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ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Monday, March 31, 2014
2:00 p.m.

State Capitol, Conference Room 308

in consideration of
SB 2934, SD2, HD1
RELATING TO RENEWABLE ENERGY.

Chair Luke, Vice Chairs Johanson and Nishimoto, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) respectfully offers comments on SB 2934, SD2, HD1, which allows the Public Utilities Commission (PUC) to establish community-based renewable energy tariffs.

DBEDT supports the intent of this bill to promote broader participation in the economic, environmental, and societal benefits of renewable energy, especially for those individuals and households who are currently unable to directly participate in the clean energy economy. Further, facilitating increased renewable energy generation can help us achieve our State's clean energy mandates.

Because of the technical and regulatory complexities relating to any broad implementation of this innovative renewable energy development structure, DBEDT supports the approach in SB 2934, SD2, HD1, to establish clear Legislative policy intent to provide guidance and flexibility to the PUC to enable community-based renewable energy programs in the most appropriate manner.

DBEDT respectfully defers to the PUC for comment on the regulatory matters in this bill.

Thank you for the opportunity to offer these comments.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON FINANCE

MARCH 31, 2014
2:00 p.m.

MEASURE: S.B. No. 2934, S.D. 2, H.D. 1
TITLE: Relating to Renewable Energy

Chair Luke and Members of the Committee:

DESCRIPTION:

This measure would add a new section to Chapter 269, Hawaii Revised Statutes ("HRS"), to require the Public Utilities Commission ("Commission") to establish community-based renewable energy tariffs by which electric utility customers who have invested in renewable energy generation facilities may receive payment from the electric utility for electricity produced by those facilities. S.B. No. 2934, S.D. 2, H.D. 1 states that any person or entity may propose a community-based renewable energy project, subject to Commission review and approval. Further, this measure states that an electric utility may effectuate its own community-based renewable energy project. A community-based renewable energy tariff and related interconnection processes shall be standardized. Finally, this measure has an effective date of July 1, 2050.

POSITION:

The Commission supports the intent of creating a tariff structure to enable new energy programs. The Commission would like to offer the following comments.

COMMENTS:

The Commission appreciates that this measure provides the Commission with supporting policy guidance – rather than overly prescriptive statutory provisions – for instituting new programs, like community solar projects, whose business models may not yet be mature. As technology and the renewable energy industry continue to evolve, the Commission must maintain a level of administrative flexibility to address tariff changes through rules or orders, rather than through statutory amendments.

The Commission offers proposed amendments for the Committee's consideration to ensure that 1) those seeking approval of community-based renewable energy projects are not limited to proposing only one such project, and 2) proper review and approval of electric utility-proposed community-based renewable energy projects is accounted for. As such, the Commission requests the Committee amend language on page 1, line 10 to line 14 as follows:

(b) Any person or entity may propose a community-based renewable energy project **or projects**; provided that the project **or projects** shall be subject to **review and approval by the public utilities commission.**

(c) An electric utility may develop and implement its own community-based renewable energy project **or projects**; **provided that the project or projects shall be subject to review and approval by the public utilities commission.**

(new language bolded)

Thank you for the opportunity to testify on this measure.



HOUSE COMMITTEE ON FINANCE

March 31, 2014, 2 P.M.

Room 308

(Testimony is 7 pages long)

**TESTIMONY IN SUPPORT OF SB 2934 SD2 HD1
SUGGESTED REVISIONS**

Chair Luke and Committee Members:

The Blue Planet Foundation strongly supports SB 2934 SD2, establishing a community renewables program to expand the number of Hawai'i residents who can participate in the benefits of clean energy. This measure would allow residents to directly participate in solar and wind energy systems—even if those systems are not sited on their property. In particular, a community renewables program can **benefit renters and condominium residents**, along with homeowners and businesses in neighborhoods and communities where solar systems are not currently being approved. With the right policy directives, community-based renewable energy can boost private investment in our green energy infrastructure while it maximizing the flexibility of our clean energy solutions. In doing so, it can benefit all Hawai'i residents by reducing the amount of money we send out of the state to pay for imported fossil fuels.

