

# HB813, HD1

## RELATING TO ELECTRICITY PRODUCERS.

Authorizes the public utilities commission and the division of consumer advocacy to examine all documents and other information and data deemed necessary for the review of power purchase agreements before the commission and division of consumer advocacy, including financial records, projections, cost reports, and other material of third-party electricity producers seeking to sell power to a public utility under a power purchase agreement. Effective July 1, 2050. (HB813 HD1)



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

335 MERCHANT STREET, ROOM 310

P.O. Box 541

HONOLULU, HAWAII 96809

Phone Number: 586-2850

Fax Number: 586-2856

[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE  
ON ENERGY AND ENVIRONMENT

THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2013

TUESDAY, MARCH 19, 2013  
3:15 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

HOUSE BILL NO. 813, H.D. 1 - RELATING TO ELECTRICITY PRODUCERS

DESCRIPTION:

This measure proposes to authorize the Public Utilities Commission ("PUC") to examine all documents and other information and data deemed necessary for the review of purchase power agreements before the Commission, including financial records, projections, costs reports, and other material of third-party electricity producers seeking to sell power to a public utility under a power purchase agreement.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") strongly supports H.B. No. 813, H.D. 1, and offers the following comments.

COMMENTS:

In recent years, the cost to produce solar photovoltaic panels and wind turbines has decreased significantly. Furthermore, as the technology for these renewable energy devices has improved, so have their relative capacity factors. On the mainland, power purchase agreement (“PPA”) prices for solar and wind projects have declined as production costs decreased and efficiencies increased. The State of Hawaii, on the other hand, has not seen a similar decrease in PPA prices for wind and solar projects.

For every application for the approval of a PPA, the Consumer Advocate requests actual cost data from the independent power producers (“IPP”) through the electric utility to determine if the price per kwh is just, reasonable, and in consumers’ best interest. Thus far, IPPs have not provided this data, but instead provide pro forma financial information, which reflect assumptions and projections, not actual costs. The Consumer Advocate finds these pro formas to be less than adequate in the Consumer Advocate’s ability to determine the reasonableness of PPA pricing.

The Consumer Advocate believes that this measure will provide access to the documentation that will help to facilitate the review of assessing the reasonableness of PPA pricing and will maximize the ability to assess that ratepayers receive the benefits of renewable energy projects. As shown below, PPA prices have been relatively steady and have not reflected the decreases in material cost in recent years.

Date of Application	Developer	Capacity	Energy Price
9/20/2010	Kapaa Solar LLC	1MW	\$200/MWh
104/2010	Kaheawa Wind Power II, LLC	21MW with BESS	The payment rate in Year 1 is \$228/MWh for the first 42 GWh, \$176/MWh for energy in excess of 42 GWh up to 62 GWh, and \$50/MWh in energy in excess of 62 GWh. The rates escalate at 1.5% per calendar year beginning with the Year 2 price and ending with the Year 11 price. Pricing for Years 12 through 20 will escalate at 0.5% per calendar year.

Date of Application	Developer	Capacity	Energy Price
1/19/2011	IC Sunshine LLC	5MW	If the 24.5% refundable state tax credit is taken, the price at Year 1 is \$210/MWh escalating to \$258.67/MWh in Year 15 and then ending at \$200/MWh between Years 16 through 20. If the 35% state tax credit is taken, the price of the agreement at Year 1 is \$177.50/MWh, escalating to \$218.64/MWh in Year 15 and then ending at \$167.50/MWh between Years 16 through 20.
3/9/2011	Kalaeloa Solar Two, LLC	5MW	If the 24.5% refundable state tax credit is taken, the price at Year 1 is \$191.14/MWh escalating to \$264.58/MWh in Year 12 and then ending at \$211.84/MWh between Years 13 through 20. If the 35% state tax credit is taken, the price at Year 1 is \$151.14/MWh, escalating to \$224.58/MWh in Year 12 and then ending at \$171.84/MWh between Years 13 through 20.
3/17/2011	Auwahi Wind Energy LLC	21MW with BESS	In Year 1, the price is \$200/MWh for the 1st 83 GWh of energy delivered in a calendar year and \$50.75/MWh for the remaining GWh of energy delivered during the calendar year. The rate escalates ending at Year 20 with a price of \$269.37/MWh for the 1st 83 GWh of energy delivered in the calendar year and \$68.35/MWh for the remaining GWh of energy delivered in the calendar year.
8/5/2011	McBryde Sugar Company, Limited	6MW	\$200/MWh
8/12/2011	Forest City Sustainable Resources Oahu, LLC	1MW	With the 24.5% refundable state tax credit, the price is \$236/MWh.

