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**TO THE HOUSE COMMITTEE  
ON ENERGY AND ENVIRONMENTAL PROTECTION**

**THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2013**

**TUESDAY, FEBRUARY 12, 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. 759 - RELATING TO PUBLIC UTILITIES**

**DESCRIPTION:**

This measure proposes to: prohibit investor owned electric utility companies from performing both generation and delivery functions; require electric utility companies to acquire energy exclusively through purchase power agreements and prohibit any energy purchases from affiliates; require "averaged" rates for jointly owned non-contiguous electric utility territories; place a priority on the development of geothermal energy to replace fossil fuel generation; and require that investor owned utility companies to acquire non-fossil fuel energy before considering electricity from fossil fueled generation.

**POSITION:**

The Division of Consumer Advocacy (Consumer Advocate) supports the intent of this bill and offers the following comments.

COMMENTS:

This bill raises several energy-related policy issues. The Consumer Advocate appreciates the Legislature's creativity in achieving the goals of using less petroleum for electricity generation; simplifying the ratemaking process; lowering electricity rates; achieving a unified, state-wide electricity rate; replacing fossil fuel for electricity generation with nonfossil fuel sources, and incorporating more firm, dispatchable geothermal energy into the state's electricity generation mix.

The first part of this bill will require Hawaii's investor owned electric utilities (IOU) to divest themselves of the electrical generation portion of their business. Presumably, this is an attempt to inject greater competition into the electricity generation market to lower electricity rates. This is something that has been done on the mainland both by statute and voluntarily by the electric utilities. The Consumer Advocate agrees that this is a model that may succeed in Hawaii and should be explored and studied. On the other hand, the Consumer Advocate is concerned that such a model could result in higher electricity rates due to the nature of Hawaii's market.

Unlike on the mainland where electricity grids are interconnected and customers in one state may buy energy from an independent power producer (IPP) in another state, Hawaii's energy market is served by separate and relatively small island grids. This forms a natural barrier to entry for IPPs. If the energy generation market in Hawaii is not fully competitive, then by creating an oligopoly characterized by few sellers and relatively inelastic demand, this bill could result in higher energy prices for Hawaii's consumers. The decision to divest Hawaii's IOUs from energy generation requires careful economic analysis that should be undertaken prior making this important policy decision.

This bill further prevents an IOU from creating an affiliated entity for the purpose of becoming an IPP. This provision in the bill would be consistent with the provision that divests the IOU from all energy generation. The Consumer Advocate has the same concerns with respect to this provision as it does for the first part of the bill. The Consumer Advocate further notes that in several dockets involving the application for approval of power purchase agreements (PPA) for wind and solar projects, the Consumer Advocate expressed concern that the price per kilowatt hour for these projects has not been significantly reduced in spite of the fact that material costs have decreased substantially over the years. Why are wind and solar PPAs in Hawaii still being priced at approximately 20 cents per kwh when similar projects on the mainland

are being priced at 8 cents per kwh? The Consumer Advocate suggests that allowing the Hawaiian Electric Companies ("HECO companies") to bid for these same projects on equal footing as other developers might actually help drive PPA prices down, because the Public Utilities Commission (PUC) and the Consumer Advocate would be able to review in detail the actual project costs from the HECO companies as regulated utilities. Thus far, as unregulated entities, IPPs do not have to disclose their actual project costs. Again, this topic of keeping the HECO companies or any affiliated company from the power generation market should be analyzed in detail prior to prohibiting it in legislation.

The next part of this bill would levelize rates amongst the three HECO companies (HECO, MECO, and HELCO). The Consumer Advocate supports the concept of unifying rates and moving toward a single, state-wide electricity rate. The Consumer Advocate would prefer to see this accomplished by interconnecting our island grids by way of a series of undersea transmission cables. In the event that any undersea cable is not feasible for whatever reason, then studying the most expeditious means of achieving a single, state-wide rate should be considered.

This bill further provides that geothermal energy will be given a priority by the PUC to replace existing fossil fuel-based power generation facilities. As much as the Consumer Advocate agrees that geothermal energy has tremendous potential as a source of firm, dispatchable low-cost energy, the Consumer Advocate is concerned with any attempt to statutorily select winners and losers in the rapidly developing energy field. The Consumer Advocate believes that the electric utilities need to be flexible to accommodate possible technological advances that might make another energy source even more attractive than geothermal energy.

Finally, this bill states that the PUC shall direct Hawaii's IOU electric utilities to acquire lowest cost, electrical grid-safe electricity from non-fossil fuel sources prior to acquiring electricity from fossil fuel sources. The Consumer Advocate is concerned that this provision would effectively foreclose the possibility of Hawaii moving toward liquefied natural gas ("LNG") to replace petroleum for electricity generation. Various studies on LNG indicate that it has the potential to lower electricity rates in Hawaii significantly. The Consumer Advocate agrees that it is important for the state to move toward greater renewable energy, but in doing so, state policy-makers must be mindful of the burden that increasing electricity costs have had on Hawaii's consumers. If LNG can provide ratepayers with significant cost-savings, then it should not be statutorily shut out of Hawaii's energy mix.

House Bill No. 759  
House Committee on Energy and Environmental Protection  
Tuesday, February 12, 2013, 8:30 a.m.  
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Under these circumstances, the Consumer Advocate suggests that the policy issues raised in this bill should be in the form of a resolution that would allow for the proper economic analysis and open discussion that is needed prior to implementing these policies by way of a state statute.

Thank you for this opportunity to testify.

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 12, 2013  
8:30 a.m.

**MEASURE:** H.B. No. 759

**TITLE:** Relating to Public Utilities

Chair Lee and Members of the Committee:

**DESCRIPTION:**

H.B. No. 759 would create a number of requirements for electric utility operations in the State, each of would be aimed at ultimately transitioning electric utility companies away from the practice of power generation using fossil fuel resources. Included among these changes are: the restriction against electric utility companies owning or operating both electricity generation and transmission/distribution services; the requirement that electric transmission/distribution utilities acquire all electricity through power purchase agreements (“PPA”), while also limiting those utilities from entering into PPAs with any “affiliated interest;” the requirement that the Public Utilities Commission (“Commission”) set “just and reasonable” statewide rates for multiple utility companies owned by the same financial holding company, with various components of the rates set out; the requirement that the Commission and utilities prioritize the use of geothermal-based electricity in replacing existing fossil fuel-based generators; and the requirement that the Commission direct utilities to acquire the “lowest cost, electrical grid-safe” power from non-fossil fuel sources “prior to” electricity from fossil fuels. The bill specifically exempts electric utility companies in the State qualifying as 501(c)(12) entities under the Internal Revenue Code (“IRC”) from its various requirements.

**POSITION:**

While the Commission appreciates the goal of this measure to quickly develop and utilize renewable electric energy resources in Hawaii, the Commission has concerns about the inadvertent consequences of this bill on the Hawaii electricity ratepayer and the State’s progress in fulfilling its clean energy mandates. The Commission would like to submit the following comments for the Committee’s consideration.

**COMMENTS:**

The Commission recognizes that electric utilities in Hawaii are in a transitional period where the standard electric utility business model and related practices require a thorough reexamination. The Commission further recognizes the Legislature's shared concerns and desire to evaluate and improve the State's electric utilities to meet the needs of a modernized local electricity sector.<sup>1</sup> This measure, as written, will create a regulatory environment that may limit the Commission's ability to make the most prudent decisions. Rather than rely on measures that may be overly prescriptive, the Commission would appreciate the opportunity to work with the Legislature in outlining the major policy objectives to be achieved to make the transition of Hawaii's electric utilities cost-effective, equitable, and one capable of ensuring Hawaii's clean energy future.

