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ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Thursday, February 25, 2016
1:00 p.m.
State Capitol, Conference Room 211
in consideration of
SB 2820, SD 1
RELATING TO RENEWABLE ENERGY.

Chair Tokuda, Vice Chair Dela Cruz, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) supports Administrative bill SB 2820, SD 1, with amendments (see attached), which modifies the definition of “renewable portfolio standard (RPS)” by basing it on electrical energy ‘generation’ instead of ‘sales’ in order to more accurately reflect the percentage of renewable energy penetration in the State.

DBEDT supports this bill which re-defines RPS to accurately represent renewable penetration in Hawaii in order to meet the objectives of Section 269-92 (Act 97, Session Laws of Hawaii (SLH) 2015) establishing the goal of 100 percent RPS by 2045; and Section 226-18 (Act 38, SLH 2015) aspiring for greater energy security and self-sufficiency through the reduction and ultimate elimination of Hawaii’s dependence on imported fuels for electrical generation.

Through collaboration with the Public Utilities Commission (PUC) and the Hawaiian Electric Companies, we believe that the attached amendments add further clarity to the RPS calculation. Among the amendments is relocating language pertaining to generation used exclusively for emergency services from the definition of “grid-connected” to “renewable portfolio standard” to clarify that such generation would not be counted towards RPS.

Thank you for the opportunity to offer these comments in support of SB 2820, SD 1.

A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to amend the
2 definition of renewable portfolio standard to more accurately
3 reflect the percentage of renewable energy penetration in the
4 State. Section 269-92, Hawaii Revised Statutes, establishes a
5 one hundred per cent renewable portfolio standard by 2045, with
6 the intention of transitioning the State away from imported
7 fuels and toward renewable local resources that provide a secure
8 source of affordable energy. Section 226-18, Hawaii Revised
9 Statutes, states in part that planning for the State's facility
10 systems with regard to energy shall be directed toward the
11 achievement of the objective of increased energy security and
12 self-sufficiency through the reduction and ultimate elimination
13 of Hawaii's dependence on imported fuels for electrical
14 generation.

15 Creating a more accurate depiction of renewable energy
16 penetration is accomplished by amending the renewable portfolio
17 standard calculation to be based on electrical energy generation
18 as opposed to electrical energy sales. Failure to address this

1 accounting error means that the current renewable portfolio
2 standard calculation (renewable **electrical** energy divided by
3 **electrical energy** sales) would overestimate the amount of
4 renewable energy serving Hawaii's electric utility customers.

5 There are two fundamental issues that lead to the current
6 discrepancy:

7 (1) The current renewable portfolio standard calculation
8 inflates the reported percentage of renewable energy
9 by excluding **renewable and non-renewable energy from**
10 customer-sited, grid connected renewable energy
11 generation in the denominator, which becomes material
12 with higher levels of **customer-sited, grid-connected**
13 **energy generation** and higher renewable portfolio
14 standard percentages; and

15 (2) The current electrical energy sales number does not
16 include energy losses that occur between the points of
17 electrical energy generation and the customer meter
18 where sales are measured.

19 **Failure to address these issues would create the incorrect**
20 **public perception of the State's progress towards its one**
21 **hundred per cent renewable energy statutory goal.**

1 SECTION 2. Section 269-91, Hawaii Revised Statutes, is
2 amended as follows:

3 1. By adding a new definition of "grid-connected" to read:

4 "Grid-connected" means interconnected to the Hawaii
5 electric system under an existing standard or rule approved by
6 the public utilities commission. As used in this definition,
7 "interconnection" and "Hawaii electric system" have the same
8 meaning as in section 269-141."

9 2. By amending the definition of "renewable portfolio
10 standard" to read:

11 "Renewable portfolio standard" means the percentage of
12 [electrical energy sales that is represented by renewable
13 electrical energy] total electrical energy generated from grid-
14 connected energy systems that is represented by total renewable
15 electrical energy generated from grid-connected renewable energy
16 systems; provided that this will not apply where the generation
17 is used exclusively for emergency service in case of failure of
18 the normal supply from the Hawaii electric system. As used in
19 this definition, "Hawaii electric system" has the same meaning
20 as in section 269-141."

21 SECTION 3. Section 269-92, Hawaii Revised Statutes, is
22 amended to read as follows:

1 "§269-92 Renewable portfolio standards. (a) Each electric
2 utility company that sells electricity for consumption in the
3 State shall establish a renewable portfolio standard of:

4 (1) Ten per cent [~~of its net electricity sales~~] by
5 December 31, 2010;

6 (2) Fifteen per cent [~~of its net electricity sales~~] by
7 December 31, 2015;

8 (3) Thirty per cent [~~of its net electricity sales~~] by
9 December 31, 2020;

10 (4) Forty per cent [~~of its net electricity sales~~] by
11 December 31, 2030;

12 (5) Seventy per cent [~~of its net electricity sales~~] by
13 December 31, 2040; and

14 (6) One hundred per cent [~~of its net electricity sales~~] by
15 December 31, 2045.