Date of Application	Developer	Capacity	Energy Price
9/23/2011	Kawailoa Wind LLC	69MW	Price at Year 1 is \$205.40/MWh escalating 1.5% annually for the 20-year term of the contract.
11/28/2011	MP2 Hawaii Solar I, LLC	300kW	\$200/MWh
12/21/2011	Kalaeloa Renewable Energy Park LLC	5MW	\$197/MWh or \$216/MWh depending on whether the 35% or 24.5% state tax credit is taken, respectively

These PPA prices for Hawaii solar and wind projects may seem reasonable, because they are all priced at or near 20 cents per kwh. However, when compared to mainland prices, the Consumer Advocate questions whether Hawaii's higher PPA prices can be attributed completely to the higher cost of doing business in this State.

In August, 2012, the United States Department of Energy published a report done by Lawrence Berkeley National Laboratory entitled, "2011 Wind Technologies Market Report." The report stated that, "the capacity-weighted average 2011 sales prices, based on projects in the sample built in 2011, was roughly \$74/MWh" (\$0.074 per kwh). Similarly, a solar project PPA entered into in 2012 in California was submitted to the California Public Utilities Commission for approval priced at less than \$0.10 per kwh.

The Consumer Advocate believes that this bill, which would give the PUC and the Consumer Advocate the ability to review the actual cost data for IPPs, would better enable regulators to determine if PPA pricing for renewable energy projects are just, reasonable, and in the consumers' best interest. Moreover, the PUC and the Consumer Advocate will be able to determine what is causing the disparity in PPA prices for renewable energy projects in Hawaii compared to the mainland.

Thus, the Consumer Advocate strongly supports this measure. The Consumer Advocate makes one recommendation that in addition to the PUC, the Consumer Advocate's office be included specifically in the measure.

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  
SENATE COMMITTEE ON ENERGY & ENVIRONMENT

MARCH 19, 2013

3:15 p.m.

**MEASURE:** H.B. No. 813, H.D. 1

**TITLE:** Relating to Electricity Producers

Chair Gabbard and Members of the Committee:

**DESCRIPTION:**

H.B. No. 813, H.D. 1 would authorize both the Public Utilities Commission ("Commission") and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs ("Consumer Advocate") to examine all information relating to power purchase agreements ("PPA") under review by the Commission, which includes the examination of PPA-relevant cost information of independent power producers ("IPP"). This bill contains an effective date of July 1, 2050.

**POSITION:**

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

**COMMENTS:**

This bill will provide the Commission and the Consumer Advocate with the means to obtain full and complete information from all parties to PPAs submitted to the Commission for review and approval. Although the Commission currently has general supervisory authority over public utilities under Chapter 269, Hawaii Revised Statutes, which allows the Commission to compel necessary information from regulated utilities, information from non-regulated entities may not be as readily available for the Commission's and the Consumer Advocate's review of a project's genuine cost information in the course of regulatory proceedings.

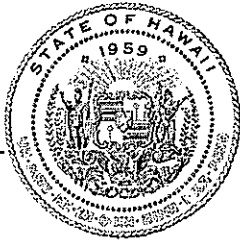
To ensure the protection of a non-utility's confidential information, included in this bill are provisions requiring the Commission and the Consumer Advocate to maintain the confidentiality of information submitted under confidential seal.

While the Commission fully supports the amendments made by the House Committee on Consumer Protection & Commerce to extend PPA information access under this measure to the Consumer Advocate, the Commission requests a clarifying amendment as follows to the language found on page 3, lines 6 to 8 in order to ensure there is not an overlapping of agency functions created by this bill:

...to the commission for review or approval, as the commission or the division of consumer advocacy deems necessary...

As a result of discussions with developers, the Commission is willing to consider language that would allow a developer to intervene in an application for approval of a PPA before the Commission, as well as clarifying language stating that this measure will not affect the terms and conditions of an existing contract.

