

SB 703

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

FEBRUARY 1, 2011

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

Chair Gabbard 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.

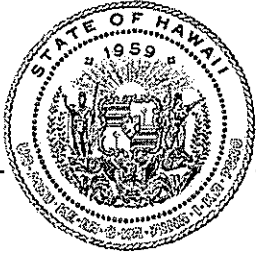
POSITION:

The Commission opposes the bill.

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 should probably be considered before deciding to require it.**

Thank you for the opportunity to testify.



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, February 1, 2011
3:30 p.m.
State Capitol, Conference Room 225
in consideration of
SB 703
RELATING TO ENERGY

Good Morning Chair Gabbard, Vice Chair English, and Chair Baker, Vice Chair Taniquchi, and Members of the Committee.

The Department of Business, Economic Development, and Tourism ("DBEDT") supports the intent of Senate Bill 703, to establish a mechanism to enable renewable energy producers operating on public lands to sell electricity to governmental entities. SB 703 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 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 are 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.



NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR

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EVERETT KANESHIGE
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2011

TUESDAY, FEBRUARY 1, 2011
3:30 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS, TO THE HONORABLE MIKE GABBARD, CHAIR, AND
MEMBERS OF THE COMMITTEE

SENATE BILL NO. 703 – RELATING TO ENERGY.

DESCRIPTION:

This measure proposes to require the Public Utilities Commission ("PUC") 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 to governmental entities located on the same island. It would also authorize public utilities to charge a transmission and distribution fee for wheeling.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports the intent of the measure.

COMMENTS:

This measure seeks to require Commission action on issues related to intra-governmental and inter-governmental wheeling. While the Consumer Advocate acknowledges the intent of the legislature, on November 12, 2010, the Commission reinstated Docket No. 2007-0176 relating to the investigation of intra-governmental wheeling, which had been suspended for over two years. This measure appears to duplicate the efforts of the Public Utilities Commission in Docket No. 2007-0176 with the

Senate Bill No. 703
Senate Committee on Energy and Environment
Tuesday, February 1, 2011, 3:30 p.m.
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exception of specifically requiring the Commission to also consider inter-governmental wheeling and the authorization of a transmission and distribution fee within the year 2012.

The Commission's Docket No. 2007-0176 involves the participation of all or many of the interested parties who would be deemed parties or participants in any Commission docket contemplated by this measure. Therefore, the analysis and policies to determine the reasonableness and feasibility of inter-governmental and intra-governmental wheeling as considered by this measure would be duplicative of the effort already before the Commission and already requiring limited State resources.

Thank you for this opportunity to testify.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

February 1, 2011
3:30PM

SENATE
COMMITTEE ON ENERGY AND ENVIRONMENT
SB 703

Mark Duda
President

TESTIMONY IN SUPPORT

Aloha Chair Gabbard, Vice Chair English, and Members of the Committee:

HSEA supports this measure, which allows government entities to begin taking advantage of their position as the largest purchasers of electrical energy in the State of Hawaii. The situation is analogous to that in the health care industry where government entities are in the process of exercising the might of their combined buying power to purchase prescription drugs from manufacturers in bulk at the lowest possible rates. There is no reason why government entities in the State of Hawaii could not and should not give themselves the same opportunity, especially given the State's current budget challenges.

The primary outcomes for the State of Hawaii and other aggregate energy purchasers if this measure were to pass would be (1) reduced per kWh cost for electricity and (2) stable long term pricing for these kWh. Each of these provides a direct financial benefit. Meanwhile, the measure would also benefit the renewable energy community, which would likely develop many of the projects from which the aggregators envisioned in the measure would purchase energy. Finally, the bill specifically envisions making electric utilities whole by compensating them for line losses and the use of their transmission and distribution systems.

In short, this is a significant step that is long overdue. Failing to proceed in this direction means the taxpayers will continue to overpay for something that they could have more cheaply, allowing the State to devote more resources to other pressing social problems such as education and homelessness.

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 financiers 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.

HAWAII RENEWABLE ENERGY ALLIANCE

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Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

SB 703, RELATING TO RENEWABLE ENERGY

February 1, 2011

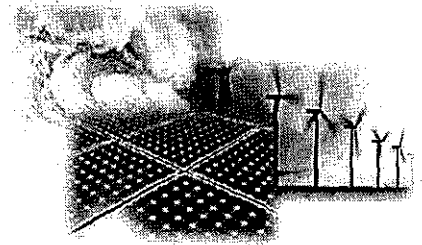
Chair Gabbard, Vice-Chair English and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's 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 HREA's 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 SB 703 are to: (i) require 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; and (ii) authorizes public utilities to charge a transmission and distribution fee for both intra-governmental wheeling and inter-governmental wheeling.

