



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, January 31, 2012
8:15 a.m.
State Capitol, Conference Room 325
in consideration of
HB2525
RELATING TO ELECTRICITY

Good Morning Chair Coffman, Vice Chair Kawakami and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports HB2525 to ensure fair and transparent grid access that is critical to achieving Hawaii's transformation to clean energy. We would like to offer the following comments for the Committee's consideration.

The purpose of HB2525, Relating to Public Utilities, is three-fold: (1) to authorize the Public Utilities Commission (PUC) to perform necessary electric system reliability and grid access oversight functions; (2) to allow the PUC to contract for the services of a Hawaii electricity reliability administrator; and (3) to allow the PUC to establish a surcharge applied to "users and operators of the Hawaii electric system", for the purpose of maintaining system reliability.

Providing the PUC the authority to perform electric system reliability and grid access oversight function also effectively confers to the PUC the responsibility for ensuring and maintaining system reliability and security as currently assumed by the electric utilities. This can serve a valuable public service. A disinterested quasi-judicial body is better suited to serve as an impartial standard-bearer on the greatest penetration of renewable energy that can reliably and safely enter the grid than a privately owned utility. This assumes the PUC will successfully secure the resources to establish the technical capacity to assume this responsibility from the utility.

We also note that the electricity reliability administrator is set up similar to the public benefits fund administrator. Unlike the public benefits fee administrator statute, HRS 269-123, HB2525 does not specify the requirements for the electricity reliability administrator who will be entrusted with the PUC's very important and significant authority and duties "to ensure the reliable design and operation of the Hawaii electric system." However, it is a reasonable expectation that the PUC's consultant can adequately prepare these essential specific requirements, responsibilities and standard operating procedures for the electricity reliability administrator as a first order of business, administratively.

Thank you for the opportunity to offer these comments.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
JANUARY 31, 2012

MEASURE: H.B. No. 2525

TITLE: Relating to Electricity

Chair Coffman and Members of the Committee:

DESCRIPTION:

This measure will provide the Commission with explicit authority to develop, adopt, and enforce electric reliability standards and provide grid interconnection oversight for all parties connecting to the Hawaii electric system, including independent power producers. The Commission is also given the discretion to contract for the performance of monitoring, enforcement, and advisory functions related to electric reliability and grid oversight with an entity to be designated the Hawaii Electricity Reliability Administrator ("HERA"). The measure also provides for a surcharge mechanism to fund HERA operations.

POSITION:

The Commission strongly supports this measure and would like to offer the following comments for the Committee's consideration.

COMMENTS:

The reliability of Hawaii's electric system is a central issue the State must address to achieve the maximum penetration of renewable energy generation on its grid. Currently, Hawaii's electric utilities are tasked with maintaining system reliability, but the rise in requests to connect to the grid with intermittent energy sources, such as solar photovoltaic and wind energy systems of varying size, demands a more formalized and transparent interconnection process to hold all participating entities responsible for system reliability. Therefore, electric reliability in Hawaii is dependent on the

Commission having the ability to directly oversee, with respect to reliability and interconnection issues, all parties connecting to the Hawaii system, including non-utilities.

Formal electric reliability standards are currently being developed for Hawaii's unique electrical system through the Reliability Standards Working Group ("RSWG") docket, which is a collective effort by government, the local electric industry, and other affected stakeholders to establish protocols for the stable operation of the Hawaii electric system. Standards developed through the RSWG process and adopted by the Commission will need to be enforced by an independent entity having the technical and operational ability to understand the intricate functioning of Hawaii's unique electrical grid systems. This measure would provide the Commission with the necessary means to ensure the resulting reliability standards are properly monitored and enforced by knowledgeable experts in this endeavor.

Finally, the Commission supports the surcharge mechanism for HERA operations, as it would ensure the funding of reliability standard monitoring and enforcement, and it would also closely tie the costs of electric system reliability to those benefiting most from interconnection transparency.

Thank you for the opportunity to testify on this measure.



LIFE OF THE LAND

76 North King Street, Suite 203
Honolulu, Hawai'i 96817

Phone: 533-3454; E: henry.lifeoftheland@gmail.com

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Rep. Denny Coffman, Chair
Rep. Derek S.K. Kawakami, Vice Chair

DATE: Tuesday, January 31, 2012
TIME: 8:15 a.m.
PLACE: Conference Room 325

Bill: HB 2525 RELATING TO ELECTRICITY

COMMENTS

Aloha Chair Coffman, Vice Chair Kawakami and Members of the Committee

My name is Henry Curtis and I am the Executive Director of Life of the Land, 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.

HB 2525 authorizes the Public Utilities Commission to develop, adopt, and enforce reliability standards for electric systems, and to oversee electric grid access; authorizes the Public Utilities Commission to contract for the performance of related duties with a party to be named the Hawaii Electricity Reliability Administrator.

We are in general support of the bill but we find a few things troubling about the bill.

The preamble states: "a number of technical, operational, and regulatory issues concerning Hawaii's long-running electrical system are stifling the full potential of local renewable energy production."

The electric grid in the County of Hawai`i has a renewable energy penetration level of 30%. The electric grid in the City and County of Honolulu has a renewable energy penetration level of only 5%. The O`ahu grid is stronger and more interconnected than the Hawai`i grid. Both are run by the HECO Companies. Both are run under the same regulatory structure.