Thank you for the opportunity to testify on this measure.



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

NEIL ABERCROMBIE  
GOVERNOR

RICHARD C. LIM  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

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

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

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

Tuesday, March 19, 2013  
3:15 PM  
State Capitol, Conference Room 225

in consideration of  
**HB813, HD1**  
**RELATING TO ELECTRICITY PRODUCERS.**

Chair Gabbard, Vice Chair Ruderman, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB813, HD1, an Administration bill, which authorizes the Public Utilities Commission (PUC) and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy (CA), to examine all documents and other information and data deemed necessary for the review of power purchase agreements (PPAs) before the PUC and CA. The bill also requires that the PUC and the CA maintain the confidentiality of all information submitted under confidential seal.

DBEDT supports the intent of this bill as it would provide the PUC and CA with greater access to information so they can better determine how reasonable the proposed PPA prices are given Hawaii's market reality.

We respectfully offer the following comments on this bill:

- The bill states that the PUC and CA will have access to "all documents, ledgers, records, projections, contracts, or any other information and data pertaining to the development, financing, taxation, construction, or operations and maintenance of a project."



We are concerned that this language may be too broad, resulting in adverse, unintended consequences. For example, it behooves the question of whether or not the project investor's tax information could be required by the PUC and CA. It is our understanding that investors may be quite reluctant to sharing their financial information. Hence, a law such as that proposed by this bill could discourage investors from pursuing projects in Hawaii, resulting in reduced competition and potentially higher PPA prices.

- We comment that alternative approaches that effectively accomplish the intent of this bill may be available. For example, as an alternative approach, the PUC and CA could require that Independent Power Producers (IPPs) provide supporting documentation, including a detailed breakdown of all costs, justifying their pro-forma and PPA price. In this scenario, IPPs would also be required to retain other supporting documentation, such as contracts, copies of invoices, and proof of payment; these documents would be made available to the PUC and CA upon their request. Another alternative would be for the PUC and CA to request that the IPPs submit an independent accountant's certification attesting to the accuracy of all costs claimed by the IPP. Similar approaches were implemented in the Treasury 1603<sup>1</sup> program.
- We comment that it may be prudent to evaluate the Request for Proposal Competitive Bidding Framework to determine if opportunities exist to inject additional competition into this process as a means of placing downward pressure on PPA pricing.

Thank you for the opportunity to offer these comments.

<sup>1</sup> Reference: "Payments for Specified Energy Property in Lieu of Tax Credits under AMERICAN AND REINVESTMENT ACT OF 2009", page 17: "Applicants must submit with their application for a Section 1603 payment documentation to support the cost basis claimed for the property. Supporting documentation includes a detailed breakdown of all costs included in the basis. Other supporting documentation, such as contracts, copies of invoices, and proof of payment must be retained by the applicant and made available to Treasury upon request. For properties that have a cost basis in excess of \$500,000 applicants must submit an independent accountant's certification attesting to the accuracy of all costs claimed as part of the basis of the property."

**HB813**

Submitted on: 3/14/2013

Testimony for ENE on Mar 19, 2013 15:15PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Friends of Lana'i	Friends of Lana'i	Support	No

Comments: Please support this bill, as it appears to provide the PUC with a very important additional component to the financial information they need for their review of PPAs. It would be even stronger, however, if it, in addition to having the CA and the PUC see this information, required its publication. The PUC is one of our state's most opaque institutions, yet their decisions have a direct impact on every taxpayer and ratepayer's pockets -- and our state's energy future.

**Testimony before the  
Senate Committee on  
Energy and Environment**

**H.B. 813, H.D. 1 -- Relating to Electricity Producers**

**Tuesday, March 19, 2013  
3:15 pm, Conference Room 225**

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

Chair Gabbard, Vice-Chair Ruderman 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.

Hawaiian Electric supports H.B. 813, H.D. 1 which would authorize the Public Utilities Commission and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs to examine all documents and other information and data deemed necessary for the review of power purchase agreements before the Commission, including financial records, projections, cost reports, and other material of third-party electricity producers seeking to sell power to a public utility under a power purchase agreement.