Thank you for the opportunity to testify.

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<sup>1</sup>S.B. No. 120, S.D. 1, for example, would encourage electric utilities in the State to incorporate cost reduction measures and renewable energy technology as part of their operations more quickly and to a greater degree through the use of economic incentives and other regulatory incentive mechanisms. The Senate Committee on Commerce & Consumer Protection has scheduled a public hearing on S.B. No. 120, S.D. 1 for Wednesday, February 13 at 8:30 a.m.

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

**H.B. 759-- Relating to Public Utilities**

**Tuesday, February 12, 2013  
8:30 am, Conference Room 325**

**By Barry Nakamoto  
Manager, Renewable Acquisition Department  
Hawaiian Electric Company, Inc.**

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

My name is Barry Nakamoto. I am the Manager of the Renewable Acquisition Department at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities, Maui Electric Company and Hawaii Electric Light Company.

The Hawaiian Electric Companies cannot support this measure due to a number of concerns. While we agree with some of the objectives of the bill — namely the prioritization of lower cost renewable electricity over fossil fuel-based electricity and the development of statewide energy rates to help our customers, together with a focus on transmission, delivery, and network reliability — the specific proposed actions called for in the bill could have unintended consequences of actually increasing the cost of electricity to our customers, not allowing our utilities to invest in renewable energy, and impairing our flexibility to operate our electric grids in a reliable and economic manner.

In fact, the Hawaii Public Utilities Commission (“PUC”) previously investigated Electric Competition in Hawaii in Docket No. 96-0493. In its 2003 decision, the PUC conclusions included that: (1) projections of potential benefits from electric restructuring in Hawaii were too speculative, and (2) it was not demonstrated that all consumers in Hawaii would continue to receive adequate, safe, reliable, and energy efficient services at fair and reasonable prices

under a restructured market. The PUC did not find it in the public interest to restructure the electric industry.

The bill also adopts as a premise that the Hawaiian Electric companies are reluctant to open its system to independently owned and operated renewable energy generators. In fact, in just the last few years we have signed new power purchase agreements for over 200 megawatts of new renewable energy — including wind, solar, geothermal, and waste to energy — and are in the process of negotiating agreements or issuing requests for proposals for hundreds of megawatts more. This year we are in the process of issuing RFPs to secure significant amounts of renewable energy for Oahu and Maui from a variety of technologies, and for Hawaii Island, from geothermal. By 2020, we estimate 65% of all energy sold by our consolidated family of utilities will come from independent power producers.

Our concerns about this bill do not mean that we are arguing for the status quo; far from it. We will continue to move to replace fossil fuel energy with clean, cost effective renewable energy with geothermal, biomass, wind, solar, and other technologies. Furthermore we agree it is critical for clear plans to be developed that move us towards our clean energy and energy security goals in an aggressive timeframe. Hawaiian Electric has been participating fully and transparently in the Integrated Resource Planning (IRP) process that the Public Utilities Commission has initiated and is currently overseeing. The IRP process continues to evaluate a variety of planning scenarios and guide our plans for energy generating resources, considering many of the objectives stated in this bill. Accordingly, we respectfully ask that this be held.

Thank you for the opportunity to testify.





# LIFE OF THE LAND

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## COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Chris Lee, Chair

Rep. Cynthia Thielen, Vice Chair

DATE: Tuesday, February 12, 2013

TIME: 8:30AM

PLACE: Conference Room 325

HB 759 RELATING TO PUBLIC UTILITIES

**PLEASE DEFER**

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

Life of the Land is Hawai'i's own community action group advocating for the people and the land since 1970. Our mission is to preserve and protect the life of the land by promoting sustainable land use, promote open government through research, education, advocacy, and when necessary, litigation.

Coal powered the First Industrial Revolution (1750). Gasoline and electricity (mobile energy sources) powered the Second Industrial Revolution (1870). The Information Age (1990) must reverse climate change impacts.

### **Out-of-the-Box**

The premise behind HB 759 is good. We need to look outside of the box, to see beyond what we have been doing.

### **Ending the Monopoly**

SB759: "Notwithstanding any other law to the contrary, no electric utility company shall own or operate both the means of producing electricity and the means of conveying, transmitting, delivering, or furnishing electricity to the public."

The PUC opened a docket in 1996 to investigate restructuring the industry and the utility.

Life of the Land advocated for a stock split where each HEI shareholder would wind up owning shares in a Transmission Company and a separate and distinct Generation Company. Our proposal went nowhere as the powers that be argues that Hawai`i was too small for competition.

**Available Resources**

HB 759: "It has also been clearly documented that Maui and Hawaii counties have far greater wind and geothermal resources for the generation of electricity."

There is a belief, often stated, never documented, and easily disproved, that O`ahu lacks renewable energy resources.

What O`ahu actually lacks are a utility that wants high renewable energy penetration on O`ahu, and the political will to force the utility to justify its lack of will.

**O`ahu Renewable Energy Options**

Technology	Energy Available	Source
Rooftop Solar	992 MW	Booz Allen, NREL, USDOE <sup>1</sup>
Ground Solar	300 MW at Pearl Harbor	Sempra (0.4% of O`ahu's land area)
Ground Solar	270-510 MW elsewhere	HECO/Booz Allen Hamilton (2011) <sup>2</sup>
Wave	80 billion kWh/yr.	USDOE (10 times State electricity needs) <sup>3</sup>
Wind (land)	120 MW	North Shore: Kawailoa (69), Kahuku (30, 25)
Wind (ocean)	1500 MW	south, east coasts
Hydropower	?	Wahiawa, Nuuanu, Hoomaluhia, Kaneohe Dams & Waiahole Ditch, Kaukonahua River
Sea Water Air Conditioning		
Energy Efficiency	300 WW	
OTEC	1000 MW	Off Kahe, South Shore
Biodiesel	100% of needed energy Using only ag-zoned land	Based on production/acre estimates made by Hawaii BioEnergy & Aina Koa Pono.
Total Needed	1100 MW Baseload Equivalent	

<sup>1</sup> NREL stated that "Rooftop solar on Oahu is shown to be a considerable potential source of renewable energy (992 MW); the scale of the solar resource is not a constraint, therefore rooftop solar is worth considering as an alternative to Big Wind."

<sup>2</sup> Mililani (100-200 MW), Waipio (20-60 MW), Ewa-Kapolei (100-150 MW), Waianae (50-100 MW)

<sup>3</sup> The U.S. Department of Energy published "Tapping into Wave and Tidal Ocean Power: 15% Water Power by 2030." The Report states that O`ahu's recoverable wave energy resource is 80 billion kWh/yr. This is eight times Hawai`i's statewide electricity demand of 10 billion kWh/yr.

## **Geothermal**

HB 759: "For more than twenty-four years, the State has recognized that development of geothermal energy and a cable system should be a priority, as evidenced by chapter 196D, Hawaii Revised Statutes."

In 1991 Federal Judge Ezra ended 13 years of federal expenditures on the Geothermal / Inter-island Deep Water Cable, noting that USDOE must obey federal law by writing an EIS on the proposed project.