So what prevents adding 300 MW of renewables to the O`ahu grid?

The University of Hawai`i (UH) Hawai`i Natural Energy Institute (HNEI) has published a study indicating O`ahu can add twice that amount – 600 MW – to the grid.

The full potential must be being blocked by something else.

The preamble states: "With a recent blackout affecting millions of people throughout the southwestern United States and northern Mexico, the need for solid reliability standards and accompanying grid oversight of modern electrical systems is readily apparent."

The September 2011 blackout occurred in California, Arizona and Mexico. These states have "solid reliability standards" overseen by an electric reliability council. This hardly is a reason why we, without such standards, should adopt them.

The preamble states: "Localized energy generation technology has become increasingly attainable for all types of renewable energy developers and the electricity consumer over the past several years."

We agree, and note that a highly localized, decentralized and distributed network would not require a grid. It could be dismantled.

The reason for establishing an electric reliability administrator is because we, as a State – have decided upon a particular future involving costly centralized power systems – without the community debate over the comparative cost, impacts, and reliability of centralized versus decentralized grids. We have chosen the system that rewards large rich multinationals without determining if it is in the public interest.

Mahalo

**Testimony
before the
House Committee on
Energy & Environmental Protection**

HB 2525 -- Relating to Electricity

**Tuesday, January 31, 2012
8:15 am, Conference Room 325**

**By Mathew McNeff
Acting Manager, Renewable Energy Services Department
Maui Electric Company, Ltd.**

Chair Coffman, Vice-Chair Kawakami, and Members of the Committee:

My name is Mathew McNeff. I am the Acting Manager of the Renewable Energy Services Department for Maui Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO). We support the intent of HB 2525 to establish electric reliability standards to govern all segments of the electric power system

Ensuring reliability and resiliency of the electric system as we increase renewable energy levels on Hawaii's electric grids is an important aspect to successfully achieve the State's ambitious renewable energy portfolio standard mandate. It is critical for the Public Utilities Commission to have the clear authority to perform necessary electric system reliability and grid access oversight functions, and to allow the commission to contract for the services of a Hawaii electricity reliability administrator to support the commission in carrying out those critical functions throughout the State.

As we work toward adding significant levels of new renewable resources to the grid, it is also important that the Commission oversees and make determinations regarding any disputes that arise from the process of interconnecting an electric generator with the electric system to facilitate timely resolution and advancement of projects as quickly as possible.

We would like to offer the following general comments on the bill:

1. The bill states its intent is to authorize the Public Utilities Commission ("PUC") to oversee and enforce the design and operation of the electric system in accordance with system reliability standards established by the Reliability Standards Working Group ("RSWG"). To ensure that system reliability standards are applied as intended, we would suggest that definitions used in the bill are consistent to the extent applicable with the Glossary of Terms being developed by the RSWG or vice-versa.
2. As currently drafted, the compliance and enforcement section applies specifically to compliance with "all adopted reliability standards". We would suggest that the section on compliance and enforcement also apply to "interconnection requirements" (as defined in part A) as well since the bill proposes the PUC to have the authority to make final determinations regarding any disputes concerning an existing or new interconnection.
3. Though the preamble makes reference to the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation, we suggest that the qualifications of the Hawaii Electricity Reliability Administrator ("HERA") include the skills and expertise necessary to understand the unique nature of Hawaii's island grid systems in establishing recommendations to the Commission on reliability standards.
4. The Public Utilities Commission should have the flexibility to allow utilities to recover appropriate and reasonable costs for interconnections, including but not limited to interconnection studies and related technical and operating analysis as well as improvements to the electric system to accomplish interconnections mandated by this bill through the Hawaii electric reliability surcharge.

We would be happy to continue to work with the Public Utilities Commission on clarifying language in this bill. Thank you for the opportunity to testify in support of this measure.

HAWAII RENEWABLE ENERGY ALLIANCE

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

Directors

Jody Allione
AES-Solar

Kelly King
Pacific Biodiesel

Matt Stone
Sopogy

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

HB 2525, RELATING TO ELECTRICITY

January 31, 2012

Chair Coffman, Vice-Chair Kawakami 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 HB 2525 are to: (i) authorize the Public Utilities Commission to develop, adopt, and enforce reliability standards for electric systems, (ii) oversee electric grid access; and (iii) authorize the Public Utilities Commission to contract for the performance of related duties with a party to be named the Hawaii Electricity Reliability Administrator.

HREA **strongly supports** this measure as it supports the state's overall clean energy objectives, and we offer the following comments in support:

- 1) The Commission has already started the development of reliability standards on its Docket No. 2011-0206, and HREA is proud to be an Intervenor in the docket
- 2) This measure will strengthen the process in three ways:
 - a) First, the measure requires the adoption and enforcement of the reliability standards. It is our belief that this process will allow the integration of more renewables on our island grids, but also improve the reliability of our grids,
 - b) Second, the measure provides the Commission with the additional resources to oversee and enforce the reliability standards, and
 - c) Third, the Hawaii Electricity Reliability Administrator will be an independent entity that reports directly to the Commission.

Thank you for this opportunity to testify.