Providing complete access to underlying renewable energy project cost information would allow for a better determination of the reasonableness of proposed prices from independent power producers' projects. We believe that ultimately, this will be helpful in obtaining better pricing for our customers.

Thank you for the opportunity to testify.

# Solar Power Systems International

TESTIMONY OF JOHN CROUCH ON BEHALF OF SPSI, A RENEWABLE ENERGY  
COMPANY BASED IN HAWAII, BEFORE THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
HB 813, HD1 RELATING TO ELECTRICAL PRODUCERS

March 19, 2013

Chair Gabbard and Vice Chair Ruderman and distinguished members of the Committee, my name is John Crouch. I and my two local partners have been involved in the design and installation of renewable energy projects in Hawaii since the first commercial system at Mauna Lani Bay Hotel and Bungalows in 1998. We are very concerned that the proposed addition of the PUC to evaluate IPP cost data and other confidential information, poses a threat to the utility / IPP contract completion process.

SPSI Strongly **OPPOSES THIS MEASURE** and offers the following comments:

- 1) The PUC already has oversight and approval authority of all utility contracts for purchase of energy for the benefit of the rate payer. An additional step in evaluating the utility / IPP contract cost basis and evaluation of the IPP ROI is redundant. By the time the PPA is presented to the PUC, the utility and the IPP have already committed considerable financial resources and several years in developing a contract that they feel meets the PUC criteria. An additional analysis of base cost information by the PUC will add another four to six months to an already lengthy contract process. Project financing will move away as the time required for PUC approval becomes extended.
- 2) We have a mandate to reach a very aggressive goal of 70% renewables by 2030. Yet, we see multiple efforts to turn back the strong business contributions to our economy provided by the renewable energy industry. This measure is another step of added cost to the development process. Added layers of review and extended time of approvals add cost to the contract process and ultimately result in added cost to the rate payer. Also, this measure would likely impose "Rate Making" procedures on PPA contracts.
- 3) The current perception that PPAs are higher than similar projects on the mainland do not allow for the fact that land control cost here is almost three times as much as on the mainland as well as concrete at triple the cost, labor at 30% to 40% higher; Interconnect at more than twice the cost and unlimited curtailment. No wonder large and small systems cost more in Hawaii than on the mainland.
- 4) SUGGESTION: In order to provide some degree of stability in the PPA process, we propose that the PUC conduct its own consultant based industry wide study to determine reasonable per kWh pricing for various sizes and types of renewables. This will provide cost data to the PUC not based on any biases of developers or the utility and will not add uncertainty to the utility / IPP contract process.
- 5) We propose this bill be held or adjusted per above suggestion.

Mahalo for the opportunity to testify.

BRIGHT PLAIN RENEWABLE ENERGY, L.L.C.'S  
TESTIMONY IN OPPOSITION TO HB 813, HD 1

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, March 19, 2013 at 3:15p.m.

Conference Room 225

Good afternoon Chair Gabbard, Vice Chair Ruderman, and members of the Committee:

Bright Plain Renewable Energy, L.L.C. ("Bright Plain") opposes HB 813, HD 1 and respectfully requests that the Committee defer this bill to allow for further discussion.

Bright Plain was founded in 2011 to acquire and manage solar projects across North America. Previously we helped start and build SunEdison (one of the world's largest solar developers) and through that experience saw firsthand how difficult it could be for developers to attract capital to solar projects. So we decided to try and help fix that problem by creating a reliable, knowledgeable source of capital for solar developers. Bright Plain invests in and acquires distributed and utility scale projects that are developed by solar companies so that they can reinvest their money to pursue other projects.

Bright Plain announced the acquisition of the Kalaeloa solar farm from SunPower Corp. on November 28, 2012. The Kalaeloa solar farm is a 5 megawatt solar farm on West Oahu that was developed by SunPower Corp.

**The passage of HB 813, HD1 would serve as a disincentive for Bright Plain to invest and acquire further projects in the State of Hawaii.**

The language in HB 813, HD1 states,

"The public utilities commission and the division of consumer advocacy of the department of commerce and consumer affairs shall have the authority to examine **all documents, ledgers, records, projections, contracts, or any other information and data pertaining to the development, financing, taxation, construction, or operations and maintenance of a project in any power purchase agreement** that has been submitted to the commission and division of consumer advocacy for review or approval, as the commission and division of consumer advocacy deem necessary, including the information and data of any third-party electricity producer seeking to sell electricity to a public utility as defined within section 269-1 . . ."

