

TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION

February 4, 2016
8:00 AM

MEASURE: H.B. No. 2616

TITLE: RELATING TO COMMUNITY-BASED RENEWABLE ENERGY

Chair Lee and Members of the Committee:

DESCRIPTION:

This measure establishes a “community net energy metering” program in the State of Hawaii and sets forth certain requirements for the program.

POSITION:

The Commission offers the following comments for the Committee’s consideration.

COMMENTS:

As noted in Section 1 of this measure, Act 100, Session Laws of Hawaii 2015, (“Act 100”) set in motion the steps necessary to establish a viable community-based renewable energy (“CBRE”) program in Hawaii by requiring each electric utility in the State to propose a CBRE tariff with the Commission by October 1, 2015.

Pursuant to Act 100 the Commission received initial filings from the HECO Companies and KIUC on October 1, 2015. However, the complete details of the HECO Companies’ proposed CBRE program were not filed with the Commission until November 30, 2015. Moreover, the Commission found that KIUC’s October 1, 2015 filing did not comport with the requirements of Act 100 and the Commission did not receive KIUC’s complete CBRE proposal until November 16, 2015. On December 17, 2015 stakeholder groups filed alternative CBRE proposals to the Commission in Docket No. 2015-0389.

These proposals are all currently before the Commission in open dockets and it is a priority for the Commission to develop and implement a successful CBRE program that offers customers new options to participate in renewable energy generation in the State of Hawaii. Given that significant time and resources have already been spent developing this program in an active and ongoing process, this measure may not be necessary.

Thank you for the opportunity to testify on this measure.



**Testimony before the House Committee on Energy & Environmental Protection
04FEB16
Conference Room 325
H.B. 2616 – Relating to Community-Based Renewable Energy**

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

Chair Lee, Vice Chair Lowen, and House Members of the Committee:

As the Director of Business Strategy Development at Hawaiian Electric Company, I am testifying on behalf of Hawaiian Electric and its subsidiary utilities, Maui Electric and Hawaii Electric Light (collectively “Companies”). The Companies **oppose this bill.**

Our vision is to deliver cost-effective, clean, reliable, and innovative energy services to ALL of our customers, creating meaningful benefits for Hawaii's economy and environment, and making Hawaii a leader in the nation's energy transformation. To drive our vision for Hawaii, we anchor our strategies in a set of common objectives; lowering customer bills 20 percent by 2030, increasing renewables in our generation portfolio, modernizing our grid, and expanding customer options.

Last year the legislature passed ACT 100 (SLH 2015), which directed the utilities to file a CBRE tariff in collaboration with the Department of Business Economic Development and Tourism (DBEDT) and environmental and renewable energy advocates by October 1st. This legislation increased the options for customers to participate in a program that would allow them to take control over their energy needs. By participating in a CBRE program, customers may have the opportunity to off-set their monthly energy needs by purchasing an interest in the energy output of a CBRE facility.

During the summer months, the Companies held five large sessions, multiple smaller group sessions, and a few one on one meetings with DBEDT and stakeholders to discuss the CBRE program and design. On October 1st, the Companies filed a CBRE tariff with the Commission. A subsequent filing on November 30th provided more information on the filing, which included model PPAs, model customer contract, and a draft RFP for Oahu. The table below summarizes ACT 100 and outlines the Companies’ efforts to address each of the various sections.

Reference	Statute	How proposed tariff meets statute
269-27.4"(b)	Any person or entity may own or operate an eligible community-based renewable energy project or projects provided that the person or entity complies with all applicable statutes, rules, tariffs, and regulations governing the ownership and interconnection of such project or projects.	<ul style="list-style-type: none"> RFP is open to any developer or individual who meets the key milestones up to the defined capacity allocation for projects >1MW_{AC}. 7MW capacity allocation for solar projects ≤1MW_{AC} is open to any developer or individual who meets the key milestones.
269-27.4"(c)(1)	Allows an electric utility customer to participate in an eligible renewable energy project that is providing electricity and electric grid services to the electric utility;	<ul style="list-style-type: none"> 32MW capacity allocation will allow eligible customers to participate in CBRE projects
269-27.4"(c)(2)	Allows the electric utility to implement a billing arrangement to compensate those customers for the electricity and electric grid services provided to the electric utility;	<ul style="list-style-type: none"> Billing system to provide participants a credit for their interest in the output of a CBRE project is proposed
269-27.4"(c)(3)	Is designed to provide fair compensation for electricity, electric grid services, and other benefits provided to or by the electric utility, participating ratepayers, and non-participating ratepayers; and	<ul style="list-style-type: none"> Credit rate will be based on a RFP for projects >1MW AC and all wind projects to ensure that the rate is a fair rate for both participants and non-participants. For Phase 1 solar projects ≤1MW_{AC} the fixed PPA rate of 13.475¢/kWh is based on the lowest of the approved Waiver Projects to ensure that it represents fair market value for renewable energy.
269-27.4"(c)(4)	To the extent possible, standardizes and streamlines the related interconnection processes for community based renewable energy projects.	<ul style="list-style-type: none"> Will utilize IIP process which seeks to streamline the interconnection process