## **Baseload Options**

The State of Hawai`i has five (5) options to produce baseload (continuous) electricity:

- (1) Ocean thermal (OTEC): promoted by Jules Verne (1800s), tested in Cuba (1920s), proven on-shore and off-shore at NELHA.
- (2) Geothermal: proven reserves on O`ahu, possible solution for Maui and O`ahu.
- (3) Hydroelectric: limited but unused supply on O`ahu
- (4) Intermittent/storage (pumped storage hydro, lithium or lead batteries)
- (5) Biofuels: the only option to "green" transportation fuel

The utility has not conducted an island-by-island cost-benefit analysis (CBA) to determine which approaches to use on which islands. Rather they have come up with one solution per island and marched towards a goal.

That goal will make the utility rich and pay for a zillion consultants. Somehow, it is alleged, consumers will save money.

Sort of like a botched policy adopted at the federal level a few decades ago: cut taxes while increasing spending and the projected result will be a balanced budget. Sadly that idea was adopted even though intuitive foresight knew it would fail.

## **Intermittent Resources**

SB 759: "Wind and photovoltaic energy is intermittent and would provide only twenty to thirty per cent of the State's energy needs in the future"

With storage, wind and solar can supply 100% of our current energy needs.

## **Complexity Instead of Simplicity**

Instead the focus is on building complexity: interisland High Voltage Direct Current (HVDC) connecting island-based High Voltage Alternating Current (HVAC) systems, combined with massive telecommunication and electronic systems to measure and control every nook and cranny of the system all in real time (1/000 of a second), with adequate cyber-security and redundant back-up systems, and a belief that somehow this will lower costs.

Never mind the fact that the Super Bowl went dark (New York Times re Super Bowl Blackout);<sup>4</sup> that complexity leads to bigger meltdowns: blackout knocks out power to 45 million Americans,<sup>5</sup> 75 million Brazilians,<sup>6</sup> and 700 million Indians;<sup>7</sup> and that complexity requires hiring many sets of "experts" including those hired to tell you that this is the only viable path and that more money is needed to finish the job.

## **Smart Grids**

SB 759: "Requires PUC to establish a statewide electricity rate for utilities held by the same holding company."

Levelized rates can only be done if the grids are inter-linked and that linkage will require the current Smart Grid path.

The PUC opened a Smart Grid Docket (2008-0303) in 2008 to examine HECO's proposal for Advanced Meter Infrastructure (AMI). Life of the Land was admitted as a party. The PUC closed the docket without prejudice, telling the utility to come back after filing a Smart Grid Roadmap.

The utility has not done that, and is instead trying to get piecemeal approval for Smart Grid components.

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<sup>4</sup> The power failure that plunged the Super Bowl into darkness and halted play for more than a half-hour Sunday was caused by a device installed specifically to prevent a blackout. [http://www.nytimes.com/2013/02/09/sports/football/super-bowl-blackout-caused-by-device-meant-to-prevent-it.html?\\_r=0](http://www.nytimes.com/2013/02/09/sports/football/super-bowl-blackout-caused-by-device-meant-to-prevent-it.html?_r=0)

<sup>5</sup> American Northeast and Midwest blackout (August 14-16, 2003), 10 million people in Ontario, Canada, and 45 million people in eight American states. <http://www.nytimes.com/2009/11/12/world/americas/12brazil.html>

<sup>6</sup> The 1999 Southern Brazil blackout (March 11, 1999). São Paulo, Rio de Janeiro 75 to 97 million people.

[http://en.wikipedia.org/wiki/1999\\_Southern\\_Brazil\\_blackout](http://en.wikipedia.org/wiki/1999_Southern_Brazil_blackout)

<sup>7</sup> Great Indian Blackout (July 30-31, 2012) Power cuts plunge 20 of India's 28 states into darkness as energy suppliers fail to meet growing demand 700 million without power <http://www.guardian.co.uk/world/2012/jul/31/india-blackout-electricity-power-cuts>

Life of the Land was accepted into the current 2013 HELCO Rate Case to address some of these issues. Now HECO-HELCO has proposed closing the docket, in part to avoid this discussion.

### **Smart Grid, Stupid Policy? By Andy Stone. Forbes (Jan 29, 2009)**

"When it comes to upgrading the U.S. power system, spending runs far ahead of understanding. ... Rarely have such high hopes for economic growth been pinned on a concept that so few understand."<sup>8</sup>

### **'Smart' Grid: New Critics of a Bad Idea by Robert Michaels (January 12, 2010)**

"Possibly the most fascinating aspect of the Smart Grid is the absence of an economic rationale. But industry incentives being what they are (concentrated benefits, diffused costs), many have bet on much of it being built. Boondoggles must pass political tests, not economic ones. ... The utilities have yet to find consultants who can make an easy case for the grids. ... Just about everyone agrees that its main effect will be to time-shift peak consumption, with little if any effect on total power use, i.e. no carbon consequences."<sup>9</sup>

### **Why Smart Meters Might Be a Dumb Idea By William J. Kelly (Consumers Digest, January 2011)**

"We interviewed 35 experts, including smart-grid- and utility-industry executives, government regulators and consumer advocates. We also reviewed thousands of pages of government documents, filings with state utility commissions, materials from smart-meter-makers, and reports that were produced by the emerging smart-grid industry. A few experts suggest that smart-meter conversion represents little more than a boondoggle that is being foisted on consumers by the politically influential companies that make the hardware and software that are required for the smart-meter conversion. And based on our investigation, it's difficult to disagree. ...

What's discouraging about the all-but-mandatory dynamics of the smart-meter transition is that it's appealing only if you're willing to pay a lot of money to save a little electricity. ... Consumers will pay for it all through electric bills, taxes and direct purchases. ...

The whole premise of smart-meter benefits relies on getting consumers to pay strict attention to how much electricity that they use and when they use it, smart-meter advocates say. And to make that happen, electric companies seem determined to swing a stick at consumers rather than to dangle a carrot. ...

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<sup>8</sup> [http://www.forbes.com/2009/01/29/electricity-infrastructure-obama-business-energy-0129\\_smart\\_grid.html](http://www.forbes.com/2009/01/29/electricity-infrastructure-obama-business-energy-0129_smart_grid.html)

<sup>9</sup> <http://www.masterresource.org/2010/01/smart-grid-wheres-the-beef/>

It's difficult to see how anyone ultimately will stop the advance of smart-meter integration, because everyone who has a stake in it is marching in lockstep to a long-term game plan."<sup>10</sup>

### **Picking Winners Without Analysis**

SB759: "The commission, in conjunction with any electric public utility, shall place a priority on the development of firm and distributable geothermal—based electricity to replace existing fossil fuel— based power generation facilities"

Life of the Land favors relying on Community Values and Community Empowerment.

We favor Island-by-island energy self-sufficiency.

We support analyzing the true impacts of our energy choices including externalities and Life Cycle Analysis (LCA) of impacts.

Mahalo

Henry Curtis  
Executive Director

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<sup>10</sup> <http://www.consumersdigest.com/special-reports/why-smart-meters-might-be-a-dumb-idea/view-all>



## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 12, 2013, 8:30 A.M.

Room 325

**(Testimony is 4 pages long)**

### TESTIMONY IN SUPPORT OF HB 759

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

The Blue Planet Foundation **supports** HB 759 and its intent to “facilitate the transition from fossil fuel-based energy to renewable energy for production, distribution, and management of electricity to stabilize [and] reduce electricity costs over time.” However, **we request the amendments described below** to correct for inaccuracies in the bill, and to make the economic market for power production in Hawaii to operate more effectively.