Thus, HB 813, HD1 as currently drafted would allow the public utilities commission and consumer advocate access to Bright Plain's information, including proprietary and confidential information, which allow Bright Plain to be competitive and, most importantly, allows it to invest in solar projects in the State of Hawaii. Bringing

capital to solar projects is a long educational process and asking our investor to divulge our competitive information about the project and /or private information about our funders would be detrimental to our efforts to bring additional capital to Hawaii.

It is important to remember that third-party electricity producers and their investors (“IPPs”) are not regulated by the Hawaii Public Utilities Commission. Also important to remember is that, unlike a public utility, IPPs are not a monopoly, are not guaranteed a rate of return, and do not have the benefit of decoupling. Instead, IPPs fight to survive each day in a very competitive market.

The passage of HB813, HD1 will result in investors being forced to look outside of the State of Hawaii to invest in renewable energy technologies. Needless to say this would put a damper on future development of renewable energy in Hawaii and, thus, not be good for the State or the ratepayers.

Therefore, we respectfully request that this measure be deferred.

Thank you for the opportunity to testify.

David Buzby  
CEO  
Bright Plain Renewable Energy, LLC



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, March 19, 2013 – 3:15 p.m. – Room 225

**Testimony Opposing HB 813 HD1 Relating to Electricity Producers**

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

I am Jody Allione and I represent AES Solar Power for utility scale solar project developments. We request that you defer HB 813 HD1 because it creates another obstacle to open competition and continued investment in the Hawaiian energy market. This bill is related to Electricity Producers and has a number of impacts on the energy community and how Independent Power Producers (“IPPs”) are perceived by the legislature and how potential investors perceive Hawaii as a pro business state related to energy contracts. As an experienced energy developer in many parts of the country, we have not seen this requirement in any other region.

AES and AES Solar have done business in Hawaii in the energy field as an IPP and we approach this market with certain expectations and treatment similar to how we do business on the mainland and worldwide. IPPs are not regulated entities and have to meet certain financing goals as well as satisfy investors that the projects are sound, have addressed all elements of risk, and are have been subject to fair and competitive pricing criteria.

Hawaii is an extremely expensive place to do business in this industry due to:

- a high premium for construction
- extremely extended time to obtain PPAs
- extensive interconnection requirements and uncapped pricing on the utility side
- lengthy regulatory approval and process
- very expensive land and leasing criteria

Added to that are:

- uncertainties related to risk in the areas of taxation on all levels
- lengthy development timeline for these relatively small projects that is much longer than on the mainland
- uncapped curtailment of operating projects

It is very hard to continue development of these projects at risk, which involves a lot of work done without any assurance of a PPA, just to stay in the game. This bill will likely have a chilling factor on the financing of Hawaii energy development and likely negatively affect our ability to meet Hawaii’s clean energy goals.

This bill puts us in the position of having all of the estimated costs analyzed by already overburdened and understaffed agencies (the Consumer Advocate and the PUC) after HECO has already run the project through extensive analysis. In addition we now have no understanding of what the criteria is under review and if we would be referred back to HECO for another extended negotiation because the pricing criteria wasn't clearly understood. It potentially adds significant time to the PUC approval process and may push us past deadlines that are projected in order to successfully finance these projects and to obtain tax incentives required to maintain the pricing in the PPA. This is yet another hit to the projects that have been working for years with HECO to develop a PPA under which market and regulatory conditions continue to change.

When the PPAs are filed with the PUC, the developer is in the position of estimating the actual costs of construction and materials and also has to estimate the cost of risk and financing that will take place a year or so from filing. All of this is done without any guarantees as to what will happen in this volatile industry during the elongated PUC approval process. This bill requires open access to all of the IPPs costs without defining the format that this information will be required. At the very least the request could be for a price breakdown with specific criteria outlined for the developers. This would be a more reasonable consideration in lieu of such open ended criteria.

I have discussed this bill with prospective investors who stated that they would be hesitant to recommend development funding in a state that appears to favor regulating rates of return without providing the same profit protection the utility receives.

