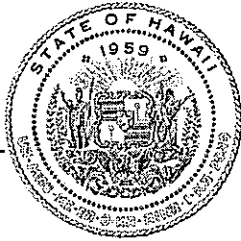


SB 1330

RELATING TO COMMUNITY-BASED RENEWABLE ENERGY.

Establishes the Hawaii community-based renewable energy program. Enables utility customers to participate in a community-based renewable energy facility and benefit from the electricity generated from such a facility. Effective July 1, 2013.



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

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Statement of
Richard C. Lim
Director
Department of Business, Economic Development, and Tourism
before the
**Senate Committees on Energy and Environment
and Commerce and Consumer Protection**
Thursday, February 7, 2013
2:45 PM
State Capitol, Conference Room 225

in consideration of

SB 1330 RELATING TO COMMUNITY-BASED RENEWABLE ENERGY.

Chairs Gabbard and Baker, Vice Chairs Ruderman and Galuteria, and Members of the Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB 1330, which would establish the Hawaii community-based renewable energy program.

The concept has merit, with the National Renewable Energy Laboratory reporting that such a program could provide for improved economies of scale, optimal project siting, and increased public understanding of renewable energy. This is consistent with the State's clean energy objectives calling for greater adoption of renewable energy.

We respectfully defer to the Public Utilities Commission for comment on any regulatory issues that would need to be carefully considered under this bill.

Thank you for the opportunity to offer these comments on SB 1330.



NEIL ABERCROMBIE
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SHAN S. TSUTSUI
LT. GOVERNOR

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TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT
AND COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013

THURSDAY, FEBRUARY 7, 2013
2:45 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE MIKE GABBARD
AND THE HONORABLE ROSALYN H. BAKER, CHAIRS,
AND MEMBERS OF THE COMMITTEES

SENATE BILL NO. 1330 - RELATING TO COMMUNITY-BASED
RENEWABLE ENERGY

DESCRIPTION:

This bill proposed to establish the Hawaii community-based renewable energy program; enables utility customers to participate in a community-based renewable energy facility and benefit from the electricity generated from such a facility; and will be effective July 1, 2013.

POSITION:

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

COMMENTS:

Thus far, distributed renewable energy systems, such as solar photovoltaic ("pv") systems, have been available to only those who can afford the significant up front cash payment that is required for system installation. A large segment of Hawaii's population has been locked out of this market for a number of reasons, including economic, living in multi-family dwellings, significant shading over their rooftops, and rooftop construction that does not allow for solar pv installation. A properly designed community-based renewable energy program has the potential to provide significant energy cost-savings to this under-served market. It also opens up access to affordable renewable energy to schools and community organizations that might otherwise be unable to participate in renewable energy self-generation programs.

On the other hand, the Consumer Advocate is concerned with the potential bill impact a community-based renewable energy program would have on non-participating ratepayers. Furthermore, this bill needs to insure adequate protection to participants of the program. The Consumer Advocate is willing to work with interested stake-holders and this committee to modify this bill to include additional protections to participants and non-participant consumers.

The following are the Consumer Advocate's concerns and recommendations with respect to this bill:

- (1) There should be a provision that specifically limits the billing credits to be applied to electricity generation only;
- (2) As part of the pre-ambule, there should be a statement that indicates the Legislature's intent that the Public Utilities Commission ("PUC") make every effort to minimize the rate impact the program would have on non-participating consumers;
- (3) There should be a provision that allows the PUC to revise and modify the bill credit mechanism at any time if the PUC concludes that program participants are not receiving fair value and other benefits from the renewable energy facility;
- (4) The PUC should be required to establish a facility rate for each community renewable energy facility;
- (5) There should be included a provision that authorizes the PUC to enforce the disclosures required in proposed section 269H;
- (6) The bill should make it clear that these projects will count toward the electric utility achieving the Renewable Portfolio Standard goals;

Senate Bill No. 1330
Senate Committee on Energy and Environment
Senate Committee on Commerce and Consumer Affairs
Thursday, February 7, 2013, 2:45 p.m.
Page 3

- (7) The PUC should be given authority to fully investigate any aspect of this program; and
- (8) The Legislature should consider authorizing the PUC to roll this program out on a pilot or trial basis.

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 COMMITTEES ON
ENERGY & ENVIRONMENT
AND
COMMERCE & CONSUMER PROTECTION

FEBRUARY 7, 2013
2:45 P.M.