There is no question that the importation of fossil fuels is a significant drain on Hawaii’s economy. In the past decade, we have sent more than \$42 Billion out of the state to pay for imported fuels. Indigenous sources of energy are more sustainable for our economy and our environment.

HB 759 recognizes that our utility’s business model is outdated. For example, Oahu is still powered in part by a Waiiau generating unit installed in 1947. Our islands can no longer feed a utility business model built on this outdated infrastructure. HB 759 provides a roadmap to a modernized business model, by eliminating the monopoly incentive to perpetuate aging infrastructure. A modern business model will profit from immediately and urgently implementing simple solutions such as “time of supply” and “time of use” electricity rates, widespread real-time demand response, and maximizing generator and end-user efficiency.

Blue Planet notes that the following amendments are necessary to make the bill more accurate and effective:

**Jeff Mikulina, executive director • [jeff@blueplanetfoundation.org](mailto:jeff@blueplanetfoundation.org)**

55 Merchant Street 17<sup>th</sup> Floor • Honolulu, Hawaii 96813 • 808-954-6142 • [blueplanetfoundation.org](http://blueplanetfoundation.org)

## NECESSARY AMENDMENTS TO SECTION 1:

Section 1 erroneously states:

Further, wind and photovoltaic energy is intermittent and would provide only twenty to thirty per cent of the State's energy needs in the future.

**This is factually incorrect and should be stricken from the bill.** For example, University of Hawaii Professor of Electrical Engineering, Dr. Matthias Fripp, has conducted groundbreaking work on the integration of renewable resources into complex electrical grids. Dr. Fripp has shown that **“there is no maximum possible penetration of wind and solar power--these resources could potentially be used to reduce emissions 90% or more below 1990 levels without reducing reliability or severely raising the cost of electricity.** This work also finds that policies that encourage customers to shift electricity demand to times when renewable power is most abundant (e.g., well-timed charging of electric vehicles) could make it possible to achieve radical emission reductions at moderate costs.”<sup>1</sup>

In other words, with the right policy drivers and forward-thinking system operation, the “firm, dispatchable, base-load power” model that our utilities current use is just as outdated as our ancient power plants and 1890's era electrical grids. By analogy, compare the recent past of one-way television, when consumers were relegated to watching whatever the monopoly networks provided at a given time. Today, television is characterized by dynamic consumer choice, local storage, and two-way on-demand consumption.

Thus, Section 1 of the bill must be further amended. As currently drafted, it states that the “State must focus on identifying and developing the remaining necessary firm renewable energy resources to meet our electricity needs.” For the reasons described above, this must be amended to more accurately reflect the future of power:

“The State must focus on identifying and developing the remaining necessary ~~firm~~ renewable energy resources, energy storage strategies, and demand-side management strategies, to dynamically meet our electricity needs.”

Section 1 should further be revised as follows:

“The legislature further finds that a new electric utility organization model should be focused on transmission,

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<sup>1</sup> See M. Fripp, *Switch: A Planning Tool for Power Systems with Large Shares of Intermittent Renewable Energy*, 46 ENV. SCI. & TECHNOL. 6371 (2012).



delivery, network reliability, energy storage, and lowest long term cost modeling.”

#### **NECESSARY AMENDMENTS TO SECTION 5:**

For similar reasons as described above, Section 5 of the bill, amending H.R.S. § 269-27.2(a) should be amended as follows:

The commission, in conjunction with any electric public utility, shall place a priority on the development of firm and distributable geothermal-based electricity, energy storage strategies and incentives, and dynamic demand-side and supply-side management of intermittent renewable resources, to replace existing fossil fuel-based power generation facilities.

#### **NECESSARY AMENDMENTS TO SECTION 2:**

Section 2 of the bill appropriately focuses electricity generation on a “power purchase agreement” model. However, existing power purchase agreements suffer from a fatal flaw—lack of consumer transparency. The utilities are a regulated monopoly. There is no utility proprietary interest in maintaining confidentiality of the rates paid to power producers. Indeed, the bill notes that “Energy sources and electricity production costs of all power plants should be clearly identified to facilitate decisions on whether to curtail or retire those plants.” The exact same rationale applies to decisions to incorporate new sources of renewable energy.

For this reason, the terms of all PPAs should be transparent to the rate-paying public, and should not be approved by the PUC unless or until the public has had opportunity to review and comment on those terms. Our market for energy can only become more efficient, and thus less expensive, when more information is available. This will spur competition.

Section 2 of the bill, amending H.R.S. Ch. 269, should be amended as follows:

The rate payable by the electric utility company to the producer for the generated electricity supplied to the electric utility company shall be as agreed upon between the electric utility company and the producer and as approved by the public utilities commission after public disclosure of the rate and other terms of the agreement between the electric utility and the producer, and after opportunity for comment by interested parties in accordance

with public utilities commission rules; provided that if the electric utility company and the producer fail to reach an agreement for a rate, the rate shall be as prescribed by the public utilities commission according to the powers and procedures provided in this chapter.

With these amendments, Blue Planet strongly supports HB 759. Thank you for the opportunity to testify.

Testimony In Support Of HB759 RELATING TO Public Utilities  
Tuesday, 02-12-13 8:30AM in House conference room 325.  
Submitted By  
Ed Wagner - Mililani, HI

Chairman Lee / Vice Chair Thielen and Members of the EEP  
Committee:

Limits electric public utilities to delivering electricity. Prohibits acquisition of electricity by an electric public utility power purchase agreement with an affiliated entity. Requires electric public utilities to purchase lowest cost, non-fossil fuel generated electricity prior to purchasing fossil fuel generated electricity. Requires PUC to establish a statewide electricity rate for utilities held by the same holding company. Exempts utilities qualifying as a cooperation under section 501(c)(12) of the IRC. Prioritizes geothermal as a replacement for fossil fuel.

On January 29, an informational briefing was held by the CPN and ENE Committees with representatives of the PUC, DCA, HECO, MECO, HELCO, and the Kaua'i Utility Coop.

Senator Solomon had a discussion with HECO's Robbie Alm about the possibility of a customer-owned grid, and Mr. Alm stated that "if there is an alternate operating structure, we are not opposed to that"

Therefore, this bill, which limits the utility to delivering electricity, not producing it, should be acceptable to the utility because it constitutes an alternate operating structure, one in which the utility no longer has responsibility for being the fox or wolf guarding the henhouse, controlling every aspect of our electricity, from generation to delivery.

During that meeting, utility representatives claimed that no one is letting go of a requirement for the utility to provide a reliable grid. Yet, it is a well know fact that the utility's grid is crumbling beneath our roads and that power failures from seconds to minutes to hours continue to occur on Oahu on a frequent, perhaps even daily basis. This may be true on other islands, but I can't speak for them.

I can tell you that since November, 2011, there have been 3 such power failures on my street in Mililani. The one on Nov. 11, 2011 was a few

hours long that evening. More recently, on Feb. 5, 2013 we had a 45 minute power failure in the evening. Two days later, on Feb 7, 2013, we had another power failure that lasted between 2 and 3 hours from late afternoon. There have been many other 1 second or less failures that have powered off my computer or TV.

During the January 29 meeting, Senator Gabbard suggested that if the utility were to drop its dividend from 4+% to the industry average of around 2+%, it could use that extra 2% to focus on modernizing the grid. Removing the company from the responsibility of generating power should enable it to focus its resources on doing so, and it may one day be able to make the case that it has a reliable grid, but not now.