The stakeholder group agreed to a phased approach to implementing CBRE due to the complex technical, operational and market interdependencies and impacts of any CBRE program. The first phase (Phase 1) was proposed to last two years with an allocated capacity of 32MW_{AC} capacity. To put this in perspective, if only residential customers participated in this program and purchased 100% of their monthly energy consumption (assume 500kWh/month) to offset their bill, 8,565 residents would be able to participate in the first two years if the program is fully subscribed. That is more than the uptake of the net energy metering (NEM) program in the first ten years. As with most innovative programs, it takes a while for the market to adopt and gain traction. Phase 2 will adopt the learnings from Phase 1, from a technical and operations perspective. Phase 2 will also have the advantage of updated resources plans (PSIPs) and DER policies that should enhance customer options. By evaluating these pending policies at the Commission in their entirety our customers will benefit from these new options.

When analyzing various programs and program design parameters for the CBRE program, the Companies completed significant due diligence on many different programs on the mainland as well as participated in a Solar Electric Power Association (SEPA) working group on different community solar business models.¹ The Companies shared the results with the stakeholders at the larger sessions for continued discussion. Concurrently, the Companies also engaged a law firm with expertise in Securities Exchange Commission (SEC) issues regarding CBRE. These results were also shared with the stakeholders. In addition, the Companies have since reached out to the state's commissioner of securities and have had multiple discussions with her about the CBRE program. DBEDT has also convened a meeting with stakeholders and the state's commissioner of securities to provide further education on securities as defined by the law here in Hawaii.

From a customer's perspective CBRE is a great option; however, the design and implementation of this program is very complex with many different issues. We strongly support customer options and would like to move forward with the CBRE program. However, on November 27, 2015, the Commission issued ORDER NO. 33358, commencing an investigatory docket on CBRE (PUC Docket 2015-0389). Since then, there have been eleven parties that have sought permission to intervene in the process. We are awaiting direction from the Commission regarding intervenor status as well as a procedural schedule.

The Companies strongly believe that the proper venue for these complicated issues to be resolved is at the Commission as part of the investigative docket. During this process multiple stakeholders, including the Consumer Advocate, will have an opportunity to participate in addressing the issues associated with CBRE in Hawaii and the Commission will have an opportunity to gather information to inform its decision on the merits of the program and how best to implement this important customer option. The Companies do not believe that legislation is required to achieve the intent of expanding customer options via a CBRE bill since there is already an open docket investigating this issue.

In addition to the complex issues around CBRE, which we feel should be addressed in the investigative docket², this bill proposes to operate a CBRE program in a similar manner and scale as the State's net energy metering (NEM) programs. With respect to NEM, the Commission acknowledged³ that NEM has been an extraordinary success in Hawai'i, but also determined, after a comprehensive investigation, that a transition away from NEM is essential to ensure all customers benefit from continued growth in distributed energy. The matters addressed in the proposed legislation are currently being addressed by the Commission in the two aforementioned dockets – where the Commission is evaluating and taking action upon the various issues associated with rooftop solar and other distributed energy resources (DER). The technical, economic and policy issues being addressed by the Commission are complex and inextricably intertwined and should not be addressed on a piecemeal basis through legislation. The proposed legislation would overlap and potentially conflict with the efforts of the Commission.

Accordingly, the Hawaiian Electric Companies respectfully request that the Committee hold HB 2616.

¹ https://www.solarelectricpower.org/media/422095/community-solar-design-plan_web.pdf

² [PUC Docket 2015-0389](#)

³ [PUC Docket 2014-0192](#)



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 4, 2016, 8 A.M.

Room 325

(Testimony is 2 pages long plus attachment)

TESTIMONY IN STRONG SUPPORT OF HB 2616

Aloha Chair Lee, Vice Chair Lowen, and Committee members:

Blue Planet Foundation strongly supports HB 2616. During the 2015 session, the legislature set forth a bold vision for community renewables in Hawai'i. Pursuant to Act 100, the state's utilities were required to submit proposed community renewables tariffs by October 1, 2015, to rapidly and dramatically enable more consumer access to clean energy. Unfortunately, the utility proposals fell far short of the vision in Act 100. Moreover, the community renewables concept is delayed. **As of February 2016 consumers in Hawai'i still cannot participate in community renewables.** As described by *Pacific Business News* on January 15, 2016 (see attached), "the clock is ticking" to make community renewables available to the public. **HB 2616 can directly and expediently solve this problem.**

Act 100 envisioned that community renewables would "make the benefits of renewable energy generation more accessible to a greater number of Hawai'i residents." The legislature envisioned an open and accessible program that would "accommodate a variety of community-based renewable energy projects, models, and sizes." Most directly, the legislature sought to address the inequity between consumers who had the option to participate in renewable energy (e.g. with rooftop solar), and those who did not (e.g. those who do not own their own roof):

"While residential solar energy use has grown dramatically across the State in recent years, many residents and businesses are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, and other impediments. **The community-based renewable energy program seeks to rectify this inequity** by dramatically expanding the market for eligible renewable energy resources to include residential and business renters, occupants of residential and commercial buildings with shaded or improperly oriented roofs, and other groups who are unable to access the benefits of onsite clean energy generation."