While Blue Planet requests that this committee advance this measure, we believe that the current version is too prescriptive. The current language narrowly limits several key elements of the program, and thus may tie the PUC's hands in approving a program that can maximize the opportunity for participation by some Hawaii ratepayers. We suggest clarifying amendments to:

- (1) Make the program more accessible to all ratepayers and community groups, particularly in lower-income neighborhoods. The current language limits the model to “purchasing” and “ownership” interest in renewable energy equipment, and “selling” energy to the utility. Recent years have seen an explosion of solar power in lower-income neighborhoods, in part due to the availability of lease-based models rather than ownership models. Additionally, various solar programs across the country have begun adopting new ways of appropriately valuing solar energy and crediting participants' energy bills accordingly. The community renewables program should be flexible enough to accommodate these various business models, promoting participation by many Hawaii residents.*

- (2) *Promote a broad and practical program that will allow the market to identify the optimal project configuration, subject to PUC rules. The current language appears to consider that the PUC will individually approve each and every community renewables project. This will render it impractical for small projects (such as a family or small community grouping together to install a solar system on one roof) to navigate the regulatory process. Projects that meet PUC-approved interconnection criteria should be automatically enabled to participate, much like the existing PUC-approved rooftop solar program.*
- (3) *Ensure that Hawai'i ratepayers can participate in community renewables before the end of 2016, when federal tax credits are set to expire. Potential delays should be eliminated by allowing any party to start the process of establishing a community-based renewables project, rather than awaiting action by the utility. In addition, a January 2016 deadline for establishing the program should be set, to allow Hawaii ratepayers to participate before the expiration of federal tax credits at the end of 2016. Notably, the Minnesota community renewables program was recently established under a more aggressive timeline.*

Suggested amendments are included in Attachment A.

Hawai'i households, businesses, and public agencies need a Community Renewables program to enable all residents and businesses to directly participate in clean energy

Tens of thousands of Hawai'i ratepayers have been able to use solar power and other technologies to break free from energy costs being driven upward by fossil fuels. Unfortunately, many individuals and households are currently unable to directly participate in renewable energy because of their location, building type, access to the electric utility grid, or other impediments (although it must be noted that all ratepayers are benefitting from more renewable energy on the grid as a hedge against fossil fuel volatility). For example, (a) it may be difficult for a single **condominium** dweller to install solar panels, without a wider installation on behalf of the entire condominium; (b) it may be difficult for a **homeowner** to install solar on a shaded roof or within a saturated circuit; or (c) it may be difficult for a **renter** to persuade the landlord to install solar power. **All of these situations can be addressed with community-based renewable energy.**

Community Renewables unlocks renewable energy solutions, improves our economy, and benefits our electrical grid

Community Renewables allows residents to join together to find energy solutions. For example, several condominium owners in different buildings may collectively install solar panels in

another location with spare rooftop capacity. Even larger communities can join together to install renewable energy in ways that are most effective and efficient for their particular community. Or public agencies, such as schools, colleges, universities, and local governments will have more flexibility to access renewable energy across their systems. The cost savings can benefit important educational programs, social services, and new hiring.

Community Renewables can also help make our energy system more robust, by evening out the distribution of renewable energy on the grid. For example, homeowners on a crowded circuit can install solar panels on another circuit, and receive the credit against their energy bill. By promoting renewable energy on under-utilized circuits, it can help the utility operate our electrical system more effectively and efficiently. In addition to these benefits, group net metering creates new construction jobs, stimulates the economy, reduces emissions of greenhouse gases, promotes energy independence, and will assist in meeting and exceeding the state's clean energy goals.

Community Renewables is spreading across the country—don't let Hawai'i fall behind

Community Renewables is an innovative solution that is already happening in at least ten other states, such as California, Colorado, Massachusetts, Washington, Maryland, and Maine.¹ There is no reason Hawai'i shouldn't enable its residents to do the same thing.

For all of these reasons, it is in the public interest to promote this type of broader participation in renewable generation by Hawai'i residents, public agencies, and businesses. For many homeowners with large roofs, solar electricity is a no-brainer. But for many residents, solar power is simply out of reach because of roof space, circuit saturation, or other issues. The policy proposed in SB 2934 SD2 HD1 brings more social equality to our clean energy policy. Everyone should be able to access the full spectrum of renewable energy options.