It is well known that Iceland's power comes from its vast geothermal resources, and that there is enough potential geothermal energy in Hawaii to power the entire state, not just the Big Island. We need to begin ramping up our geothermal resources to get ALL of the utility's oil-burning power plants shut down within 10 years. If we put a man on the moon in 10 years, we can do this in 10 years also. We just need to get this old set-in-its-ways obstructionist monopoly out of the way. Passing this bill will help, but the company should be broken up into separate, independent companies or converted into COOPs as suggested by Senator Solomon instead of continuing to be a holding company for HECO, MECO, and HELCO.

HECO's Robbie Alm affirmed the problem very clearly when he stated that "historically, the Hawaiian Electric Companies were not firmly in the camp of switching to renewable energy". When Senator Solomon asked him why, he stated that "one, you had different people running it frankly, two, **there is safety and security in the old way of doing things.**" In other words, this old dinosaur must be pushed out to pasture, and its monopoly control of Hawaii's energy ended by bringing competition to the state in energy production by ONLY allowing it to transmit electricity produced by others.

During Senator Gabbard's discussion of LNG's role in Hawaii in the

same meeting on January 29, HECO's Robbie Alm stated that we should learn from history and not create another Chevron or Tesoro, but should have more COOPs, PUC-controlled rate of return, controlled contract entity. He stated that "We should not run it, but whoever runs it, they should treat everybody fairly, can't favor anybody."

If we are going to prioritize geothermal as a replacement for fossil fuel, then how can the utility continue to monopolize its control over geothermal production by favoring an Israeli-based company, ORMAT, and Puna Geothermal Ventures ( PGV ) instead of a 100% locally owned company, Innovations Development Group ( IDG ), [www.idghawaii.com](http://www.idghawaii.com), with its community-based development model and experience developing geothermal resources in New Zealand?

Ideally, each island would be self-sufficient and be capable of providing its own power, including Oahu. One way to do that will be to bring in portable Small Modular Reactors ( SMRs ) like those used in the Navy's fleet at Pearl Harbor and as proposed by retired Senator Fred Hemmings and even supported by Naval Officers I have spoken to at Pearl Harbor. Adding these to the mix will allow Hawaii to move up its timetable to be 100% free of fossil fuel in 10 short years. All we need to do is set our minds to it by pushing or ramming the utility monopoly out of our way like a snow plow pushing snow from a street during a mainland snow storm.

Regarding the PUC establishing a statewide electric rate, I think that will be difficult to achieve because of the differing costs of producing power from different technologies. If geothermal technology and SMRs generate all the power, then I think a single statewide rate is possible.

I'm not so sure, however, that Kaua'i utility COOP should be exempt from this bill. I think power generation should be independent of power transmission so the Kaua'i COOP should be split into 2 independent COOP's, one for generation and one for transmission. Otherwise, there will still be a wolf or fox guarding the henhouse.

Here is an interesting perspective on Publicly-owned utilities from

Anaheim, CA.

[www.anaheim.net/utilities/anaheim\\_cmua.pdf](http://www.anaheim.net/utilities/anaheim_cmua.pdf)

Florida Keys has an electric Coop.

<http://www.fkec.com>

This one is owned by the city of Key West.

<http://www.keysenergy.com/aboutKEYS.php>

Senator Solomon suggested a consumer owned grid, and I ask you why not a city, county, or state owned utility like Keys Energy?

You must not fail to help the ratepayers such as those Big Island folks burning candles and cooking with Kiawe wood because they can't afford to pay their electric bill, as so succinctly described by Senator Solomon who bluntly asked the utility monopoly, "When are you guys going to get it?"

If you fail to act decisively, with courage and conviction, then perhaps the only recourse ratepayers will have, other than possible Federal intervention, is a ratepayer and / or shareholder class action lawsuit for breach of trust and anti-trust as suggested by some in recent PUC testimony to move things along more quickly.

The Governor must rescind the 2008 HCEI agreement that excludes Hawaii from protections afforded by the 1978 PURPA law against monopolies and high electric rates and enforced by the FERC. This provision was written into the agreement by the monopoly to protect itself from federal scrutiny. The agreement has been very much an integral part of our skyrocketing electric rates since 2008.

In an effort to push things along more quickly, I encourage you to include in this bill the necessary language to amend HRS 269-6 to exclude electric utilities, at least those that are not COOPs.

Washington, including the White House, is watching and closely monitoring ( FERC-PUC MOU of last Fall for example ) the dire situation as described so clearly by Senator Solomon on January 29 so I urge you to pass this bill and have a companion bill passed by the Senate without delay and signed into law.

Sincerely,

Ed Wagner  
Mililani, HI

LOCAL LEADERS  
WE THE PEOPLE  
BUSINESSES RESIDENTS  
CIVIL SOCIETY  
VOTERS  
COMMUNITY

CREATE  
DECIDE DEMOCRATICALLY  
CHOOSE RESEARCH  
COME TOGETHER  
STRUGGLE DECIDE  
DEBATE BALANCE  
VOTE

TAKE CONTROL OF OUR FUTURE

ELECTRICITY  
TO BUILD WHAT WE NEED

SECURITY  
PLAN FOR OUR FUTURE

TO TAKE THE RESPONSIBILITY  
STEWARDSHIP  
SELF-RELIANT

Alameda Power & Telecom  
City of Anaheim Public Utilities Department  
City of Azusa Light & Water  
City of Banning Public Utilities  
City of Biggs  
City of Burbank Water & Power  
City of Cerritos  
City of Colton  
City of Corona  
City of Glendale Water & Power  
City of Gridley  
City of Healdsburg Electric & Water  
City of Hercules Municipal Utility  
Imperial Irrigation District  
City of Industry  
Lassen Municipal Utility District  
City of Lodi Water & Electric  
City of Lompoc Utility Department  
Los Angeles Department of Water & Power  
Merced Irrigation District  
Modesto Irrigation District  
City of Moreno Valley  
City of Needles Water & Electric  
City of Palo Alto Utilities  
City of Pasadena Water & Power  
City of Pittsburgh  
City of Rancho Cucamonga  
City of Redding  
Riverside Public Utilities  
City of Roseville  
Sacramento Municipal Utility District  
City of Santa Clara  
City of Shasta Lake  
Trinity Public Utilities District  
Truckee Donner Public Utility District  
Turlock Irrigation District  
City of Ukiah  
City of Vernon Light & Power  
City of Victorville

**Publicly Owned Electric Utilities**  
WHAT MAKES US DIFFERENT?

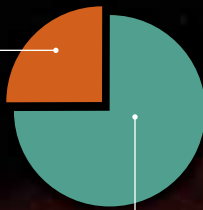


## California's DIVERSIFIED Electric System: Participants

### UTILITIES

#### Publicly Owned Utilities

- Provide approximately 25% of California's electricity
- 39 full service utilities, mostly small and mid-sized
- Los Angeles Department of Water and Power (LADWP), the largest public utility, serves 3.9 million customer owners; the City of Biggs, the smallest, serves 1,800



#### Investor Owned Utilities

- Provide approximately 75% of California's electricity
- California has three Investor Owned Utilities: PG&E, Edison, Sempra

### INDEPENDENT POWER PRODUCERS AND MARKETERS

- Private producers also generate and sell power
- Some have strong roots in California while others merely sell into California markets

### REGULATORS

**FEDERAL** — The Federal Energy Regulatory Commission (FERC) and Congress set policy and oversee wholesale markets and transmission access.

