

STAND. COM. REP. NO. 2401

Honolulu, Hawaii

FEB 14 2014

RE: S.B. No. 2656
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committees on Energy and Environment and Commerce and
Consumer Protection, to which was referred S.B. No. 2656 entitled:

"A BILL FOR AN ACT RELATING TO THE MODERNIZATION OF THE
HAWAII ELECTRIC SYSTEM, "

beg leave to report as follows:

The purpose and intent of this measure is to require the
Public Utilities Commission to:

- (1) Adopt rules for improved accessibility to safely and
reliably connect to the Hawaii electric system for any
person, business, or entity on the Hawaii electric
system; and
- (2) Initiate a proceeding no later than July 1, 2014, to
discuss upgrades to the Hawaii electric system and the
use of advanced grid modernization technology for
anticipated growth of customer generation.

Your Committees received testimony in support of this measure
from the Renewable Energy Action Coalition of Hawaii; Hawaii
Sustainable Community Alliance; League of Women Voters of Hawaii;
Hawaii PV Coalition; Hawaii Solar Energy Association; The Alliance
for Solar Choice; Blue Planet Foundation; Hawaii Renewable Energy
Alliance; Earthjustice; The Pacific Resource Partnership; Sierra
Club of Hawaii; Inter-Island Solar Supply; Hawaii Energy
Connection; RevoluSun; SolarCity; Sunrun; Hawaii Health Services,
Inc.; Capital Electric and Energy Solutions; R & R Solar Supply;

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Rising Sun Solar; and one hundred ninety-five individuals. Your Committees received testimony in opposition to this measure from one individual. Your Committees received comments on this measure from the Department of Business, Economic Development, and Tourism; Department of Commerce and Consumer Affairs; Public Utilities Commission; Life of the Land; Hawaiian Electric; and two individuals.

Your Committees find that the increasing deployment of customer generation in Hawaii is in the public interest, lessening Hawaii's dependence on imported oil, creating thousands of jobs, fostering billions of dollars of economic activity, and giving tens of thousands of households and businesses access to reasonably priced electricity. Customer generation will play a major role in supplying the State's future electricity needs and meeting clean energy goals. Additionally, appropriate investments in energy storage and smart grid improvements are vital to achieve Hawaii's robust clean energy goals.

Your Committees further find that technical and economic barriers are preventing Hawaii customer-generators from interconnecting to the Hawaii electric system in a timely manner. If these technical and economic barriers are not addressed, a number of undesirable scenarios may result, including irreparable loss of jobs in the nascent solar industry and an ever increasing number of Hawaii residents disconnecting from the Hawaii electric system. Several technical, policy, and economic issues need to be addressed in trying to move forward in modernizing Hawaii's electricity grid.

Your Committees have amended this measure by deleting its contents and inserting language to:

- (1) Require the Public Utilities Commission to commence a proceeding by July 1, 2014, to address the technical, policy, and economic issues associated with the modernization of Hawaii's electricity grid and consider:
 - (A) Development of a diverse portfolio of renewable energy resources;
 - (B) Expanded options for customers to manage their energy use;

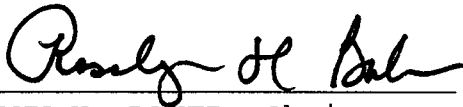


- (C) The manner in which distributed generation shall be allowed access to grid interconnection without discriminatory terms, with fair and reasonable rates; and
 - (D) Providing fair payment for grid services provided to customers and fair compensation to customers for services provided to the grid by distributed generation;
- (2) Require the Public Utilities Commission to submit a report of its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016;
 - (3) Exempt the Public Utilities Commission and Division of Consumer Advocacy from procurement procedures of any professional services needed to conduct the proceeding pursuant to this measure;
 - (4) Insert an appropriation of \$750,000 for fiscal year 2014-2015 for the Public Utilities Commission to conduct the proceeding pursuant to this measure;
 - (5) Insert an appropriation of \$750,000 for fiscal year 2014-2015 for the Division of Consumer Advocacy to represent the interests of all consumers in the course of the proceeding pursuant to this measure; and
 - (6) Insert an effective date of July 1, 2050, to encourage further discussion.

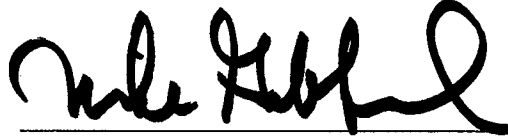
As affirmed by the records of votes of the members of your Committees on Energy and Environment and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2656, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2656, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Energy and
Environment and Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



MIKE GABBARD, Chair