Further, failure to act on this policy in 2014 means that the majority of Hawai'i residents will have to wait another year (or perhaps longer, if a lengthy regulatory process ensues) to directly participate in the benefits of renewable energy. Such a delay means that these residents and businesses will unlikely be able to take advantage of the 30% federal tax credit which is scheduled to sunset at the end of 2016. This means that those who have been left out of the distributed renewable energy boom will be further disadvantaged by being potentially locked out of federal tax benefits.

¹ The U.S. Dep't of Energy's National Renewable Energy Laboratory has reported on elements of these

The following pages contain three attachments: (1) suggested amendments to SB 2934 SD2 HD1; (2) an "FAQ" on community renewables; and (3) a supporting article from Pacific Business News.

ATTACHMENT A

Proposed Changes to SB 2934 SD2 HD1 (markup against SD2 HD1, deletions in strike-through, additions in underlining)

SECTION 1. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§269- Community-based renewable energy tariffs. (a) The public utilities commission shall upon application by an electric utility or another party, or upon the commission's own motion, establish a community-based renewable energy tariff or tariffs upon determining that such tariff or tariffs are in the public interest and are non-discriminatory. The community-based renewable energy tariff or tariffs shall take effect no later than January 1, 2016.

(b) Any person or entity may ~~propose own or operate~~ a community-based renewable energy project; provided that the project shall be subject to interconnection processes approved by the public utilities commission. ~~review and approval.~~

(c) An electric utility may develop and implement its own community-based renewable energy project.

(d) The community-based renewable energy tariff and related interconnection processes shall, to the extent possible, be standardized.

(e) For purposes of this section, "community-based renewable energy tariff" means a tariff approved by the public utilities commission that:

(1) Allows electric utility customers to ~~obtain~~purchase a legal interest ~~conveying legal ownership~~ in a portion or

portions of an eligible renewable energy project connected to the utility grid ~~that is selling electricity to the electric utility~~; and

(2) Allows the electric utility to implement a billing arrangement to ~~pay~~ credit those customers for the renewable electricity ~~generated on the purchased by the electric~~ utility grid."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2050.

ATTACHMENT B

Community-based renewable energy FAQ

Q: Why is community renewables necessary?

A: While solar has been an incredible success story in Hawai'i, the majority of residents simply cannot directly participate in renewable energy because of their lack of access to a suitable rooftop for solar, such as many of the 40% of residents who live in multi-unit housing such as condos, or those whose roofs are shaded or otherwise incapable of supporting solar. Community-based renewable energy allows residents to invest in and benefit from solar and wind energy systems—even if those systems weren't directly on their property. It's a matter of fairness and equality.

Q: What are the benefits of community renewables?

Aside from making Hawai'i's clean energy policies more equitable, community renewables can bring real economic value to those who need it the most. Under California's Multifamily Affordable Solar Housing program (established in 2008, now with 7 MW installed, and 13 MW signed up), community renewables is estimated to save low-income households 30% on their electric bills.

Q: Is anyone else doing community renewables?

A: Yes, as of November 2010, utilities, public utility commissions, and communities in California, Florida, Arizona, Utah, Colorado, Washington, Vermont, Massachusetts, Maryland, and Maine had all taken steps to adopt innovative community renewables programs. According a report by the U.S. Dep't of Energy National Renewable Energy Laboratory (NREL), the Interstate Renewable Energy Council (IREC) examined “the various community solar approaches that have been implemented thus far,” to develop “model” rules for community based renewable energy programs. These model rules could be used to develop a program for Hawaii.

Q: Aren't there other approaches to solve the same problem of lack of access to renewable energy?

A: Yes, there are, such as a utility-sponsored “green pricing” program. But this is not available in Hawai'i and there are no current plans to make such a program available. Moreover, a community-based renewable energy program would empower residents to take control of their energy situation with their own resources, leveraging the efficiency of efficiency of the market.

OUR VIEW

Solar gardens can make everyone a winner

PBN

A proven technology that is gaining popularity on the Mainland deserves some serious consideration here in Hawaii, where the sun is part of our brand identity.

The concept is especially important on Oahu as we grow upward with high-rise condominium towers that offer their residents few options for renewable energy.