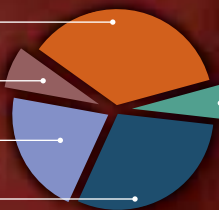
**STATE** — The Legislature implements policy through legislation. The Governor appoints the California Public Utilities Commission (CPUC). The CPUC regulates the Investor Owned Utilities in exchange for monopoly rights. The CPUC does not regulate the Publicly Owned Utilities.

**LOCAL** — For Publicly Owned Utilities, policy is developed and utility activities and rates are regulated by locally elected boards and/or city councils.

### CUSTOMERS

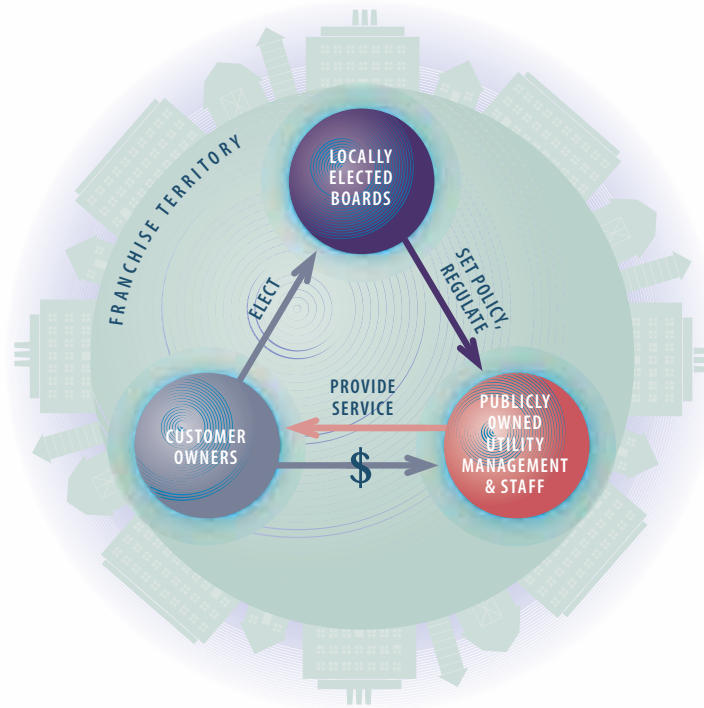
#### State-wide Customer Classes

- Commercial 36%
- Agricultural 7%
- Industrial 21%
- Residential 30%
- Other 6%



## Publicly Owned Utilities WHAT MAKES US DIFFERENT?

### A RADICALLY DIFFERENT STRUCTURE



## Publicly Owned Electric Utilities

Community of customer owners

Not-for-profit public agency

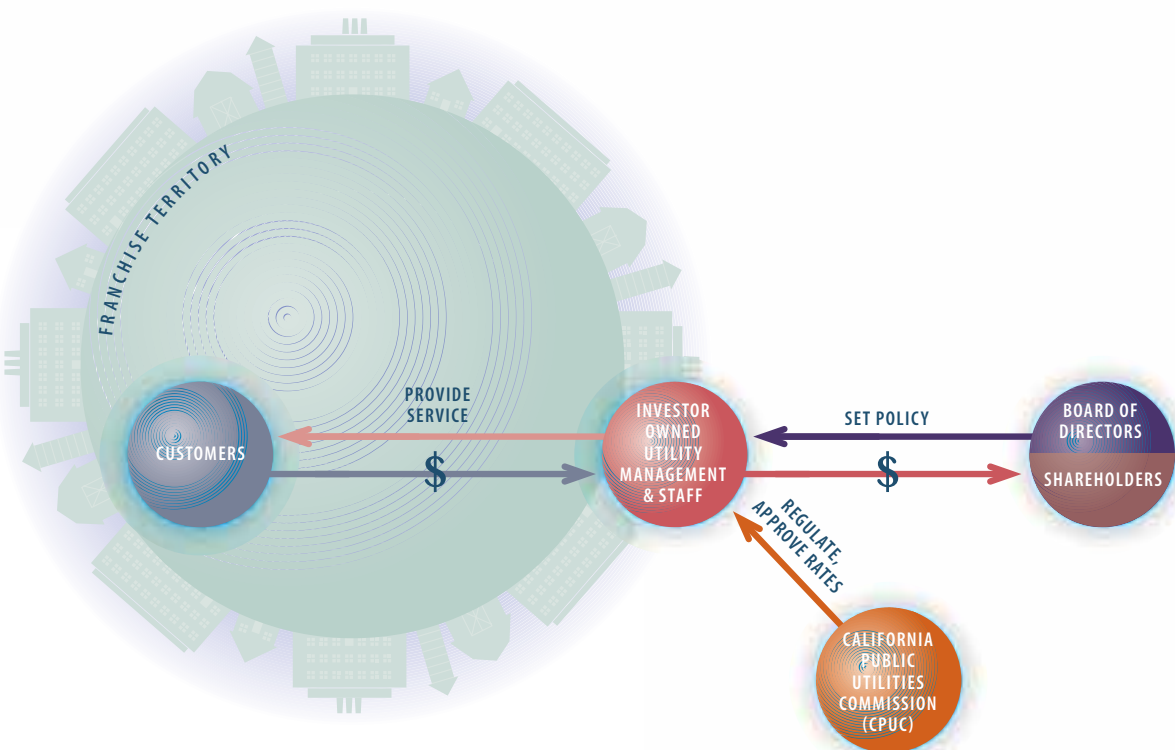
Optimize benefits for local customer owners

Locally elected officials

Locally elected board approves rates in a public forum

2003 system-average rates **41% lower** than IOUs  
(9.5¢/kwh versus 13.4¢/kwh)

*A chart of detailed differences can be found on page 4*



## Investor Owned Electric Utilities (IOUs)

<b>FOUNDERS</b>	Private investors
<b>STRUCTURE</b>	Investor owned private corporation
<b>MISSION</b>	Optimize return on investment for often-remote shareholders
<b>REGULATION</b>	California Public Utilities Commission (CPUC)
<b>RATE SETTING</b>	The CPUC approves rates
<b>RATES</b>	Approximately <b>84% higher</b> than the national average (13.4¢/kwh versus 7.3¢/kwh)*

