

SB703, SD1

Measure Title: RELATING TO ENERGY.

Report Title: Governmental Wheeling; Inter and Intra; Public Utilities; Transmission and Distribution Fee

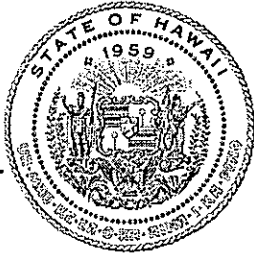
Description: Requires the public utilities commission to adopt rules and issue orders relating to intra-governmental wheeling and inter-governmental wheeling that enable renewable energy producers operating on public lands to sell electricity directly to governmental entities located on the same island. Authorizes public utilities to charge a transmission and distribution fee for both intra-governmental wheeling and inter-governmental wheeling. (SD1)

Companion:

Package: None

Current Referral: ENE, CPN

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**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

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RICHARD C. LIM

Interim Director

Department of Business, Economic Development, and Tourism
before the

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Thursday, February 24, 2011

11:00 am.

State Capitol, Conference Room 229

in consideration of

SB 703 SD1

RELATING TO ENERGY

Good Afternoon Chair Baker, Vice Chair Tanaguchi, and
Members of the Committee.

The Department of Business, Economic Development, and
Tourism ("DBEDT") supports the intent of Senate Bill 703 SD1, to
establish a mechanism to enable renewable energy producers
operating on public lands to sell electricity generated from
renewable sources directly to governmental entities. SB 703 SD1
amends Hawaii Revised Statutes § 269 to include 269-A, B, and C,
identifying intra and inter-governmental wheeling and associated
transmission and distribution fees. All of which are aligned
with the State's clean energy programs by allowing the
government to procure more renewable energy. In addition, SB

703 SD1 encourages the Public Utility Commission ("PUC") to add this issue to its 2011 docket for discussion and consideration.

DBEDT would like to inform both committees that the PUC has already initiated Docket No. 2007-176, to examine the implementation of governmental wheeling in the State of Hawaii. On November 13, 2008, with the signing of the Energy Agreement by the Governor, the Consumer Advocate, DBEDT and the HECO Companies, the docket was suspended by the PUC in order to allow the parties to focus on the implementation of the Energy Agreement. Based on the continued level of interest in wheeling as a mechanism to further the development of renewable energy resources, the PUC reinstated the wheeling docket on November 12, 2010. The docket is addressing many complex issues including but not limited to: 1) indentifying what impact, if any, wheeling will have on Hawaii's electric industry; 2) addressing interconnection matters; 3) indentifying costs to the utilities; 4) indentifying rate design and cost allocation issues; 5) considering the financial cost and impact of wheeling on non-wheeling customers of a utility 6) indentifying power back-up issues; and 7) addressing how rates for wheeling would be set.

DBEDT believes the need to reduce Hawaii's dependence on imported fossil fuels remains a compelling reason to examine regulatory mechanisms such as wheeling, but believes the PUC is

the appropriate venue to debate the issues, benefits, fees, and unintended consequences that could arise with wheeling.

Thank you for allowing DBEDT to provide comments in this matter.

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, 2011

MEASURE: S.B. No. 703 SD1
TITLE: Relating to Energy.

Chair Baker and Members of the Committee:

DESCRIPTION:

This bill requires the Public Utilities Commission ("Commission") to adopt rules and issue orders relating to intra-governmental wheeling and inter-governmental wheeling that enable renewable energy producers operating on public lands to sell electricity directly to governmental entities located on the same island. It also authorizes public utilities to charge a transmission and distribution fee for both intra-governmental and inter-governmental wheeling. Revisions contained in SD1 inserts "from renewable sources" after the word "electricity", where appropriate.

POSITION:

The Commission opposes this bill, although it does not *per se* oppose "wheeling" as the Commission is in fact actively investigating wheeling issues in an open docket.

