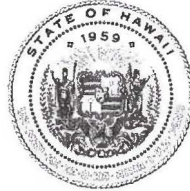


SB2534

RELATING TO PUBLIC  
PURPOSE PROJECTS  
REQUIRING PUBLIC  
UTILITY INVOLVEMENT



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TO THE SENATE COMMITTEES ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH  
AND  
TRANSPORTATION AND ENERGY

THE TWENTY-EIGHTH LEGISLATURE  
REGULAR SESSION OF 2016

THURSDAY, FEBRUARY 11, 2016  
2:48 P.M.

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

SENATE BILL NO. SB 2534 - RELATING TO PUBLIC PURPOSE PROJECTS  
REQUIRING PUBLIC UTILITY INVOLVEMENT

DESCRIPTION:

This measure proposes to establish a simplified regulatory process and procurement mechanism for the Public Utilities Commission ("Commission" of "PUC") to review public purpose projects and direct public utilities to procure electricity and fuel from the public purpose projects at a rate authorized by the Commission.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") opposes this bill.

COMMENTS:

The PUC is responsible for determining whether any proposed project for electricity generation is in the public interest. This determination requires the PUC to consider a broad spectrum of factors, including the capacity needs of the utility, whether the project contributes to the Renewable Portfolio Standards ("RPS"), costs and risk to

Senate Bill No. 2534  
Senate Committee on Commerce, Consumer Protection, and Health  
Senate Committee on Transportation and Energy  
Thursday, February 11, 2016, 2:48 p.m.  
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the utility and the consumer, economic externalities and community interests. This bill takes some of the PUC's responsibility and places it with the public agency. Furthermore, the bill would allow a public agency to require the public utility to conduct a feasibility study at ratepayer's expense. The determination of whether a public utility is entitled to cost recovery should lie solely with the PUC to avoid inconsistent decisions that create greater risk to the utility.

If a public agency or potential supplier of power or fuel feels that a utility is unreasonably refusing to negotiate a PPA or fuel supply contract, then the potential supplier already has recourse to approach the PUC directly and ask it to order the utility, pursuant to Hawaii Revised Statutes Chapter 269-27.2, to negotiate an agreement with the supplier and submit the agreement to the PUC for review. In the event that a rate cannot be agreed upon by the potential supplier of power and the utility, then the rate shall be as prescribed by the PUC. The affected public agency always has the ability to seek intervention in this process.

Finally, this bill states that the public utility shall bear the cost of any alteration to or modification of the grid needed to accept the energy or fuel from the public purpose project. This places the potential for costly interconnections costs on ratepayers.

Thank you for this opportunity to testify.

TESTIMONY OF RANDY IWASE  
CHAIR, PUBLIC UTILITIES COMMISSION  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEES ON  
COMMERCE, CONSUMER PROTECTION, AND HEALTH  
&  
TRANSPORTATION AND ENERGY

February 11, 2016  
2:48 PM

**MEASURE:** S.B. No. 2534

**TITLE:** RELATING TO PUBLIC PURPOSE PROJECTS REQUIRING PUBLIC  
UTILITY INVOLVEMENT.

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

**DESCRIPTION:**

This measure creates a new part in Chapter 269, Hawaii Revised Statutes, which details and establishes a process through which State or County agencies can petition the Public Utilities Commission (“Commission”) to review and make certain determinations related to proposed “public purpose projects”.

**POSITION:**

The Commission offers the following comments for the Committees’ consideration.

**COMMENTS:**

The Commission appreciates the intent of providing an avenue to consider projects which are specifically determined to be in the public interest. The Commission notes that the process established in Section 269-27.2, HRS, currently provides an avenue for the Commission to consider the best interests of the general public when determining rates charged for electricity generated from nonfossil fuels. However, if the Legislature seeks to create an alternative process to address different issues, the Commission is more than willing to work with the Legislature on the language and details necessary to best implement such a process.

Thank you for the opportunity to testify on this measure.

**TESTIMONY BEFORE THE SENATE COMMITTEES ON  
COMMERCE, CONSUMER PROTECTION & HEALTH AND  
TRANSPORTATION & ENERGY**

**S.B. 2534**

**Relating to Public Purpose Projects Requiring Public Utility Involvement**

Thursday, February 11, 2016

2:48 pm

State Capitol, Conference Room 229

Kevin M. Katsura  
Assistant Deputy General Counsel (Regulatory), Legal Department  
Hawaiian Electric Company, Inc.

Chairs Baker & Inouye, Vice Chairs Kidani & Gabbard, and Members of the  
Committees:

My name is Kevin Katsura and I am testifying on behalf of Hawaiian Electric  
Company and its subsidiary utilities Maui Electric Company and Hawai'i Electric Light  
Company in **opposition** to S.B. 2534.

This bill allows any state or county board, commission, department, or officer  
authorized by law to make rules or to adjudicate contested cases, to propose a  
"public purpose project." "Public purpose project" is defined broadly as in the public  
interest and the agency proposing the project makes its own determination. There is  
no limit to size, scope, scale, or location. This bill also proposes to minimize the  
required information submitted to the PUC to make a determination whether it is  
feasible, has definite benefits in Hawai'i, and is in the public interest and creates an  
unrealistic regulatory schedule that transfers additional costs and expense to the  
utility and its customers.

The agency proposing the project is responsible for determining for itself if its  
own project is in the public interest. There is no limit as to location, size, scope, or  
scale of a particular project. However, the utilities are asked to prepare a "feasibility  
report" within only 90 days of having conferred with the agency. This report is the

equivalent of an Interconnection Requirements Study ("IRS") which requires much more detail about a project than this bill requires. An effective IRS completed by the utility includes, among other things, power systems analysis and identification of equipment, costs, and schedule to evaluate the upgrades necessary to safely and reliably interconnect the proposed Project into the Hawaiian Electric system. In order to conduct the IRS, Hawaiian Electric would need, among other things, single line diagrams, equipment details, performance capabilities and associated models. The cost of the study is to be borne by our customers instead of the developer as currently done. The range of costs for an IRS is \$100,000 to \$200,000. Rule 14H already provides a process to govern the interconnection review for distribution level projects, and Rule 19 has guidelines for an IRS under a Request for Proposal.

The agency is required to provide minimal information on the location, brief description, the primary energy source of the facility, the primary energy source used by the facility, capacity, public benefit; proposed rates, and feasibility of the project; the bill does not provide a vehicle for discovery or enforcement by the PUC over the petitioning agency. This bill also limits the time for the PUC and parties to fully understand the costs and benefits of a proposed project and whether the project is in the public interest.

In Power Purchase Agreement Applications we provide the PUC: performance requirements, design, construction and interconnection cost details, and a schedule of milestones to approve the contract, find the purchase energy charges to be reasonable; and find the terms and conditions of the PPA are prudent and in the public interest. These contractual terms are binding on the developer. This bill requires less information submitted yet requires a contested case and a decision

within 180 days. This quick procedure with less information will likely result in less informed decisions which may have consequences over the longer term energy goals

In Hawai'i, there's no extension cord to the mainland. Unlike California and many other places we're compared to, we can't plug into the mainland grid, either for reliability or to buy or sell electricity to neighboring utilities. As has been noted publicly, the Companies' grids have limited capacity. Filling this capacity with projects that are not properly vetted and which may be more expensive than other forms of generation may not be in the best interest of the Companies' customers and may cause electricity rates to rise. We believe the current methods of procurement have been effective. To date, the companies have contracted over 800MW of projects.

Accordingly, the Hawaiian Electric Companies oppose S.B. 2534.

Thank you for this opportunity to testify.