



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

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 23, 2012
9:00 a.m.
State Capitol, Conference Room 211
in consideration of

SB2787 SD1
RELATING TO ELECTRICITY

Good morning Chair Ige, Vice Chair Kidani and Members of the Committee. The Department of Business, Economic Development, and Tourism (DBEDT) supports SB2787 SD1 to ensure fair and transparent grid access, which is critical to achieving Hawaii's transformation to clean energy.

SB2787 SD1 will authorize the Public Utilities Commission (PUC) to perform necessary electric system reliability and grid access oversight functions, allow the PUC to contract for the services of a Hawaii electricity reliability administrator, and allow the PUC to establish a surcharge for the purpose of maintaining system reliability. Ensuring reliability and resiliency of the electric grid as more renewable energy systems are developed is important to successfully achieve the State's renewable energy portfolio standard. Replacing utility control of grid access with a neutral, third party, entity will encourage clean energy development as appropriate.

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
SENATE COMMITTEE ON WAYS & MEANS

FEBRUARY 23, 2012

MEASURE: S.B. No. 2787, S.D. 1

TITLE: Relating to Electricity

Chair Ige and Members of the Committee:

DESCRIPTION:

This measure will provide the Commission with explicit authority to develop, adopt, and enforce electric reliability standards and interconnection requirements, 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:

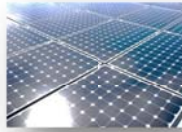
The Commission remains in strong support of this measure and would like to offer the following comments for the Committee’s consideration.

COMMENTS:

Senate Draft 1 of this measure incorporated several clarifying changes the Commission believes will strengthen the process for creating and implementing reliability standards and interconnection requirements for the State. The Commission firmly believes that establishing formal grid reliability rules and procedures is both necessary and economically beneficial to Hawaii ratepayers as the State moves toward maximum renewable energy penetration onto the system and potential interisland grid interconnection.

In addition, 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 submit written comments on this measure.



SENATE COMMITTEE ON WAYS AND MEANS

February 23, 2012, 9:00 A.M.

Room 211

(Testimony is 4 pages long)

TESTIMONY IN SUPPORT OF SB 2787 SD1

Chair Ige and members of the Ways and Means Committee:

The Blue Planet Foundation strongly supports SB 2787 SD1, a measure which authorizes the Public Utilities Commission (PUC) 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 (HERA) to support the commission in carrying out those critical functions throughout the State.

Rationale

Blue Planet views establishment of the HERA as a keystone clean energy legislation to enable more accessible, fair, transparent, and predictable grid interconnection for renewable energy generators while maintaining reliable system operations for the grid. Adoption of this policy will provide quasi-independent oversight of grid interconnection and operations to ensure that the utility is doing everything it can to reliably maximize the amount of renewable energy Hawaii uses.

Numerous technical, operational, and regulatory issues concerning Hawaii's century-old electrical system are stifling the full potential of renewable energy production. The proposed policy in SB 2787 SD1 can help clear the path by proposing a separate entity within the PUC to oversee grid interconnection and reliability. HERA would open the doors to greater integration of renewables while establishing formal, objective, and verifiable reliability and interconnection standards for Hawaii's electricity grids. Clear regulatory oversight of the state's grids would ensure system reliability, resiliency, and accountability.

What are reliability standards?

Blue Planet believes that all generators of electricity who plug into the various island electricity grids should be governed by formal electric system reliability standards similar to those promulgated by the North American Electric Reliability Corporation (NERC). Although Federal Power Act provisions concerning electric reliability standards do not apply in Hawaii, electric utility companies electric system planning and operations, including decisions concerning the interconnection and curtailment of renewable energy providers, should be governed by formal reliability standards.

Reliability standards are planning and operating rules that utilities follow to ensure system reliability. These standards are typically developed using a stakeholder-driven process similar to the current Reliability Standards Working Group. On the mainland, once the standards are approved by the U.S. Federal Energy Regulatory Commission (FERC), NERC reliability standards become legally binding on all owners, operators and users of the bulk power system. NERC has the legal authority to enforce compliance with NERC reliability standards, which it achieves in part through the imposition of financial penalties.

Successful models elsewhere

The experience of New Zealand demonstrates that formal reliability standards are appropriate and utilized not only in North America, but on isolated island electric grids similar to those in Hawaii. The electric system in New Zealand consists of two separate island grids with limited interconnection via a high voltage direct current undersea cable. The bulk power electric system is subject to formal reliability standards established by the New Zealand Electricity Commission¹. These New Zealand standards are comparable to NERC reliability standards governing North America.

For example, under New Zealand reliability standards, "Principal Performance Obligations," or PPOs, establish real-time reliability standards (i.e., system frequency and voltage control) the bulk electric system operator must comply with to ensure reliable operation of generation and transmission². Similarly, grid reliability standards set forth the requirements for the design and upgrade of the high voltage transmission system; these requirements are analogous to NERC reliability standards related to transmission planning³. The grid system operator is also required

¹ Available at www.electricitycommission.govt.nz/opdev/transmis/gridreliability/index.html#grs

² Available at www.electricitycommission.govt.nz/pdfs/rulesandregs/rules/rulespdfypartC-20Jul09.pdf

³ Available at www.electricitycommission.govt.nz/opdev/transmis/gridreliability/index.html#grs.

to submit monthly system performance reports to the Electricity Commission. The reports must summarize power system performance, including compliance with system frequency PPOs⁴.