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

- (1) Impact on the Commission's Existing Intra-Governmental Wheeling Docket (No. 2007-0176). HREA is an Intervenor in the existing docket, which is for "Intra-Governmental Wheeling." We note that the "working definition" for "Intra-Governmental Wheeling" appears to be more like the definition of "Inter-Governmental Wheeling" in the proposed measure. At this point, we are not sure understand the potential implications due to the nuanced differences in the definitions, but do not see that as a serious problem
- (2) Intent of this Measure and the Proposed Timeline. We believe the intent of this measure could be addressed within the framework of the existing docket. The remaining question is can the deadline proposed in the measure be met (i.e., July 2012). We believe it could, but that it would likely require a "major rethinking" of the steps required to address the issues in the existing docket. In our opinion, given that the current docket will be paced by the current Stipulated Procedural Order, including the activities associated with the Reliability Standards Working Group in the FIT docket (No. 2008-0273), believe it is unlikely the deadline could be met. However, we believe the deadline could be met, if the Commission were to take more of a lead in establishing the Framework for "Governmental Wheeling" or "Retail Wheeling" for that matter.

Thank you for this opportunity to testify.



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

February 1, 2011, 3:30 P.M.

Room 225

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 703, PROPOSED AMENDMENT

Chair Gabbard and members of the Committee:

The Blue Planet Foundation supports SB 703, a measure specifically directing the public utilities commission (PUC) to develop intra- and inter-governmental wheeling policies. We offer an amendment to expand the scope of the policy to include full retail wheeling of electricity.

We note that governmental wheeling—a more limited form—has been under consideration by the PUC. On June 29, 2007, the PUC initiated an investigation to examine the feasibility of implementing intra-governmental wheeling of electricity in Hawai'i. This was partially the result of Senate Concurrent Resolution 180 adopted on April 30, 2004. This docket was suspended by the PUC until December 2010 to allow for the other regulatory dockets (such as feed-in tariffs and decoupling) to be resolved. The governmental wheeling docket is again active before the PUC. While we understand the need to proceed in an orderly way with these significant changes to the utilities' regulatory landscape, Blue Planet believes that further direction to the PUC to examine full retail wheeling in a broadest sense—where power generated by an independent power producer could be sold directly to a customer—is warranted.

Blue Planet Foundation's mission is to end the use of fossil fuels on Earth, starting by making Hawai'i a role model for energy independence. To that end, we believe that the role of electric utilities in Hawai'i will shift from a centralized producer-distributor model to a mostly decentralized, distribution manager model—the utility will control and manage the wires of the new smart grid but much of the power will come from independent, clean energy sources.

For example, currently, electricity flows in one direction: from the power plant to your home or business. This is much like television in the 1960s. When you turned on the TV, you watched whatever one of the three networks was broadcasting. You couldn't store the broadcast and you couldn't contribute your own content. That's roughly how our power grid operates today. Our future power grid will resemble today's Internet—where distributed servers both send and

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receive packets of information—and less like yesterday's commercial television. The role of the utility will be similar to an Internet provider, moving the electrons in the most efficient and effective manner.

Retail wheeling is a step toward that new model for the utility, where independent power producers can enter into agreements with end users and effectively "rent" the transmission and distribution capability from the utility. Such an arrangement would open the doors to innovation and encourage more to invest in clean energy development.

For example, the Kaheawa wind farm on Maui currently does not sell its power at night because the Maui electricity grid can't handle the excess and Maui Electric keeps its baseload fossil-based generators running. If retail wheeling were allowed, the windfarm could find a potential customer for their wind energy at night—perhaps at a much discounted rate. Perhaps a large resort might be interested in purchasing lower cost electricity at night so they could do ice storage—making ice at night and using it for air conditioning during the day. This would have multiple benefits for the grid, clean energy power producers, and customers.

SUGGESTED AMENDMENT

Blue Planet Foundation respectfully requests that this Committee amend SB 703 to give direction to the PUC to consider full retail wheeling—not just wheeling of electricity within the government. We believe that expanding retail wheeling of clean energy to encompass all potential producers and consumers will greatly spur innovation in the electricity market and hasten the transition to energy independence.

Thank you for the opportunity to testify.

TESTIMONY BEFORE THE
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, February 1, 2011
3:30 p.m.
Conference Room 225, State Capitol

S.B. NO. 703
RELATING TO ENERGY

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

Chair Gabbard, Vice-Chair English, and Members of the Committee:

My name is Kevin Katsura providing testimony in opposition to S.B. No. 703 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.

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

For these reasons, we oppose S.B. No. 703. Thank you for the opportunity to testify.