MEASURE: S.B. No. 1330

TITLE: Relating to Community-Based Renewable Energy

Chair Gabbard, Chair Baker, and Members of the Committees:

DESCRIPTION:

This measure would create a net energy metering-like structure called the Community-Based Renewable Energy Program where an electric utility customer may purchase an interest in a community renewable energy facility ("facility") located within the customer's service territory for the purpose of offsetting the customer's electricity use with energy produced by the facility. The measure would require every electric utility to develop a standard contract or tariff for all participants similar to the net energy metering ("NEM") tariff, where charges for all retail rate components for participants shall be based exclusively on a net kilowatt-hour consumption calculation that subtracts a set share of the facility's production from the customer's electricity consumption. Also, credits for excess energy produced can be earned by participants during each twelve-month reconciliation period. The measure would have the Public Utilities Commission ("Commission") maintain a publicly available database of facilities.

POSITION:

The Commission supports the concept of S.B. No. 1330, but believes the measure is premature given the Commission's ongoing evaluation of procurement methods. The following comments are offered for the Committee's consideration.

COMMENTS:

This bill mimics the NEM statutes under Chapter 269, Hawaii Revised Statutes, changing the "eligible customer-generator" to a "participant" who has an interest in a "community renewable energy facility." The Commission considers this measure to be a form of renewable energy procurement, and the bill may be premature given the procurement evaluations being conducted by the Commission.

The Commission was awarded a grant from the National Association of Regulatory Utility Commissioners to evaluate and identify improvements for Hawaii's various renewable energy procurement methods that would include a review of the State's NEM program ("NARUC Grant"). This fully-funded review is scheduled to be completed by September of this year. The NARUC Grant review will examine Hawaii's renewable energy procurement methods – including NEM, Hawaii's feed-in tariff program ("FIT"), and the existing competitive bidding framework – to evaluate how various energy acquisition programs function independently and comprehensively in meeting Hawaii's clean energy mandates through the most efficient processes to 1) achieve the highest level of renewable energy penetration at the lowest cost, 2) ensure that all ratepayers can share in the benefits of clean energy, and 3) ensure and improve the reliability of the system. Therefore, rather than creating a new program that mimics the existing net metering mechanism, the Commission believes the existing NEM program must be fully evaluated first before creating the new, similar community-based renewable energy program proposed in S.B. No. 1330.

The Commission's NARUC Grant Request for Qualifications, dated January 17, 2013, is attached for the Committee's perusal.

Please also note that, should this measure be enacted, Commission staff time and other resources will have to be reallocated to design and establish rules for a Hawaii community-based renewable energy program, and this reallocation will detract from other priorities currently before the Commission.

Thank you for the opportunity to testify on this measure.

Attachment



N A R U C
National Association of Regulatory Utility Commissioners

Request for Qualifications, HAWAII January 17, 2013

The National Association of Regulatory Utility Commissioners (NARUC) is in need of the services of an expert consultant or consultants to support the Hawaii Public Utilities Commission ("Commission") as it seeks a review, evaluation, & recommendation for improvements to the current variety of renewable energy procurement ("REP") methods used by electric utilities to procure utility-scale & customer-sited generation.

This request for qualifications ("RFQ") invites consultants to submit their qualifications in order to be considered for performing this work under contract to NARUC. It is one of several RFQs being issued under NARUC's Recovery Act-funded State Electricity Regulators' Capacity Assistance and Training ("SERCAT") program. (More information at www.naruc.org/sercat).

Background

Electricity generation in the State of Hawaii ("Hawaii" or "State") is highly dependent on imported oil, and, consequently, the State has the highest average electricity rates in the country. Hawaii's utilities are actively procuring renewable-sourced generation in an effort to meet aggressive Renewable Portfolio Standards ("RPS") and to stabilize the high cost of electricity. As a result of these efforts, Hawaii is experiencing exponential growth in solar photovoltaic ("PV") systems (cumulative solar PV additions of approximately 200 megawatts ("MW") installed) and significant wind resource additions (over 200 MW installed) on a collective statewide grid just 1,600 MW in size. These progressive policies have resulted in the State's electric utilities, under the oversight of the Commission, employing a wide variety of renewable energy procurement ("REP") methods and programs to achieve state-mandated requirements. The Commission now seeks assistance to complete a full, comprehensive review of the effectiveness of existing procurement methods. This review will consider the effectiveness of existing programs in terms of purchased power costs, progress toward meeting renewable energy goals, administrative costs and ease of process, and fairness and equity across ratepayer classes.

