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

SB 612, RELATING TO CURTAILMENT

February 5, 2013

Chair Ga bbard, Vice-Chair Ruderman, and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically- sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of SB 612 are to: (i) amend sections 269-27.1 and 269-27.2, HRS, and (ii) require agreements to purchase geothermal and nonfossil fuel generated electricity to contain provisions that provide independent power producers with compensation for excessive curtailment.

HREA **supports this measure** and offer the following comments:

- 1) Why Should We Consider this Measure? A number of renewable generators are getting curtailed both for emergency conditions, but also when there is excess energy on the grid. When curtailment is experienced by an Independent Power Producer ("IPP"), the IPP currently absorbs all of the risk associated with these curtailments. This puts financial stress on the IPP, and ultimately, if curtailment becomes excessive and uncompensated, the IPP could go bankrupt. Obviously, we don't want this to happen, as we want the IPPs to stay in business and we need the renewable output to meet our RPS.
- 2) What are the Potential Solutions for this Conundrum? First, as proposed in this measure, if the IPP is compensated for an amount of curtailment above a certain threshold, expressed in terms of "XY" hours per year. In this treatment, a portion of the curtailment risk is shifted to the ratepayer. Second, as alternative, the curtailment risk could be shifted from the ratepayers to the utility's shareholder. Note: both of these options were discussed in the Commission's Reliability Standards Working Group. The RSWG prepared a paper on contractual treatment options that consider the curtailment issue along with more general issue of how to improve the efficiency of all generators on the grid. However, option two did not gain consensus from the RSWG and was thus not included in the report. There were other options considered by the RSWG which we can discuss if the committee desires.
- 3) Impacts of the Proposed Measure. Given that the IPP would be compensated for energy not delivered, and the curtailment costs would be borne by the ratepayers. The question then is whether the potential impacts on the effective utility rates are reasonable given the benefit of helping ensure that the IPPs stay in business. For example, while the impact to the IPPs may be significant to the IPPs, the total cost may be a relatively small fraction of the utility's total revenue requirements.

Mahalo for this opportunity to testify.



LATE

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TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2013

TUESDAY, FEBRUARY 5, 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, CHAIR,  
AND MEMBERS OF THE COMMITTEE

SENATE BILL NO. 612 - RELATING TO CURTAILMENT

DESCRIPTION:

This measure proposes to amend sections 269-27.1 and 269-27.2, Hawaii Revised Statutes, to require agreements to purchase geothermal and nonfossil fuel generated electricity to contain provisions that provide independent power producers with compensation for excessive curtailment.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports the intent of S.B. No. 612 with comments.

COMMENTS:

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

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Senate Committee on Energy and Environment  
Tuesday, February 5, 2013, 2:45 p.m.  
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advocates. The work efforts by the individual entities recently concluded and the next steps in the RSWG process include review by the Commission and its technical review committee.

Through the RSWG process, several measures and steps have been identified to re-evaluate the processes associated with various renewable energy procurement mechanisms, including purchase power agreements. Part of the next steps includes an assessment that these measures and steps do not increase the electricity bills for Hawaii ratepayers, as well as ensure reliable electric service.

The Consumer Advocate suggests that the Legislature's concerns and issues associated with the electric procurement mechanisms be addressed in the form of a resolution, rather than in statute as proposed in S.B. No. 612 to allow the RSWG process to be completed.

Thank you for this opportunity to testify.