

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

FEBRUARY 5, 2013  
8:30 a.m.

**MEASURE:** H.B. No. 1199  
**TITLE:** Relating to Energy

Chair Lee and Members of the Committee:

**DESCRIPTION:**

This measure would change the State's net energy metering ("NEM") program by 1) changing the statutory NEM caps for individual customer-generators and overall utility systems to an unspecified amount, and 2) requiring that all customer-generators with a production capacity over an unspecified kilowatt level be awarded contracts through a competitive sealed bidding process established by the Public Utilities Commission ("Commission") beginning at an unspecified date in 2014.

**POSITION:**

The Commission supports the intent of this measure to improve Hawaii's existing renewable energy procurement methods, like NEM. However, the Commission is very concerned that H.B. No. 1199 will make major changes prematurely and without supporting analysis to the existing NEM statutes. The following comments are offered for the Committee's consideration.

**COMMENTS:**

The Commission has recently been awarded a grant from the National Association of Regulatory Utility Commissioners to evaluate and identify improvements for Hawaii's various renewable energy procurement methods, which would include a review of the

State's NEM program ("NARUC Grant").<sup>1</sup> This fully-funded review is scheduled to be completed by September of this year. The NARUC Grant review will examine the Hawaii's renewable energy procurements methods – including NEM, Hawaii's feed-in tariff program ("FIT"), and the existing competitive bidding framework – to evaluate how various energy acquisition programs function independently and comprehensively in meeting Hawaii's clean energy mandates through the most efficient processes to 1) achieve the highest level of renewable energy penetration at the lowest cost, 2) ensure that all ratepayers can share in the benefits of clean energy, and 3) ensure and improve the reliability of the system.

It appears that this measure amends NEM by requiring customer-generators over a certain size to transition in 2014 to a FIT-style program using competitive bidding, and will increase arbitrarily the NEM cap amounts. The Commission is concerned that this bill would prematurely alter NEM before the Commission can analyze its impact on the electrical system and on all ratepayers.

The Commission suggests that the Legislature's concerns and desires with regard to NEM and other related procurement programs be addressed in the form of a resolution, rather than in statute. Communication via resolution would allow the Commission to address these issues as part of its analysis, and would further allow the Commission flexibility to make the necessary changes to these programs by rule or order, especially when evolving technology and the possibility of cost reductions can have significant impacts on these types of programs.

Thank you for the opportunity to testify on this measure.

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<sup>1</sup>For a copy of the Commission's NARUC Grant, please refer to the Commission's submitted testimony on H.B. No. 728, relating to net energy metering, heard by this Committee, the House Committee on Energy & Environmental Protection, on Tuesday, February 5, 2013 at 8:30 a.m.



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

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TO THE HOUSE COMMITTEE  
ON ENERGY AND ENVIRONMENTAL PROTECTION

THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2013

TUESDAY, FEBRUARY 5, 2013  
8:30 A.M.

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

HOUSE BILL NO.1199 - RELATING TO ENERGY

**DESCRIPTION:**

This measure proposes to amend the net energy metering ("NEM") program by: (1) requiring large-capacity eligible customer generators to be selected by competitive sealed bidding; and (2) amending maximum allowable capacity of eligible customer-generators and total rated generating capacity.

**POSITION:**

The Division of Consumer Advocacy ("Consumer Advocate") supports the intent of H.B. No. 1199 with comments.

**COMMENTS:**

The Consumer Advocate has been participating in the Public Utilities Commission's ("Commission") Reliability Standards Working Group ("RSWG"), which was comprised of various entities such as the Hawaii electric utilities, several

House Bill No. 1199  
House Committee on Energy and Environmental Protection  
Tuesday, February 5, 2013, 8:30 a.m.  
Page 2

independent power producers, renewable energy associations, environmental advocates, and the Consumer Advocate. The work efforts by the individual entities recently concluded and the next steps in the RSWG process include review by the Commission and its technical review committee.