COMMENTS:

- The Commission has an open docket (Docket No. 2007-0176) investigating the implementation of intra-governmental wheeling of electricity.
- While the Commission had suspended the docket, it was recently reactivated and a procedural schedule approved that coordinates with the reliability standards development process taking place in the feed-in tariff docket (Docket No. 2008-0273).
- 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. **A more detailed analysis and evaluation of wheeling proposals, including any possible impact on consumers, should be considered before deciding to require wheeling as proposed in this bill.**

Thank you for the opportunity to testify.

Testimony of
Lisa Hinano Rey
Member, Environmental Caucus of the Democratic Party

Before the Committee on CPM
02-24-1111:00AM in conference room 229.

Senate Bill 703 Relating to Energy

I am in favor of passage of this bill. It is important to require that the public energy utility set guidelines to allow for wheeling of alternative energy solutions. It is in the best interests of the State and the State's goals of energy independence from imported fossil fuels to begin moving our energy usage to alternative sources.

Lisa Hinano Rey

TESTIMONY BEFORE THE
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Thursday, February 24, 2011

11:00 a.m.

S.B. NO. 703, S.D.1
RELATING TO ENERGY

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

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

My name is Kevin Katsura providing written testimony in opposition to S.B. No. 703, 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: (1) the Public Utilities Commission (PUC) adopt rules for the deployment of intra-governmental wheeling and inter-governmental wheeling and (2) for the PUC to establish a wheeling tariff by July 1, 2012..

The Hawaiian Electric Companies strongly oppose this bill because it requires the implementation of "wheeling" without first determining whether "wheeling" is feasible, has definite benefits in Hawaii, and is in the public interest. "Wheeling" is a complex process which raises many operational, regulatory, legal, and ratemaking issues. The PUC already has initiated a proceeding to examining the feasibility of intra-governmental wheeling.

Some of the complex issues being examined regarding intra-governmental wheeling 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.

For these reasons, we oppose S.B. 703, S.D.1. Thank you for the opportunity to testify.

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

Thursday, February 24, 20 11:00am
Conference Room #229

Senate Bill No. 703 SD1 – Relating to Energy

To the Honorable Roslyn H. Baker, Chair; Brian T. Taniguchi, Vice-Chair,
and members of the Committee:

KIUC opposes Senate Bill No. 703, SD1 and respectfully submits comments:

The purpose of this act is to authorize the PUC to establish a wheeling tariff where independent renewable power producers may sell power to government agencies on the same island. 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, the application of wheeling may not make sense for an island utility.

Also as a Cooperative, the Federal, State, and County agencies are in fact owners of the business which gives opportunity for KIUC to work directly with its members and come up with solutions that has benefits to the entire membership and not just one entity.

KIUC is aggressively pursuing renewable energy with a goal of 50% by 2023. This can only be done with the cooperation of all the government agencies, landowners, and developers and while KIUC believes this measure is well intended, it is unnecessary and may have unintended consequences on KIUC and its members.

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



TESTIMONY OF TAWHIRI POWER LLC
ON SB 703, SD 1
BEFORE THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION
THURSDAY, FEBRUARY 24, 2011 AT 11 a.m.

TO THE HONORABLE CHAIR BAKER AND MEMBERS OF THE COMMITTEE:

Tawhiri Power LLC ("TPL")¹ has long been a big supporter of retail wheeling of clean energy by all producers in the State of Hawaii because 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."² However, **TPL cannot suppose SD 703, SD 1 in its current form** because of the following reasons:

1. It discriminates against independent renewable energy producers that are not located on public lands/state lands. Independent renewable energy producers such as TPL should not be barred from participating in any wheeling program just because they are not located on public lands/state lands. Barring them from participation would put them at a competitive disadvantage to their counterparts on public lands/state lands. Moreover, the current draft provides no justification for such blatant discrimination; and
2. It limits wheeling to intra-governmental and inter-governmental.

Accordingly, TPL would respectfully propose the following amendments:

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.

² See SB 2858 introduced in the 2010 Regular Legislative Session.

1. Expand the definition of independent renewable energy producers to include all independent renewable energy producers; and
2. Expand the scope of this bill to include full retail wheeling.

Thank you for the opportunity to testify.