See Act 100, Section 1 (emphasis added).

Given that community renewables are not yet available to consumers, Act 100 has not yet solved the targeted inequity. HB 2616 would solve this problem by following the path set forth by the successful net energy metering (“NEM”) program.

Put simply, HB 2616 would make the successful, proven, and simple NEM concept available to residents and businesses without a roof. By using essentially the same statutory language as the original NEM program, HB 2616 can avoid many of the delays, pitfalls, and complexities that have plagued Act 100. Notably, the community net metering concept has already been adopted in a number of other states.¹

At the same time, HB 2616 recognizes the recent decision of the Public Utilities Commission to close the prior NEM program. Unlike the prior NEM program, HB 2616 allows the community net energy metering program to incorporate a reasonable additional minimum monthly bill for participants. Thus, HB 2616 is able to address concerns about the treatment of fixed costs by the prior NEM program.

Perhaps most importantly, HB 2616 takes the most direct and unimpeded path to rectifying the inequity described in Act 100. **For every kW of clean power previously made available under the NEM program (now closed), community net metering would make the same amount of clean power available to those without a roof.**

All of the reasons that supported Act 100 in 2015 apply with equal force to HB 2616. In addition, HB 2616’s direct resolution to the inequity identified in Act 100 is likely to be the **fastest** and **fairest** way to unlock community renewables for Hawai‘i.

For these reasons, we strongly support HB 2616 and urge the Committee to forward this bill for further consideration. Thank you for this opportunity to testify.

¹ As of November 2015, 15 states offered some form of “virtual” net metering similar to the concept proposed in HB 2616. *See, e.g.*, Institute for Local Self-Reliance, Updated: Virtual Net Metering, <https://ilsr.org/virtual-net-metering/>.

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 03, 2016 8:05 AM
To: EEPtestimony
Cc: dylanarm@hawaii.edu
Subject: *Submitted testimony for HB2616 on Feb 4, 2016 08:00AM*

HB2616

Submitted on: 2/3/2016

Testimony for EEP on Feb 4, 2016 08:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Armstrong	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 03, 2016 8:59 AM
To: EEPtestimony
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Subject: *Submitted testimony for HB2616 on Feb 4, 2016 08:00AM*

HB2616

Submitted on: 2/3/2016

Testimony for EEP on Feb 4, 2016 08:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Campagna	Individual	Support	No

Comments:

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Hawaii Solar Energy Association
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**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO HB 2616, RELATING TO SOLAR TAX CREDITS
BEFORE THE
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
ON
THURSDAY, FEBRUARY 4, 2016**

Chair Lee, Vice-Chair Lowen and members of the committee, my name is Hajime Alabanza, and I represent the Hawaii Solar Energy Association, Inc. (HSEA)

HSEA seeks to provide comments on HB 2616. This measure intends to establish a community net-energy metering program to foster the use of community solar. HSEA supports the overall utilization of community solar and has stated such in previous testimony and PUC Instant Docket proceedings (most recently Docket NO. 2015-0389). However, we urge caution in the creation and adoption of any community solar bill that may create inequalities in the market and offer the following comments.

Firstly, it is important to draft legislation that maintains the fairness and equity of the market. Preferential treatment, or in the case of HB 2616 preferential rate structures, should not be given to one solar market over another. It is concerning that HB 2616 would create a net-metering rate structure for only community-solar projects that would essentially negate the PUC NEM decision in October of 2015. This would create an inequitable market structure that favors community solar over non-community rooftop.

Secondly, it is unclear within the language of the bill who would be responsible for building and maintain these solar projects. There is legitimate concern that if HECO or another utility company were able to develop and own these community solar projects that they could rate-base said projects. This creates further unfair competition for the private sector. Additionally, the Public Utilities Commission notes in Decision and Order No. 32052 that there should not be a regulatory incentive for them to own generation moving forward. The language in this bill should be explicit in avoiding these scenarios.

Finally, specific language should be inserted within this bill that explicitly defines who would receive the benefits of community solar. The definition of an appropriate candidate for community solar is unclear within Act 100 as well as HB 2616.

We urge the committee to consider these comments before making a decision on HB 2616.

Thank you for the opportunity to testify.