Through the RSWG process, measures and steps were identified to improve the processes for the various renewable energy procurement mechanisms, including NEM. Part of the next steps includes an assessment that these measures and steps do not increase the electricity bills for those Hawaii ratepayers who are not participating in such programs as NEM.

The Consumer Advocate suggests that the Legislature's concerns and issues associated with NEM and other procurement programs be addressed in the form of a resolution, rather than in statute as proposed in H.B. No. 1199 to allow the RSWG process to be completed.

Thank you for this opportunity to testify.

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

**HB 1199 – Relating to Energy**

**Tuesday, February 5, 2013  
8:30 AM, Conference Room 325**

**By Mark Yamamoto  
Director, Energy Solutions Engineering Division  
Hawaiian Electric Company, Inc.**

Chair Lee, Vice-Chair Thielen and Members of the Committee:

My name is Mark Yamamoto. I am the Director of Energy Solutions Engineering Division for Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities, Maui Electric Company and Hawaii Electric Light Company.

While we support continued growth for customer-sited renewable energy generation and have a very successful Net Energy Metering (NEM) program, we offer these concerns in regard to HB 1199. We are opposed to this measure as currently written based on the following:

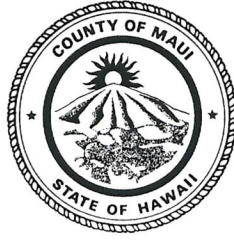
- (1) The proposed revisions to HRS Sec. 269-101.5 do not specify the maximum size of eligible customer-generators under net energy metering. The proposed revisions to HRS Sec. 269-104 appear to restore the net energy metering system-wide capacity limit but do not specify the limit as a percentage of peak system demand. We therefore recommend that the technical analysis and discussions between the utilities, the Public Utilities Commission, and other stakeholders be taken under consideration in establishing any proposed changes to net energy metering maximum eligible customer-generator capacity and aggregate service area capacity as a percentage of peak system demand. Furthermore, the Public Utilities Commission in issuing its Order Regarding NEM Proposals, Docket No. 2006-0084, dated January 13, 2011, effectively removed system-wide capacity limits and instead, established a methodology where per-circuit distributed generation

penetration thresholds are used to determine customer-generator interconnection feasibility. This methodology forms the basis of the current and planned distributed generation interconnection process for the Hawaiian Electric Companies.

- (2) The proposed amendment to HRS Sec. 269-102 is unclear in its description of the competitive bidding process, as to whether the lowest price per kWh generated or the lowest feed-in rate per kWh of excess electricity, or something else is the criterion upon which a contract is awarded.
- (3) If the lowest price per kWh generated is the selection criterion for contract award, then this process suggests a power purchase arrangement, and not net energy metering which has the central intent of offsetting customer-generator electricity usage through the excess exported energy credit mechanism.

We therefore ask that this bill be held due to these concerns. Thank you for the opportunity to testify.

ALAN ARAKAWA  
Mayor



TEENA RASMUSSEN  
Economic Development Director

COUNTY OF MAUI  
**OFFICE OF THE MAYOR**  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793

February 04, 2013

Rep. Chris Lee  
Chair  
House Committee on Energy and  
Environmental Protection

Re: Comment regarding HB 1199

Dear Chair Lee:

On behalf of Mayor Arakawa, we submit the following comments regarding HB 1199. This bill contains a number of interesting ideas, but it leaves the existing statutory reference to the “utility’s peak demand” in HRS 269-102(a). Under the proposed legislation net metered systems would be allowed up to a certain percentage of the utility’s “peak” (night time) demand.

With regard to solar energy, the reference to “peak” demand makes the ratio meaningless. In Hawaii, the time of “peak demand” is generally the evening. Any calculation attempting to determine the effect of adding solar energy to a circuit should be made based on the “minimum daytime load” on the circuit. We appreciate the Committee’s efforts and hope our comment can be incorporated into any future revisions.

