

**SB 2858**

**TESTIMONY OF CARLITO P. CALIBOSO  
CHAIRMAN, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
FEBRUARY 24, 2010**

**MEASURE: S.B. No. 2858 S.D.1**  
**TITLE: Relating to Retail Wheeling**

Chair Baker and Members of the Committee:

**DESCRIPTION:**

This bill would require the Public Utilities Commission ("Commission") to establish policies, and rules for the deployment of retail wheeling to enable renewable energy producers operating on state lands to sell electricity directly to state government entities located on the same island as the producer.

**POSITION:**

The Commission takes no position on the bill, and provides the following comments.

**COMMENTS:**

- The Commission has an open docket (Docket No. 2007-0176) investigating the implementation of intra-governmental wheeling of electricity.
- The Commission has suspended that docket until December 1, 2010 in order to allow for the conservation of the limited resources of the stakeholders in the Hawaii energy arena while the necessity of an intra-governmental wheeling proceeding is evaluated in light of the numerous commitments made in the Energy Agreement.
- 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. As discussed above, the Commission began the investigation of intra-governmental wheeling, 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.

- Accordingly, if the legislature determines that it is important to consider allowing retail wheeling to government entities as provided in this bill, that the bill be amended to provide that the commission shall consider this type of wheeling and may do so by "rule or order" and that the deadline for establishment of rules be deleted.

Thank you for the opportunity to testify.

TESTIMONY BEFORE THE  
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Wednesday, February 24, 2010  
10:00 a.m.  
Conference Room 229, State Capitol

S.B. NO. 2858, S.D.1

RELATING TO RETAIL WHEELING

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

Chair Baker, Vice-Chair Ige, and Members of the Committee:

My name is Kevin Katsura providing testimony in opposition to S.B. No. 2858, S.D.1 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).

This bill requires that, no later than July 1, 2011, the Public Utilities Commission (PUC) establish the necessary policies and rules for the deployment of retail wheeling to enable independent power producers to sell electricity directly to end users.

The Hawaiian Electric Companies strongly oppose this bill because it requires the implementation of "retail wheeling" without first determining whether "retail wheeling" is feasible, has definite benefits in Hawaii, and is in the public interest. "Retail wheeling" is a complex process which raises many operational, regulatory, legal, and ratemaking issues.

The PUC has already initiated a proceeding to examining the feasibility of intra-governmental wheeling, a more focused investigation, in response to the 2004 Legislature's Senate Concurrent Resolution No. 180 ("S.C.R. No. 180"), which requested that the Commission explore ways to implement intra-governmental wheeling to facilitate government wheeling of electricity, and other regulatory measures to support the development of renewable energy systems by federal, state, and county agencies. While intra-governmental wheeling is more specific than "retail wheeling", "retail wheeling" raises many of the same complex 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.

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 other 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.

In addition, since this bill does not restrict wheeling solely to renewable energy, this bill may affect the amount of renewable energy that can be taken on the Hawaiian Electric Companies' respective systems.

Further, S.D.1 appears to have intended to limit this bill to situations where independent renewable energy producers on state lands may sell directly to state governmental entities as stated in Section 1. However, this is not clearly reflected in the language of the bill. It is essentially the same as the original S.B. 2858.

Moreover, even if this bill was limited to independent renewable energy producers on state lands selling directly to state governmental entities, it raises the same issues as those in the intra-governmental wheeling docket.

For these reasons, we oppose S.B. No. 2858, S.D.1. Thank you for the opportunity to provide testimony.

Testimony Before the Senate Committee on  
Commerce and Consumer Protection

By: Michael V. Yamane, P.E.  
Engineering Manager  
Kauai Island Utility Cooperative  
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Wednesday, February 24, 2010, 10:00am  
Conference Room #229

**Senate Bill No. 2858 SD1 – Relating to Retail Wheeling**

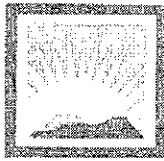
To the Honorable Roslyn H. Baker, Chair; David Y. Ige, Vice-Chair,  
and members of the Committee:

KIUC opposes Senate Bill No. 2858, SD1 and respectfully submits comments:

KIUC believes this measure is unnecessary because the PUC has already opened a docket on Intra-governmental wheeling.

Wheeling power over a utility's existing infrastructure has many complex financial issues, as well as technical ancillary service issues. While this may be common for the mainland grid where all electric utilities are basically tied together in one national grid, this application of wheeling really does not make sense for an island utility.

Thank you for the opportunity to inform you of KIUC's position on this matter.



## Hawaii Solar Energy Association

*Serving Hawaii Since 1977*

February 24, 2010  
10:00AM

Senate  
**COMITTEE ON COMMERCE AND CONSUMER  
PROTECTION**

Mark Duda  
President

**SB 2858 SD1**

### **TESTIMONY IN STRONG SUPPORT**

Aloha Chair Baker, Vice Chair Ige, and Members of the Committee:

HSEA strongly supports this measure. As noted in the purpose clause, despite Hawaii's ongoing efforts to be a leader in the energy field, we lag behind roughly one-third of other states in restructuring our electricity markets in ways that will promote efficiency throughout the system and lower costs to end-users. Retail wheeling is an important step that will help us catch up to these other states. In the process, it will create jobs and develop Hawaii's emerging renewable energy economy.

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.

The need for this measure is apparent in the twin facts that Hawaii has both the highest electricity costs and the highest petroleum shares of total generation in the entire country. Retail wheeling is a significant step that is now overdue and which heralds future measures that the legislature can consider to improve the efficiency, lower the cost, and improve the reliability of electrical supply throughout our state.