16 (b) All electric grid-connected energy systems shall be one
17 hundred per cent renewable energy systems by December 31, 2045;
18 provided that this will not apply where the generation is used
19 exclusively for emergency service in case of failure of the
20 normal supply from the Hawaii electric system. As used in this
21 definition, "Hawaii electric system" has the same meaning as in
22 section 269-141.

1 [~~(b)~~](c) The public utilities commission may establish
2 standards for each utility that prescribe what portion of the
3 renewable portfolio standards shall be met by specific types of
4 renewable energy resources; provided that:

5 (1) Prior to January 1, 2015, at least fifty per cent
6 of the renewable portfolio standards shall be met
7 by electrical energy generated using renewable
8 energy as the source, and after December 31,
9 2014, the entire renewable portfolio standard
10 shall be met by electrical generation from
11 renewable energy sources;

12 (2) Beginning January 1, 2015, electrical energy
13 savings shall not count toward renewable energy
14 portfolio standards;

15 (3) Where electrical energy is generated or displaced
16 by a combination of renewable and nonrenewable
17 means, the proportion attributable to the
18 renewable means shall be credited as renewable
19 energy; and

20 (4) Where fossil and renewable fuels are co-fired in
21 the same generating unit, the unit shall be
22 considered to generate renewable electrical

1 energy (electricity) in direct proportion to the
2 percentage of the total heat input value
3 represented by the heat input value of the
4 renewable fuels.

5 [~~(e)~~](d) If the public utilities commission determines
6 that an electric utility company failed to meet the renewable
7 portfolio standard, after a hearing in accordance with chapter
8 91, the utility shall be subject to penalties to be established
9 by the public utilities commission; provided that if the
10 commission determines that the electric utility company is
11 unable to meet the renewable portfolio standards due to reasons
12 beyond the reasonable control of an electric utility, as set
13 forth in subsection [~~(d)~~](e), the commission, in its
14 discretion, may waive in whole or in part any otherwise
15 applicable penalties.

16 [~~(d)~~](e) Events or circumstances that are outside of an
17 electric utility company's reasonable control may include, to
18 the extent the event or circumstance could not be reasonably
19 foreseen and ameliorated:

- 20 (1) Weather-related damage;
- 21 (2) Natural disasters;
- 22 (3) Mechanical or resource failure;

- 1 (4) Failure of renewable electrical energy producers to
2 meet contractual obligations to the electric utility
3 company;
- 4 (5) Labor strikes or lockouts;
- 5 (6) Actions of governmental authorities that adversely
6 affect the generation, transmission, or distribution
7 of renewable electrical energy under contract to an
8 electric utility company;
- 9 (7) Inability to acquire sufficient renewable electrical
10 energy due to lapsing of tax credits related to
11 renewable energy development;
- 12 (8) Inability to obtain permits or land use approvals for
13 renewable electrical energy projects;
- 14 (9) Inability to acquire sufficient cost-effective
15 renewable electrical energy;
- 16 (10) Inability to acquire sufficient renewable electrical
17 energy to meet the renewable portfolio standard goals
18 beyond 2030 in a manner that is beneficial to Hawaii's
19 economy in relation to comparable fossil fuel
20 resources;

1 (11) Substantial limitations, restrictions, or
2 prohibitions on utility renewable electrical energy
3 projects; and

4 (12) Other events and circumstances of a similar nature.

5 SECTION 4. Statutory material to be repealed is bracketed
6 and stricken. New statutory material is underscored.

7 SECTION 5. This Act shall take effect upon its approval.

8

9

10 INTRODUCED BY: _____

11 BY REQUEST

12

Report Title:

Renewable Portfolio Standard; Definition; Calculation

Description:

Clarifies the renewable portfolio standard law. Requires all electric grid connected energy systems to be 100 per cent renewable energy by 12/31/45. Amends the "renewable portfolio standard" definition to more accurately reflect the amount of renewable energy generation in Hawaii by amending the renewable portfolio standard calculation to be based on electrical energy generation as opposed to electrical energy sales and to properly account for customer-sided, grid-connected resources. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: dylanarm@hawaii.edu
Subject: *Submitted testimony for SB2820 on Feb 25, 2016 13:00PM*
Date: Thursday, February 25, 2016 9:09:32 PM

SB2820

Submitted on: 2/25/2016

Testimony for WAM on Feb 25, 2016 13:00PM in Conference Room 211

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

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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