\*Source: Energy Information Agency Ratios EIA-861 for 2003

## Publicly Owned Utilities

### WHAT MAKES US DIFFERENT?

*Let's Compare...*

Publicly Owned Utilities		Investor Owned Utilities
Not-for-profit public agency	<b>STRUCTURE</b>	For-profit holding companies; the electric utility can be one of numerous subsidiaries
Optimizes benefits to customer owners	<b>GOAL/MISSION</b>	Optimizes investment return to often remote shareholders
Locally elected board appoints management team of public employees	<b>MANAGEMENT</b>	Shareholder-elected board appoints management team of private sector employees
Locally elected officials provide oversight of policies, practices, and rates	<b>REGULATION</b>	California Public Utilities Commission (CPUC) provides oversight for policies and "rate case" approval
Full disclosure in decision-making process: Brown Act, Public Records Act, Competitive Bid Requirements	<b>DEGREE OF TRANSPARENCY</b>	Proprietary in-house decision-making; limited public review or input; no legal requirement to conduct business openly
Because the customers are the owners, self-dealing is not an issue	<b>SELF-DEALING</b>	Multiple subsidiaries, layers of complexity, and lack of transparency open the door to self-dealing concerns
Rates are set in a public forum, resolving issues of competing interests and values at the local level	<b>RATE SETTING</b>	Rates approved by CPUC through a very complex litigation-based "rate-making" case process
Publicly Owned state-wide system-average rates are 41% lower than those of Investor Owned Utilities (2003)	<b>RATES</b>	IOU state-wide system-average rates are approximately 84% higher than the national average (2003)
Local officials actively plan and invest for future energy supply by building power plants and procuring power through long-term contracts	<b>OBLIGATION TO SERVE/RESOURCE ADEQUACY</b>	AB 1890 restructuring minimized the obligation to plan and procure adequate generation, shifting the risk of high-priced shortfall to customers; the obligation to serve is still not clear
Continue to invest in significant new power plants to assure supply for customer owners	<b>GENERATION</b>	The procurement process continues to be uncertain due to both an unclear "obligation to serve" and regulatory concerns about the profit motive
Continue to plan and build new major transmission lines	<b>TRANSMISSION</b>	Planning and construction of regional transmission is hampered by both unproven market rules and a disaggregated utility environment
Utility managers are very responsive to complaints—the buck stops at the locally elected board; customer owners invest in strong infrastructure	<b>RELIABILITY</b>	Utility manager responds to complaints but the buck stops with the CPUC in San Francisco; infrastructure maintained to meet regulatory compliance
The utility is a vibrant asset of the community and contributes to unique, local programs; Municipally Owned Utilities support city services through transfers to the General Fund	<b>LOCAL IMPACTS</b>	Minimal participation in local economic development; regulatory-compliance based and one-size-fits-all despite the diverse characteristics of the communities within their franchise territories
Most are small or medium-sized and are readily accessible to the local customer owners	<b>SIZE</b>	Very large and complex
Plays a strong, vital role in support of local business; attracts new premium businesses; provides energy efficiency resources; enables sensitive industries to secure enhanced power quality; develops and delivers innovative technologies	<b>BUSINESS DEVELOPMENT</b>	Limited business support and economic development programs

## Unique Benefits for Customer Owners

### Local Control and Accountability

- Local control of policy and rate-setting
- Direct public accountability to voters
  - Public Forums
  - Advisory Elections
  - Referendums
- Transparent business practices
  - Open meetings (Brown Act)
  - Open information and full disclosure (Public Records Act)
  - Public bid requirements
- Local voice in resource decisions through community forums, initiative process and referendum

### Lower Rates and Economic Benefits

- California's Publicly Owned Utilities' rates are 41% lower than IOUs' (2003)
- Competitive edge for industrial, commercial, and agricultural customers through lower rates and higher reliability
- More money stays in the local community and in each customer's pocket
- Local economic development promoted through business-friendly programs and incentives
- Economies of scale made possible via joint powers agencies: NCPA, SCPPA, and TANC build generation plants and transmission
- Municipally Owned Utilities support city services through transfers to the General Fund

### Prudent Planning for the Future

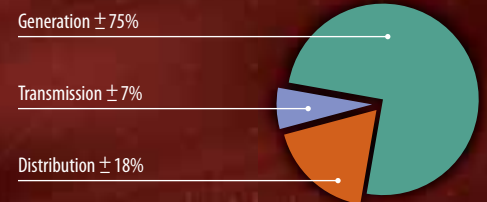
- Invest and build ample electric capacity for projected demand
- Foster stewardship of the community's long-term energy future based on local needs
- Reduce demand through energy efficiency, research and conservation programs

### A Unique Position in a Diversified Electric System

- 39 mostly small and mid-sized utilities are different from the large IOUs and from each other. They readily adapt in the face of changing regulatory and economic landscapes, protecting the assets and rates of customer owners.
- Diversity in innovation strengthens all California as "best practices" disseminate around the state. Locale-specific research supports new technologies and methods that optimize each unique system.

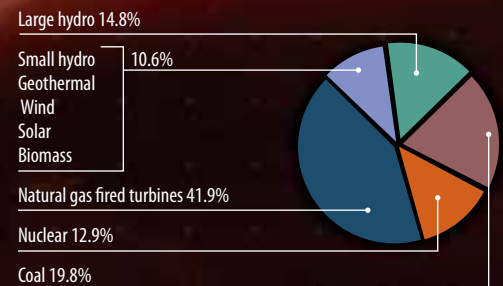
## California's DIVERSIFIED Electric System: Facts about Delivering the Power

### WHERE DOES OUR ELECTRIC DOLLAR GO?



### GENERATION

#### California's Resource Mix



California Energy Commission, 2004

### TRANSMISSION



- Includes long distance, high voltage wires and towers
- Interconnecting grids throughout the western US
- Transmission constraints can make remotely located power resources uneconomical
- Transmission control areas in California: LADWP, SMUD, Imperial Irrigation District and the Independent System Operator (ISO) manage the sub-regional transmission grids



### DISTRIBUTION

- Includes local poles and wires required for service, along with substations and maintenance support
- Business services and customer support

With divestiture of generation pursuant to AB 1890, the IOUs are no longer completely vertically integrated, nor do they continue to fully carry the "obligation to serve" that was the underlying rationale for the monopoly franchise. Publicly Owned Utilities continue to be vertically integrated; locally elected officials continue to take responsibility for providing ample electricity, transmission, and distribution services to meet the growing demand of their local communities.

**COMPETITIVE BENCHMARK AGAINST IOU RATE INCREASES**

Publicly Owned Utilities have provided the U.S. and California with a competitive benchmark for cost efficiency for the past century. This comparison helps California's legislature and the CPUC evaluate the fairness of costs asserted by the Investor Owned Utilities. This service benefits every resident and business in California.

**LOCAL ACCOUNTABILITY FOR UNIQUE POWER QUALITY**

Computer and pharmaceutical companies demand an extremely high level of power quality: surges or dips cause havoc in production. Jerry Meek, Utility Operations Manager from Roche Palo Alto, reports that availability, reliability, quality and cost are primary concerns. "Since a dependable electricity source is so important to the work of the site, we require redundant feeders to the site from different sources and backup power feeders throughout the site." The City of Palo Alto, a publicly owned utility, exceeds the performance of the local investor-owned utility in all of those key areas, according to Meek. "The city also provides numerous services that are not normally available through large, investor-owned utility companies, (such as) company-specific energy use studies, efficiency improvement rebates, engineering evaluations, and detailed demand/consumption data."

— **Jerry Meek**,  
Utility Operations Manager from Roche Palo Alto

**PERSONALIZED SERVICE AND RELIABILITY**

"We have been a partner with the Redding Electric Utility(REU) for several years. They have provided to us a very reliable and low-cost electric service that has been vital to our ability to both serve patients and make ends meet. They have been exceedingly accessible and helpful whenever we needed them. From my experience, based on customer service as well as price and reliability, they have been head and shoulders above other operators. During the recent electricity shortage, this well managed and planned utility was able to provide to us a very reliable source of electricity and thereby letting me worry about other matters instead of whether the power would be cut off."

— **C. Dean Germano**,  
CEO, Shasta Community Health Center

**Publicly Owned Utilities**  
**WHAT MAKES US DIFFERENT?**

**Benefits Flow to All Californians**

**Competitive Pressure**

Benchmarking both lower rates and higher reliability puts pressure on Investor Owned Utilities to become more cost-effective.

**Economic Vibrancy Statewide**

Lower power costs and high reliability attract businesses to California, bringing tax revenue, jobs, and regional development.