As an alternative we suggest that we set up a study to review costs in Hawaii compared to mainland costs with HECO and the PUC and CA where we can show why the pricing is higher. This would make much more sense than implementing a bill that overburdens staff with information that and will likely look very different from every developer due to various nuances of financing and building. We recommend that the committee recommend a study to compare costs of renewable projects to determine what factors adversely affect Hawaii pricing and defer this bill until more information has been reviewed.

Mahalo for your kokua,



TESTIMONY OPPOSING H.B.813 HD1  
KELLY O'BRIEN, VICE-PRESIDENT FOR DEVELOPMENT  
FIRST WIND

REGARDING H.B. 813 HD1, RELATING TO ELECTRICITY PRODUCERS

BEFORE THE  
HAWAII STATE LEGISLATURE  
HAWAII STATE SENATE  
COMMITTEE ON ENERGY AND ENVIRONMENTAL

TUESDAY, MARCH 19, 2013  
CONFERENCE ROOM 225  
3:15 PM

Aloha Chairman Gabbard, Vice Chair Ruderman and Distinguished Members of the Committee on Energy and Environmental Protection. My name is Kelly O'Brien and I am the Vice-President for Development for First Wind.

First Wind has been developing and operating utility scale wind energy projects in Hawaii since 2006 and to date has invested nearly \$600 million in Hawaii. We own and operate Kaheawa Wind Power I & II on Maui (51 MW) and Kahuku Wind Power (30 MW) and Kawailoa Wind Power (69 MW) on Oahu. First Wind currently employs 25 people in Hawaii with plans to add 5 more in the near term. We are also involved with several utility-scale solar projects in Hawaii. We are firmly committed to helping to improve Hawaii's energy security by decreasing its reliance on fossil fuels for its energy needs. We have a demonstrated record in establishing long-term dialogues and partnerships with the communities we join and we are proud of our accomplishments in establishing successful Habitat Conservation Plans for our projects which ensure a "net benefit" to native wildlife that could be affected by our projects.

First Wind appreciates this opportunity to offer testimony on H.B. 813 HD1. As drafted, we oppose this bill for several reasons:

- 1) Independent power producers (IPPs) are not regulated entities and, as drafted, this bill represents quasi-regulation of these entities. We believe this type of legislation to be unprecedented and are unaware of any laws of a similar nature in any other state.
- 2) IPPs take risks that regulated utilities do not and are not guaranteed a rate of return as regulated utilities are.
- 3) The language in this bill is overly broad and does not provide any limitations to the type of underlying information that can be required. The amount of detail that could be required could add a significant amount of time to the review process of a power purchase agreement potentially adding additional cost and schedule risk to the project.
- 4) The statement in the bill that "...more open and clear contract pricing information could potentially improve the financing environment for non-utility energy developers, thus benefiting the entire State through lower renewable energy project financing costs." is fundamentally incorrect as a more regulated environment is likely to have a dampening

effect on investment for these types of projects. Additionally, in spite of the confidentiality clause towards the end of the bill, the quoted language begs the question of whether or not the intent is to make the information public in some way.

- 5) A competitive bidding process is meant to address concerns about best available pricing. Under a competitive bid process, viable projects with the best pricing should be selected foregoing the need for any review of underlying cost data by regulating agencies.

We understand the Public Utility Commission (PUC) and Consumer Advocate's (CA) concerns regarding renewable energy pricing in Hawaii versus the mainland and are committed to further dialogue on these concerns. There are very real reasons why prices for renewable energy projects are higher in Hawaii than on the Mainland. As a company that develops projects in both Hawaii and the Mainland, First Wind can provide insight that the higher prices in Hawaii are attributable to, but are not limited to, the following:

- 1) Higher land costs
- 2) Higher labor costs
- 3) Unlimited curtailment risk
- 4) Higher interconnection costs
- 5) Higher material costs (concrete, rebar, etc.)
- 6) More stringent performance requirements which require more costly equipment and/or the addition of battery systems
- 7) Costs of Habitat Conservation Plans which are rarely required on the mainland

We welcome the opportunity to participate in future discussions, however, as drafted, First Wind strongly opposes this measure.

Thank you for the opportunity to testify on H.B. 813 HD1.