Specifically, the Commission seeks the assistance of a consultant(s) to review, evaluate, and recommend improvements to the current variety of REP methods used by the State's electric utilities to procure utility-scale and customer-sited generation ("Project"). These utility-scale mechanisms include a feed-in tariff ("FIT") program, acquisitions under a Commission-established competitive bidding framework, and bilateral negotiations between independent power producers ("IPP") and the utilities. Customer-sited renewable energy programs include net energy metering ("NEM"), standard interconnection agreements, and the "Schedule Q" tariff that pays for customer-sited generation based on avoided costs. The consultant(s), having expertise in REP and standard regulatory practices, will assist the Commission in determining the overall effectiveness of the above mentioned procurement methods.

The REP programs identified have all been quickly and almost simultaneously deployed, and the Commission believes now is the right time to evaluate the general effectiveness of these methods

and programs both individually and in concert. Hawaii's customer-side renewable energy procurement mechanisms have been in operation for several years without yet having comprehensive program effectiveness reviews performed. Utility-scale procurement programs have likewise been developing and operating in varying degrees, and now programs like FIT have reached a point where the Commission believes comprehensive review and evaluation is necessary to move the program forward. Additionally, renewable energy procurement projects in the State under a Commission-created competitive bidding framework have begun to significantly increase in terms of both proposed project size and the frequency of applications.¹

Funding

Up to \$72,800 is available for the consultant or consultants to support this effort.

Deliverables

This project is envisioned as being a two-phase process. Phase 1 involves the research, review, evaluation, and recommendation steps discussed in the Background section above. The selected consultant(s) would examine the effectiveness of current Hawaii REP methods and programs both individually and collectively, evaluate such methods and programs in relation to similar mechanisms in other jurisdictions, and offer recommendations based on consultant(s) evaluation. In the anticipated Phase 2 of this Project, the consultant or consultants performing the initial review and evaluation will further assist the Commission in an advisory capacity in related proceedings to amend, revoke, or create new procurement methods as a result of the deliverable (i.e. Commission proceedings to examine the existing FIT or NEM programs).

The intended deliverables are an Interim Report during the research/evaluation process and Final Report at the conclusion of Phase 1 including all findings and recommendations from the review and evaluation of Hawaii's REP methods and programs. The submitted reports should include on an interim or final basis, where applicable, 1) a review of existing Hawaii procurement mechanisms, 2) a survey and description of similar programs implemented in different states, 3) an evaluation of the effectiveness of the reviewed procurement mechanisms, and 4) recommendations for improving the effectiveness of the reviewed procurement mechanisms. In addition, the report should include a summation of lessons learned from the State's various renewable energy procurement methods and programs, as well as a comparative matrix of the effectiveness of the various renewable energy procurement methods being reviewed and evaluated. In the course of completing the required report, the consultant(s) will likely need to conduct interviews and meetings with the Commission.

Phase 2 deliverables will be determined through discussions with the Commission and the potential consultant(s), although this will require consultant(s) to advise and report to the Commission on the progress of implementing the Phase 1-generated recommendations in the course of Commission proceedings. Again, the contracting, funding, and performance of Phase 2 are expected to be outside the scope of this grant process.

¹ Included among the utility-initiated requests for proposals ("RFP") for renewable energy generation capacity currently before the Commission is a RFP for 200MW of as-available intermittent renewable energy generation for delivery to the island of Oahu under Commission Docket No. 2011-0225, and an RFP for 50MW of electricity generated from geothermal energy resources for use by Hawaii Electric Light Company under Commission Docket No. 2012-0092.

Period of performance

Selected consultants will be interviewed by NARUC and the Commission by telephone, and a selection is anticipated by February 2012. The proposed consultant work would be performed between February 2013 and September 15, 2013.

Responding with your qualifications

Please send an email that includes a letter of your interest in being considered for this activity, with a project brief. This brief should identify staff who would be assigned, outline rates and estimate involvement (in total hours) for each individual proposed, include individual curriculum vitae for these individuals, and provide corporate qualifications (or links to relevant efforts) for your organization. Please provide these electronically to Miles Keogh and Ivy Wheeler at mkeogh@naruc.org and iwheeler@naruc.org by COB February 14, 2013. Consultant qualifications should demonstrate that they are able to perform the tasks described above. Further consultant selection will occur via teleconference with NARUC and the Commission Staff.