We're talking about community solar gardens, which enable businesses and residents to invest in renewable energy by subscribing to a solar electric array that is connected to the utility grid. Subscribers will then receive a credit on their electric bills.

Solar energy has been one of Hawaii's fastest-growing industries during the past decade, helped in large part by federal and state tax credits. Even so, its market penetration is under 10 percent.

One of the problems is that approximately 40 percent of Hawaii residents live in multifamily households, many of them without enough roof space to accommodate renewable-energy equipment. There also are economic barriers in rental units where tenants would reap the benefits while landlords pay for the equipment.

Community solar gardens would remove some of those barriers.

The Blue Planet Foundation, which introduced legislation last year, calls it a win-win-win proposition.

"Households everywhere can win by accessing affordable clean energy," the foundation says. "The utility wins by adding another tool to solve energy-interconnection questions. And businesses win because they can access a market that has long been cut off."

Hawaiian Electric Co. also likes the concept, according to spokesman Peter Rosegg.

"We are looking for a model for customers who want to invest in and benefit from solar PV but do not have the opportunity because they are high-rise residents, home renters or other reasons," he said. "The model should also offer potential lower-cost renewable energy and economic benefits for all our customers, not just those investing in community solar or single-family homeowners who can benefit from solar on their own roofs."

As one would expect, solar contractors also think it's a great idea. It would mean more business for them and expand solar's reach.

So, what's stopping us?

The Blue Planet Foundation's House Bill 1363 attracted some attention in the 2013 Legislature, but it was one of those complicated issues whose "time had not yet come." The foundation will submit a new draft this session.

We think the time has come to give community solar gardens serious attention. In our bid to rely more on renewable energy and less on fossil fuels, here's a concept that holds promise to move us in the right direction.

Testimony before the
House Committee on Finance

S.B. 2934 S.D. 2 H.D. 1– Relating to Renewable Energy

Monday, March 31, 2014

By Keiki-Pua S. Dancil, Ph.D.
Director, Business Strategy Development
Hawaiian Electric Company, Inc.

Chair Luke and Vice Chairs Nishimoto and Johanson, and Members of the Committee:

Hawaiian Electric Company and its subsidiaries, Maui Electric Company and Hawaii Electric Light Company, support S.B. 2934 S.D. 2 H.D. 1 which establishes a community-based renewable energy tariff (CBRET) to be applied to services provided to customers by an electric utility for the purpose of encouraging the widespread adoption of cost-competitive renewable energy technology.

Hawaiian Electric and its subsidiaries support options for ALL residential customers; a community-based renewable energy program is just one of the many options that will increase access of clean energy to Hawai'i residents. There are several different models of community-based renewable energy programs, all of which are intended to provide greater access to customers who want to invest in and benefit from solar PV but who may not have the opportunity to install PV at their residences, such as residents of high-rises. We are interested in exploring a community-based renewable energy program model that offers the potential for providing lower cost renewable energy and economic benefits to ALL customers (not just those investing in a community-based renewable energy project) that can be safely and reliably integrated into our grid.

Hawaiian Electric and its subsidiaries suggest language for clarity (see below), however we support this measure, S.B. 2934 S.D. 2 H.D. 1, and request that it move forward.

Page 1 Line 17, insert “**without compromising safety and reliability**”

(d) The community-based renewable energy tariff and related interconnection processes shall, to the extent possible **without compromising safety and reliability**, be standardized.

Thank you for the opportunity to testify.

From: Cleone Chung <cleonechung@gmail.com>
Sent: Sunday, March 30, 2014 9:16 PM
To: FINTestimony
Subject: Support for SB 2934, community solar

LATE

Aloha Chair Luke and members of the committee:

As a renter who lives in an apartment, I strongly support SB 2934 for community solar. I feel solar and renewable energy should be accessible by all residents of Hawaii. I care strongly about clean energy and believe it is a right for everyone to have that choice.

This is not only about cost savings, but also about helping Hawaii reduce its dependence on fossil fuels. As someone who lives in an apartment building, I have no say in where my energy comes from. I feel it is only fair to be given that choice to accessibility that community solar provides.

I urge you to please vote in favor of SB 2934 so everyone can have a fair and equal chance at clean energy.

Mahalo for your consideration,
Cleone Chung
Mo'ili'ili resident