socio-economic benefits, creation of long term jobs, and environmental stewardship through Habitat Conservation Plans, is that State, federal, and military facilities could receive the twenty year fixed prices directly and secure a sustainable supply of renewable energy. The buyer would be responsible to pay the Utility for its [fixed] wheeling prices.

This legislation is necessary, despite the pending wheeling docket before the PUC. This legislation offers more alternatives to increase renewable energy in Hawaii. Further, there is the possibility that the wheeling docket could be further suspended and result in delays that the State and its people can no longer afford.

West Wind Works, LLC and Oahu Wind Power Partners, LLC appreciates the opportunity to testify in support of Senate Bills Nos. 2858 and 2555, which will be critical and instrumental in bringing Hawaii closer to its goals of 70% self-sufficiency by 2030.

Mahalo Nui Loa

67-287 Kahaone Loop
Waialua, Hawaii 96791
Ph: 808.430.9989

keith@westwindworks.com

1800 Eagle Mill Road
Ashland, Oregon 97520
Ph: 541.944.2327



Hawaii Solar Energy Association
Serving Hawaii Since 1977

February 4, 2010
3:00 P.M.

Senate
COMITTEE ON ENERGY AND ENVIRONMENT
SB2555

Mark Duda
President

TESTIMONY IN STRONG SUPPORT

Aloha Chair Gabbard and Vice Chair English:

HSEA strongly supports this measure, which allows government entities to begin taking advantage of their position as the largest purchasers of electrical energy in the State of Hawaii. The situation is analogous to that in the health care industry where government entities are in the process of exercising the might of their combined buying power to purchase prescription drugs from manufacturers in bulk at the lowest possible rates. There is no reason why government entities in the State of Hawaii could not and should not give themselves the same opportunity, especially given the State's current budget challenges.

The primary outcomes for the State of Hawaii and other aggregate energy purchasers if this measure were to pass would be (1) reduced per kWh cost for electricity and (2) stable long term pricing for these kWh. Each of these provides a direct financial benefit. Meanwhile, the measure would also benefit the renewable energy community, which would likely develop many of the projects from which the aggregators envisioned the measure would purchase energy. Finally, the bill specifically envisions making electric utilities whole by compensating them for line losses and the use of their transmission and distribution systems. Assuming the Public Utilities Commission agrees to decouple the HECO Companies revenues from sales, as is currently being contemplated in docket 2008-0274, the impact on the utilities of this plan will be negligible.

In short, this is a significant step that is long overdue. Failing to proceed in this direction means the taxpayers will continue to overpay for something that they could have more cheaply, allowing the State to devote more resources to other pressing social problems such as education and homelessness.

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

Officers

President
Warren S. Bollmeier II

Vice-President
John Crouch

Secretary/Treasurer
Cully Judd

Directors

Warren S. Bollmeier II
WSB-Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
Solar Power Systems
International

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

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

SB 2555, RELATING TO ELECTRICITY USAGE

February 4, 2010

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 2555 are to: (i) require the public utilities commission to adopt rules that will enable government entities to purchase electricity in bulk electrical loads; and (ii) authorizes government entities that purchase electricity in bulk electrical loads to contract with renewable energy producers.

HREA strongly supports this measure and offer the following comments in support:

1. Who is an Aggregator? “Aggregator” is defined in this measure as a government entity which buys bulk power, and presumably would distribute the power to end users behind a “master” meter. If so, we understand that aggregation already exists on HECO’s system, for example, with the Navy at Pearl Harbor.
2. Is this Net Metering? In part, yes, as the measure would allow the Aggregator to install a renewable facility under the net metering law and presumably distribute the renewable electricity behind the “master meter.” If so, perhaps this should be clarified.
3. Is this Retail Wheeling? In part, yes, as the measure would allow the Aggregator to enter into a bilateral agreement with a renewable producer who would perhaps sell renewable electricity to the Aggregator under a wheeling agreement with the public utility. If so, perhaps this should be clarified.
4. An Interesting Twist or Two. This measure would allow “wheeled” power to count against a net metering agreement, and include allowances for: (i) energy losses between the producer and Aggregator sites, (ii) costs for ancillary services. HREA notes that the level of power delivery would likely be in the MW range, and this is not currently allowed under net metering. This should be clarified.
5. Recommendations. HREA notes that this measure is both and at the same time innovative and provocative. We recommend that this measure be passed out with clarifications as recommended above.

Thank you for this opportunity to testify.