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.*



TESTIMONY OF TAWHIRI POWER LLC  
ON SB 2858, SD 1  
BEFORE THE SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION  
WEDNESDAY, FEBRUARY 24, 2010 AT 10 a.m.

TO THE HONORABLE CHAIR BAKER AND MEMBERS OF THE COMMITTEE:

My name Sandra-Ann Y.H. Wong and I am testifying on behalf of Tawhiri Power LLC ("TPL") on SB 2858, SD 1.

TPL is an Independent Power Producer ("IPP") that owns and operates Pakini Nui Wind Farm located in the South Point Area on the Island of Hawaii. The Pakini Nui plant generates renewable energy that is sold to the Hawaii Electric Light Company, Inc. pursuant to a Power Purchase Agreement. TPL is also a party to the Feed-In Tariff Docket currently before the Hawaii Public Utilities Commission.

TPL requests this Committee to amend this bill to reinsert its original language to permit retail wheeling to all electric customers, not just government agencies. In support of its requests, TPL reiterates its original testimony that was submitted to the Senate Committee on Energy and Environment:

TPL agrees with the findings of the Legislation, as cited in the bill, that Retail Wheeling "can provide a vehicle for increased competition in energy markets and improved service and customer choice without requiring the utility to divest its own generation assets or lose control over the operation of transmission and distribution." For example, currently electric public utilities are not meeting the demands by consumers for electricity for electric cars. If retail wheeling was implemented, renewable IPPs could provide electricity directly to the consumer without having to wait for the electric public utilities to make the necessary arrangements to procure and/or generate the increased demand for electricity.

Enabling retail wheeling to meet electric vehicles energy requirements will immediately yield the following benefits:

1. Reduction of the transmission and distribution components of retail electric rates for consumer as a result of increased transmission and distribution revenues due to load growth;
2. Total avoidance of stranding prior investments and associated inequities;
3. Reduction of potential curtailment of renewable energy production during low-load conditions (especially at night time) and avoidance of associated economic inefficiencies that would otherwise handicap Hawaii's renewable energy development programs including the FIT;
4. Increased competition and efficiency of the renewables energy sector;
5. Job creation as the fleet of electric vehicles grows;
6. Improved trade balance for the state of Hawaii with the expected shift from growing dependence on imported fuel to greater reliance on indigenous energy resources; and
7. Accelerated reduction of criteria emissions and greenhouse gases.

The requested legislative action is truly a win-win-win-win-win reform: for ratepayers, utility shareholders, the environment, Hawaii's economy and IPPs.

Continuation of a blanket ban on retail wheeling without regard to the advantages and opportunities that Hawaii stands to gain from accelerated development of a totally zero-carbon transportation sector serves no purpose other than securing new loads to utilities at great cost to consumers and society. Utility monopoly

over future electric vehicles energy sales will not benefit Hawaii for two reasons:

- It will delay growth of the new market because of the procedural and economic inefficiencies inherent with a regulated monopoly.
- It will increase transportation costs to citizens.

Hawaii has embarked itself on a strategy aiming to replace fossil generation with renewable energy to the extent feasible. This implies that all new loads (i.e., any load growth increment) must be served by renewable energy. Such energy would have to come primarily from one of five sources: (i) FIT production; (ii) QF generators; (iii) Individually negotiated IPP supplies; (iv) Utility owned projects; or (v) A mix of supplies from two or more of such sources. Thus, continued blanket banning of retail wheeling amounts to preserving the utilities' role as the sole seller of renewable energy to electric vehicle owners. The cost to consumers of this policy will consist of two:

- The difference between the efficiency of a market of many sellers and many buyers (if retailing wheeling to electric vehicles is permitted) and inefficiency of having a bottleneck monopoly (if the blanket ban on wheeling continues on).
- The economic value of foregoing the seven benefits outlined earlier.

In conclusion, there is absolutely no logical argument that can be put forward in defense of barring retail wheeling from renewable energy producers to new loads in the form of electric vehicles.

# HAWAII RENEWABLE ENERGY ALLIANCE

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Kahua Ranch Ltd.

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

### SB 2858 SD1, RELATING TO RETAIL WHEELING

February 24, 2010

Chair Gabbard and Vice-Chair Ige 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 SB 2858 SD1 to require the public utilities commission to establish policies and procedures related to retail wheeling to enable renewable energy producers operating on state lands to sell electricity directly to state government entities located on the same island as the producer. HREA strongly supports this bill 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. It can also help entities, including the military, meet specific agency goals.
2. What are the benefits to the State? In addition to the above, retail wheeling can help state agencies “lead by example.” Furthermore, energy savings translates directly to taxpayer savings. We do recognize that there are implementation issues, but we view these challenges as opportunities to increase “innovation and competition” in the market place. For example, there are “book-keeping” solutions for keeping track of those “green” electrons.
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 can preclude the need for expensive, time-consuming and potentially litigious solicitations, and complement net metering and Feed-In tariffs for acquisition of renewables. The utility would receive a T&D access charge from providers. Moreover, we see this as an opportunity for the utility to focus on T&D and other infrastructure investments which we believe is a key intent of the HCEI.
5. Recommendations. The PUC initiated a docket on Intragovernmental Wheeling, but has suspended it until December 2010. We recommend that this docket be re-opened immediately and to expand the scope to consider retail wheeling to all end-users from any location.

Thank you for this opportunity to testify.