Formal reliability standards similar to the NERC reliability standards are appropriate to guide Hawaii's transition to electric grids supplied by increasing amounts of renewable energy. Grid reliability has emerged as a critical issue in the addition of greater amounts of variable energy resources (solar, wind, etc.) to Hawaii's grid. Addressing the various technical impacts of increasing amounts of variable renewable energy on the electric grids demands formal reliability standards and operating practices tailored for Hawaii. Formal reliability standards (such as the NERC standards) may be particularly valuable in Hawaii because they provide an objective basis to assess any grid reliability impacts and ensure reliable grid operation.

Funding

Senate Bill 2787 SD1 contemplates establishing a surcharge to fund the reliability standards and the HERA. Blue Planet supports this surcharge but we note that a surcharge could be avoided by simply appropriating a greater share of the PUC special fund to the PUC.

Currently, the PUC is funded through the PUC special fund which collects funding from various sources, most significantly an annual fee of one-half of one per cent of the gross income of the public utility's previous year's business. About half of the revenue in this special fund—which receives approximately \$17 million to \$18 million annually—is diverted to the state's general fund, however. The PUC is currently deliberating dockets that will fundamentally reshape Hawaii's electric utility sector. Smart grid, reliability standards, on-bill financing, integrated resource planning—these dockets require thorough deliberation, research, and expert input. The PUC must have the talent and resources to adequately investigate and develop the right policies for Hawaii's 21st century electricity industry. The total funding available to them through their revenues should be available for their work.

The public utilities commission needs funding to navigate the multi-billion dollar transition to Hawaii's clean energy economy. Adoption of formal reliability and interconnection standards and HERA is a necessary additional expense. Appropriating the full amount of the PUC special fund to the PUC for the purposes of this important new role is a possible sensible solution to avoid an additional surcharge.

⁴ Available at www.systemoperator.co.n2/fl947.26087875/so-system-perf-repon-dec-09.pdf

Achieving the preferred system of energy self-sufficiency for Hawaii—one where wind and solar are no longer considered “alternative” energy—requires restructuring established paradigms in electricity production and distribution. An effective first step is replacing utility control of grid access with control by a neutral entity tasked with establishing reliability and interconnection rules that encourage clean energy development in all appropriate forms. Such a third-party oversight model for grid access has succeeded elsewhere in democratizing power production.

Thank you for the opportunity to testify.

From: [Ed Wagner](#)
To: [WAM Testimony](#)
Subject: Comments on SB2752, SB2785, SB2787 2/23/2012 9:00 AM
Date: Sunday, February 19, 2012 11:07:50 PM

Senator Kidani, Senator Ige,

Please explain why these bills aren't just another example of how HECO was going to rip off the ratepayers for a half billion dollars over 20 years in an **open-ended surcharge** on our electric bills last year if the PUC did not reject its biofuel application with Aina Koa Pono, Docket # 2011-0005?

What is your definition of an adjustable surcharge? It sounds like another open-ended surcharge like the one above. Has the bill been amended appropriately?

This bill looks like more of the same sock it to the ratepayers to impoverish more Hawaii families just so HECO can continue to increase profits by squeezing ratepayers more and more, trying to get blood out of a stone to maintain its profits at our expense. What is wrong with allowing big business to fund its own projects with the help of investors?

The grassroots movement to end the HECO 100 year old monopoly is growing stronger every day so please start supporting the people of Hawaii instead of the Big Bad Wolf. Washington is watching closely now and waiting for the right moment to jump in and help us oust our false energy god and free its hostages from its manipulation and control of our electric rates and our energy future.

<http://www.youtube.com/watch?v=iF-cWfubFao>

[HECO Taken to Task by Hawaii Resident's Complaint to Federal Trade Commission](#)

[Hawaii Deregulation Bill Seeks to End HECO's Monopoly](#)

[MECO Denies Maui Resident Small Solar Power Connection](#)

[Proposed Federal Trade Commission Complaint Against Hawaiian Electric](#)

[HELCO Blames Solar Users for Latest Rate Hike](#)

SB2752

.52 69 - Power purchase agreements; cost recovery for electric utilities.

All power purchase costs, including costs related to capacity, operations and maintenance, and other costs that are incurred by an electric utility company, arising out of power purchase agreements that have been approved by the public utilities commission and are binding obligations on the electric utility company, **shall be allowed to be recovered by the utility from the customer base of the electric utility company through one or more adjustable surcharges**, which shall be established by the Public utilities commission.

SBN2785

More surcharges to

SB2787

More of the same impoverishment of more Hawaii families to support HECO's lust for more and more money, power, manipulation, and control over politicians, businesses, and our future.

Sincerely,

Ed Wagner
Mililani