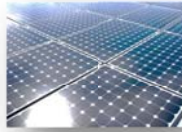
Very Truly Yours,

A handwritten signature in dark ink, appearing to read "Douglas P. McLeod", is written over a light-colored background.

Douglas P. McLeod  
Energy Commissioner

cc: Teena Rasmussen  
Herman Andaya





**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

February 5, 2013, 8:30 A.M.

Room 325

**(Testimony is 1 page long)**

**TESTIMONY IN OPPOSITION TO HB 1199**

Chair Lee and members of the Energy & Environmental Protection Committee:

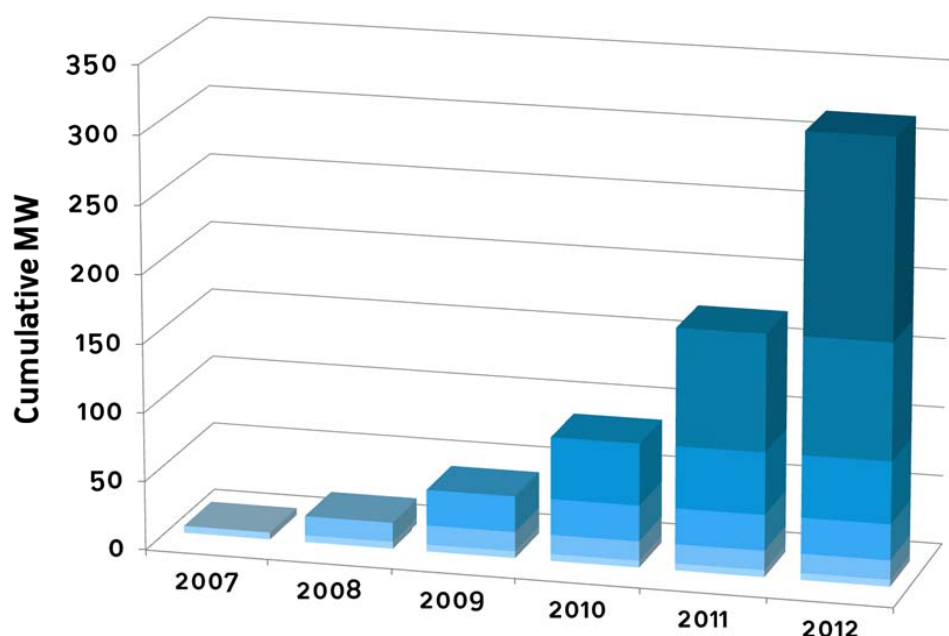
The Blue Planet Foundation opposes HB 1199, reopening Hawaii's successful net energy metering statute for potentially significant changes. This measure is unnecessary, as the public utilities commission may currently make modifications to certain aspects of the program.

After wisely being passed in 2001, net energy metering slowly began with a handful of renewable energy generators. As awareness increases and installed costs of renewable energy devices drop, the net metering subscription rate has dramatically increased. In fact, the amount of solar installed in 2012 doubled the total amount of solar installed in all previous years combined. Net metering has enabled residents and businesses statewide to turn their rooftops into power plants.

We respectfully request that HB 1199 be held in committee.

Thank you for the opportunity to testify.

Installed Solar Capacity (MW)





**Directors**

Jody Allione  
AES-Solar

Joe Boivin  
The Gas Company

Kelly King  
Pacific Biodiesel

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 1199 RELATING TO ENERGY

February 5, 2013

Chair Lee, Vice-Chair Thielen, 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 1199 are to amend net energy metering program by: (i) requiring large-capacity eligible customer generators to be selected by competitive sealed bidding; and (ii) amending maximum allowable capacity of eligible customer-generators and total rated generating capacity.