Questions should also be addressed to Miles and Ivy at the email addresses above.

Acknowledgment: "This material is based upon work supported by the Department of Energy under Award Number(s) DE-OE0000123."

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**Testimony Before the
Senate Committees on Energy & Environment
and Commerce & Consumer Protection**

SB 1330 – RELATING TO COMMUNITY-BASED RENEWABLE ENERGY

**Thursday, February 7, 2013
2:45 PM, Conference Room 225**

**By Darren Ishimura
Director, Distributed Technology Applications
Hawaiian Electric Company, Inc.**

Chairs Gabbard and Baker, Vice Chairs Ruderman and Galuteria, and Members of the Committees:

My name is Darren Ishimura, and I represent Hawaiian Electric Company, and its subsidiary utilities Hawaii Electric Light Company, and Maui Electric Company (collectively the Companies). I appreciate the opportunity to present testimony on SB 1330.

While the Companies support the intent to lower electricity bills for people who are unable to install photovoltaics (PV) at their premise, we oppose SB 1330 for the following reasons:

- Our net energy metering (NEM) program is among the most successful in the country, but this measure would result in additional administrative costs and encourage oversizing of PV systems, which could have unintended consequences affecting grid reliability.
- The proposed program relies on “participant organizations” to sign up customers and to provide the Companies with information to determine bill credits to participating customers’ accounts. This reliance on outside parties adds complexity and potential for conflicts and disputes over bill credits and customer expectations of the value of their investments under the proposed program.
- This bill would increase the rates to our customers because the utility is not compensated for the use of the utilities’ facilities to transport electricity from one site to another by the few customers that are able to participate in this program.
- Moreover, the Companies may be able to acquire renewable energy at a lower cost through feed-in tariff (FIT) and power purchase agreements (PPA) in which all the utilities’ customers benefit.

Thus we ask the committees to hold this bill.

Thank you for the opportunity to testify.

February 7, 2013

SB1330

Submitted on: 2/6/2013

Testimony for ENE/CPN on Feb 7, 2013 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Milholen	Individual	Support	No

Comments: I support Hawaii joining other states in creating access for all citizens to the benefits of renewable energy systems.

SB1330

Submitted on: 2/6/2013

Testimony for ENE/CPN on Feb 7, 2013 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Lezley Faleafine	Individual	Support	No

Comments: Committee, Please continue to empower the residents of Hawaii and pass this bill. Mahalo, Neenz Faleafine.

February 7, 2013

Senate Committees on Commerce, Energy, and Ways & Means

Public Hearing: February 7, 2013, 2:45pm, Room 225

Re: SB 1330, Relating to Community Renewable Energy

Dear Chairs Gabbard, Baker, Ige and Members of the Committees,

I am in support of SB 1330 that removes a substantial barrier to the advancement of renewable energy in the state of Hawaii.

I have been developing commercial renewable energy systems for three years, have an MBA from University of Hawaii, and am the Chair of the Surfrider Foundation Oahu Chapter.

Renewable energy systems such as photovoltaic "solar" are grid tied, and therefore the exact location of a solar system should not be an impediment to an individual or community being able to benefit from solar (or other forms of renewable energy). This bill will allow solar systems to be placed in areas where the cost/benefits are maximized. Homeowners who live in low sun areas or do not have a suitable roof space for solar panels will now be able to participate in solar investments helping Hawaii meet its clean energy initiatives and create more jobs and revenue for the state. There will be an increase in placing renewable energy systems in optimal areas and fewer placements in areas where the benefits are not maximized. Further, collective large systems cost less to install than multiple small systems.

Other states have already successfully launched such programs and have established best practices as well as software and other management resources that can be deployed here. The extra management of such a program should not be a reason to deny this opportunity to condo owners and the many others who will benefit largely from this program. Recently, a homeowner asked me why he couldn't place his home system on his warehouse since his home has a tile roof and have it credited to his HECO bill. SB1330 would solve that problem. While I am not a technical expert, I believe that the evaluation and approval process of grid tied installations through the current utility rules would not be much different for Community-based Renewable Energy systems, if at all different. Current studies to infrastructure through the review and interconnection-resource studies facilitated by HEI would be applied to these projects in the same manor.

Thank you for the opportunity to testify.

Steven Mazur

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