**Diversification: Stability and Innovation**

The diversity of California's 39 Publicly Owned Utilities provides multiple perspectives and strategies in a complex national marketplace. Operating from a broad, diverse base, California's electric industry is stronger, more resilient, and more stable.

Innovation in energy practices and technologies flows from diversified Publicly Owned Utilities, and supports all California as "best practices" disseminate around the state.

**Experienced Leadership**

Within the Publicly Owned Utilities, experienced policy makers and leaders have worked through the restructuring period from a public service (not-for-profit) perspective. These respected leaders deeply understand the electric industry at the local, state, regional and national levels.

**Credible National Voice**

In addition to working within the state policy framework, California's Publicly Owned Utilities are recognized within FERC and Congress as a fair-minded voice representing local control and accountability, prudent planning for resource adequacy, and a track record of excellent, competitive results for their customer owners.

**Electrical Rates**  
**Before and After Restructuring**

System Average Rates*	1994 cents/kWh (prior to restructuring)	2003 cents/kWh (after restructuring)
United States	6.91	7.3
CA Investor Owned Utilities	10.38	13.4 (84% higher than US average)
CA Publicly Owned Utilities	8.56	9.5 (41% lower than IOU average) (30% higher than US average)

\*Source: Energy Information Agency Ratios EIA-861 for 2003 (latest information available)

## In a nutshell, what lessons have we Californians learned from our restructuring experience?

Trying something new involves risk: hopefully calculated risk. AB 1890 (1996) set up a restructured California electric market to try to get immediate benefits of lower prices from newer, more efficient gas-fired plants in a newly deregulated U.S. natural gas market. It was assumed competition and customer choice would bring lower electricity prices to everyone.

Miscalculations were made in many areas. California was left vulnerable to wild market forces and some unscrupulous traders. **In 2000-2001 California paid \$54.7 BILLION for electricity that cost \$14 BILLION in 1998-1999. The price of experience is a cost that our children's children's children will still be repaying.**

Publicly Owned Utilities, as a group, sought to retain their autonomy and local decision-making during the deliberations leading to AB 1890. They worked together as a state-wide coalition to protect their respective customers from the uncertainties and costs of the emerging market structures. They continued to own their own generation and acquired long-term purchase contracts at reasonable rates. They determined to open their doors to retail competition only if it would not harm customers who did not choose to change providers.

In 2000-2001, the IOUs, because they had divested a significant number of power plants, bought up to 30% of their needs on the spot market, driving prices for electricity to astronomical heights. When the newly-established Independent System Operator (ISO) and the governor asked for help, California's Publicly Owned Utilities came to the state's assistance and were instrumental in re-stabilizing the market and avoiding further losses.

The economy of California and the security of its people is dependent on ample, fairly-priced electricity and water. Publicly Owned Utilities, for over a hundred years, have been a pillar of that security. As a state, we've learned that unbridled competition and "free" markets MAY NOT ALWAYS be the best way to meet our essential needs. The Publicly Owned Utilities demonstrate daily that democracy, public ownership, and local accountability preserves the security of our power supply.

## What Role Will California's Publicly Owned Utilities Play in Our Energy Future?

- Provide benchmark lower rates and higher reliability that work to pressure Investor Owned Utilities to become more cost-effective, thus directly benefiting all IOU customers.
- Model efficiency and professionalism in the delivery of an essential service using local control, direct accountability, and transparent business practices.
- Bolster the economy in their service territories through lower rates, general fund contributions, and long-term planning for their energy future.
- Support a diverse electric system with innovative technologies and methods of service, reflecting a myriad of local values and conditions.
- Lead in the development of California's energy policy, working from decades of experience at the local, state and national level from a public service, not-for-profit perspective.
- Continue to enhance California's interests before the Federal Energy Regulatory Commission (FERC) and Congress, speaking from a reputation for fair-mindedness and credibility.

## Local Democratic Voice in Setting Electric Rates

Customer owners of Publicly Owned Utilities who want to have a voice in decisions that set rates and policy can easily attend regular meetings of their Utility

Board or City Council and speak. Customers of Investor Owned Utilities who want to have a voice must enter into a complex litigation-based "ratemaking" process at the CPUC in San Francisco. Consequently there is minimal customer input.

### Leadership, Local Control, and Self-Determination

California's Publicly Owned Electric Utilities contribute strong leadership to the national energy policy decisions.

*"The challenge we have politically, both at the state level here in California and at the federal level, is that there seems to be a fairly continuous effort and list of initiatives to erode local control—to impose new mandates, new reporting requirements and to standardize utilities across the country, lumping public power in with investor-owned utilities, marketers, merchant generators and the other segments of the industry."*

— **Jan Schori**, General Manager, Sacramento Municipal Utilities District  
President, American Public Power Association 2004-05

*"It is critical that legislation recognizes the fundamental differences between for-profit and not-for-profit utilities; a one-size-fits-all energy policy is not workable. Publicly Owned Utilities with their cost-of-service ratemaking create a cost benchmark by which the rates of for-profit utilities can be scrutinized. Further, Publicly Owned Utilities are just that; owned by the people. Legislation should recognize and respect the rights of the people to be served by public power."*

— **Marcie L. Edwards**, General Manager, Anaheim Public Utilities  
President, California Municipal Utilities Association 2005-06





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 www.scppa.org

# Publicly Owned Utilities

## Being Different is Good! Our Customers Speak Out

### LOWER RATES AND RELIABILITY MEANS GROWTH

"We relocated our molded elastomeric (rubber) components manufacturing facility from the Bay Area to Roseville, where the locally owned utility offers a reliable low cost source of energy that is essential to our business. With 70 employees, primarily manufacturing and professional, we have 3,300 amp service for our molding presses and extruders. Since our relocation, we have been able to increase our capacity by 33%."

— **Ian MacAuley**, Partner in Performance Polymer Technologies in Roseville

### R&D FOR ALL CALIFORNIA

To the extent we can reduce our demand curve at the most intense times, we can build fewer power plants. Air conditioning is one of the greatest drivers for this demand. Thus, UC Riverside, with the help of its Publicly Owned Utility, the City of Riverside, invested in a thermal cooling technology: water is cooled at night when power is 1/10 of the price during peak, and then air runs through the cool water tanks during peak to minimize the air conditioning demand from the conventional compressors. UC Riverside's facilities team has lauded their public power partner. Southern California Public Power Authority, a joint powers agency, is building on Riverside's success by initiating ten pilot projects in various climate zones throughout the state to further test this promising technology.

### STATE ECONOMIC DEVELOPMENT

Jobs, taxes, and economic growth come with the siting of new businesses in California. When NVIDIA Corp. was choosing a site for its world headquarters, electric service at the right price was crucial. "Santa Clara was an obvious choice for us," said Julie Rogers of NVIDIA. For a company that makes graphics and digital media processors, reliability and cost are top concerns. According to Rogers, Silicon Valley Power, the city-owned utility in Santa Clara, has kept "their rates stable for years, and are up to "40% lower than competitive rates from other local utilities. As a fairly large account, we are kept apprised of any events taking place in the city or on the power grid that may have an impact on our business. I am able, at any time and from a single source, to obtain grid management information, outage information, consumption and demand data."

— **Julie Rogers**, Facilities Manager of NVIDIA in Santa Clara

## WHO PREFERS A PUBLICLY OWNED UTILITY OVER AN INVESTOR OWNED UTILITY?

Customers of Publicly Owned Utilities (2004)	7:1
Customers of Investor Owned Utilities (2004)	2:1
California's Largest and Most Intensive Users (2001)	5:1