**HREA takes no position on this measure at this time** and offers the following comments:

- 1) Measure Objective. What is the objective of this measure?
  - a) To increase the size of customer-generators or to limit the aggregate amount? Net metering is a “power exchange”; a “streamlined” approach for interconnecting customer-generators up to 100 kW on HECO system, 50 kW on KIUC’s. Competitive bidding will lengthen the process. If the intent is to increase the customer-generators size, for example up to 5 MWs on Oahu, this would conflict with the HECO’s competitive bidding process, which applies to projects greater than 5 MW (up to 2.7 MWs on Maui and Big Island). If so, this doesn’t make sense to us. If the intent is to establish an aggregate limit, that would conflict with the existing net metering policy, and we would oppose that.
  - b) To amend the nature of net metering? The proposal would change the nature of net metering, turning it into a “type” of a power purchase agreement. This also does not make sense to us.
- 2) Other Options. Perhaps one might consider using the Feed-In Tariff program as a vehicle for accomplishing the objective of this measure?
- 3) Discussion. Perhaps we are missing something in this bill, and we look forward to hearing the comments from others and discussion in the hearing.

Mahalo for this opportunity



2/5/2013

House Committee on Energy and Environmental  
Protection

EEP

8:30 a.m.

HB 1199

### TESTIMONY IN OPPOSITION

Aloha Chairs Lee, Vice Chair Thielen and Members of the Committee:

The Hawaii PV Coalition opposes this measure because it universally undermines, and in various places complicates, what is arguably Hawaii's most successful single piece of renewable energy policy, net energy metering (NEM). Solar industry participants are very familiar with NEM because, to date, virtually all of the more than 20,000 solar projects in the state are interconnected under NEM contracts. That is, thousands of homeowners and business owners have relied on the NEM program to reduce the cost of operating their home or business. Were HB1199 to become law such opportunities would be restricted for no identifiable public purpose, in contradistinction to rulemaking by the PUC over the past several years. The following is an abbreviated list of primary negative effects that would ensue as a result of the passage of this measure:

- **Engineering Interconnection Criteria Would Be Supplanted with Artificial Statutory Criteria.** Current interconnection limits are based on the ability of the utility grid to accommodate renewable energy systems at the distribution circuit level. That is, rules governing the amount of generation that can be integrated onto the grids are agnostic between NEM and other procurement mechanisms such as feed-in tariff, standard interconnection, and bi-lateral PPAs. HB1199 seeks to supplant this system with one that requires policymakers to set limits for each procurement mechanism. These would need to constantly need to be balanced and updated in order to prevent would-be customer-generators from running out of interconnection options within one procurement channel or another, and generally make the job of managing interconnection much more complex and opaque to industry participants.
- **The Measure Usurps the Role of the PUC.** In placing artificial restrictions on the amount of energy that could be procured through the NEM program, SB1199 would undo years of rulemaking by the PUC. The most recent rounds of such rulemaking have been led principally by Hawaii's utilities and various solar industry stakeholders. In this sense they are a relatively rare instance of cooperation among the entities most knowledgeable about and directly affected by these policies. In taking this decision out of the hands of the PUC, the Consumer Advocate, the state's regulated utilities and the solar industry, the measure in essence rejects the accumulated wisdom of the entities with the most policymaking experience in this area.
- **Arms-Length Private Transactions Would Be Mediated by the State.** In addition to its provisions that weaken the NEM program, HB1199 proposes to inject public oversight into construction contract procurement between private buyers (customer-generators contracting



for the construction of PV systems and the contractors providing construction services). This serves no identifiable public purpose and would, presumably, discourage building owners from investing in renewable energy NEM systems, in direct opposition to the State's renewable energy goals.

In summary, this measure would roll back a successful policy and add meaningless complexity to marketplace transactions that currently occur at arms-length in a highly competitive market between a willing buyer and a willing seller.

Thank you for the opportunity to testify on this measure.

Mark Duda  
President, Hawaii PV Coalition

*The Hawaii PV Coalition was formed in 2005 to support the greater use and more rapid diffusion of solar electric applications across the state. Working with business owners, homeowners and local and national stakeholders in the PV industry, the Coalition has been active during the state legislative sessions supporting pro-PV and renewable energy bills and helping inform elected representatives about the benefits of Hawaii-based solar electric applications.*