

LATE

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Chair Gabbard and Committee Members:

Introduction: My name is Sandra-Ann Y.H. Wong and I would like to offer a few comments on SB461 on behalf of Tawhiri Power LLC ("TPL"). TPL is an Independent Power Producer ("IPP") who as a Qualifying Facility sells electrical energy generated from wind to Hawaii Electric Light Company, Inc. pursuant to a power purchase agreement ("PPA"). Under the PPA, the price to be paid to TPL is based on HELCO's avoided cost; and HELCO's avoided cost is the cost to which ratepayers would be **indifferent**. TPL does **not** receive subsidization from HELCO's ratepayers.

TPL assumes that this bill was introduced in response to the Hawaii Public Utilities Commission's initiation of Docket No. 2008-0273: Instituting a Proceeding to Investigate the Implementation of Feed-in Tariffs ("FIT") and to provide the PUC it with the flexibility to set FIT rates above avoided cost. Although, TPL takes no position on SB461 it would like to comment that the concept of avoided cost is not passé. The bill's strong emphasis on decoupling future prices for renewable energy from fossil fuel prices is tantamount to dismissing the avoided costs approach as an outdated and not needed. Such mindset can be very misleading and harmful. Knowing a utility's avoided costs is absolutely necessary for benchmarking investments in alternatives means to meeting customers energy needs regardless of the methods used to pay for such alternatives, including the proposed FIT. Defining a floor for cost effectiveness testing without an accurate, transparent and mutually agreeable methodology for determining avoided costs is not possible.

If the legislature is making a blanket assertion that the avoided cost approach is no longer appropriate, will the PUC order that all existing contracts – which currently supply the bulk of the State's renewable energy production – be renegotiated to switch them to new PPAs based on rates decoupled from fossil fuel prices? Is this an intended consequence of the proposed legislation? If not, then the legislature should make it clear it does not intend to force the renegotiations of existing contracts.

Clearly, Hawaii's renewable energy goals require development along two tracks: the proposed FIT mechanism and a just and reasonable avoided cost methodology. The first covers those projects that may require support beyond payments at avoided costs. The second includes existing plants financed and supported by contracts structured on the basis of compensations at avoided costs as well as future renewable projects interconnected at voltages higher than FIT facilities.

Finally, because of the important role that avoided costs can play for both existing and future resources at all voltage levels and project sizes, the need for a fully transparent methodology for determining avoided costs is more pressing than ever. We strongly recommend that the legislature direct the PUC to initiate a formal proceeding for identifying and establishing such methodology with **full observance of the requirements of due process** at the earliest possible time. The current avoided cost methodology, which was conceived and detailed without contributions from IPP developers, is severely lacking with respect to transparency and technical details. The proposed FIT rate determinations would also benefit from analyses that fairly and reasonably represent the utility's avoided costs.

Thank you for the opportunity to submit comments.