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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

THURSDAY, FEBRUARY 23, 2017
2:00 P.M.

TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ANGUS L.K. McKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 1569, H.D. 1 - RELATING TO ENERGY PLANNING

DESCRIPTION:

This measure proposes to require the Public Utilities Commission (“PUC” or “Commission”), when considering certain types of grid modernization plans, to direct an independent third party to establish an initial grid modernization plan and to require the Commission to allow public comments subject to further plan modification by the Commission.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) has concerns with this bill and offers the following comments for the Committee’s consideration.

COMMENTS:

The Consumer Advocate has concerns about the grid modernization planning process and participants proposed in this bill. Even though the amendment to this bill directs the Commission to open an investigatory docket regarding the objectives, assumptions, and models for any grid modernization plans, the bill retains a role for an independent third party to develop a separate grid modernization plan. Assigning the job of planning the modernization of the utilities’ grids to an entity outside of and apart from the utilities could create ambiguity about what entity should be responsible for reliable electric service.

The Consumer Advocate is concerned with the possibility of having to evaluate two grid modernization plans, one developed by the utility in or vetted by an investigatory docket and one developed by an independent third party, and the increased chances for even greater ambiguity and uncertainty. The amended bill is not clear which plan the utility should follow. If the utility is allowed to follow its own plan, in whole or in part, then traditionally, when system events, such as over-voltage events or blackouts, adversely affect customers, there are avenues for recourse, such as filing property damage claims with the Commission and seeking compensation from the utility. In addition, the Commission could investigate and assess penalties on the utility. However, if a utility is just following the direction of an independent third party, in whole or in part, who was responsible for the plan, the Consumer Advocate is concerned that, after a system event attributable to the grid modernization plan, culpability would be difficult, if not impossible, to determine.

The Consumer Advocate is also concerned that, from the amended text, it is still unclear whether the Commission will be able to appoint a designated independent third-party grid modernization planner in a timely fashion. In order to be competent and qualified to take on such a specialized and technical task and also consider Hawaii's specific and unique needs, the likely candidates for this role may be limited to the national engineering firms already used by Hawaii utilities or other parties as consultants; thus, finding independent third-party consultants capable of such planning efforts may be challenging.

The Consumer Advocate acknowledges that on the mainland, there are regions where an independent system operator is responsible for the market dispatch of power and energy, utility companies in that region are responsible for certain aspects of generating energy and for certain transmission and distribution resources, independent generators are also responsible for energy, and there may also be other independent entities involved with the delivery of energy and power to customers. In those regions, having the utility develop a plan that is to be followed by all entities engaged in the delivery of energy and power may not be the best planning strategy. However, Hawaii's energy and power market does not yet have those same characteristics and it may be premature to require an independent party to develop long-term energy industry plans.

It should be noted that, the Commission has ordered the HECO Companies to develop a detailed, scenario-based grid modernization plan for each utility no later than June 30, 2017 in Decision and Order No. 34281 in Docket No. 2016-0087. (This docket is separate and different from the Power Supply Improvement Plans docket, Docket No. 2014-0183, referred to in section 1 of the bill.)

Furthermore, the Consumer Advocate notes that, as part of the Commission's existing powers set forth in Chapter 269, Part IX, Hawaii Revised Statutes, as part of the Commission's responsibilities to ensure electric reliability, the Commission is supposed to ensure that maintaining and enhancing grid reliability and safety are accomplished through modernization of the State's electric grids.

Thus, enacting the proposed legislation at this time may be premature.

Thank you for this opportunity to testify.

LATE

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

February 23, 2017
2:00 p.m.

MEASURE: H.B. No. 1569, H.D. 1
TITLE: RELATING TO ENERGY PLANNING

Chair McKelvey and Members of the Committee:

DESCRIPTION:

This measure would require the Public Utilities Commission (“Commission”) to open an investigative proceeding to examine objectives, assumptions, and models when considering grid modernization plans of at least four years and to direct an independent third party to establish an initial grid modernization plan that best meets the objectives set forth by the Commission. This measure also requires that the public and stakeholders be allowed to offer comments to the plan in a public hearing and that a regulated utility make available any requisite data and information deemed appropriate by the Commission for the purposes of establishing the plan.

POSITION:

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

COMMENTS:

The Commission notes that this measure may not be necessary as a “grid modernization” planning process is already underway through various priority energy dockets including the HECO Companies’ Power Supply Improvement Plans (See Docket No. 2014-0183), the Distributed Energy Resource Policies Investigation (See Docket No. 2014-0192), the HECO Companies’ Demand Response Program (See Docket Nos. 2007-0341, 2015-0412, 2015-0411), and others. These top priority dockets are all highly technical, complex, and forward looking proceedings that are currently under review and receiving

contributions from the Consumer Advocate, a variety of intervenors, and the Commission's own staff and consultants. The Commission has also provided explicit guidance for a grid modernization strategy and ordered the HECO Companies to develop detailed grid modernization strategies for each utility by June 30, 2017 (See Docket No. 2016-0087, Order No. 34281).

The Commission also notes that the costs of hiring an independent third-party to create a new plan are unknown and likely very significant. Additional appropriations from the legislature to fund the development of such a plan would be necessary.

Thank you for the opportunity to testify on this measure.



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Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, Hawaii Inst. for Public Affairs
Hajime Alabanza, Hawaii Solar Energy Association
John Antonio, US Dept of Agriculture
Karlie Asato, Hawaii Government Employees Assn
David Bissell, Kauai Island Utility Cooperative
Joseph Boivin, Hawaii Gas
Warren Bollmeier, Hawaii Renewable Energy Alliance
Michael Brittain, IBEW, Local Union 1260
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH Hawaii Natural Energy Institute
Jay Fidell, ThinkTech Hawaii
Carl Freedman, Haiku Design & Analysis
Matthias Fripp, REIS at University of Hawaii
Ford Fuchigami, Hawaii Dept of Transportation
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Senator Brian Schatz
Michael Hamnett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
Randy Iwase, Public Utilities Commission
Brian Kealoha, Hawaii Energy
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Office
Representative Chris Lee, Hawaii State Legislature
Gladys Marrone, Building Industry Assn of Hawaii
Stephen Meder, UH Facilities and Planning
Joshua Michaels, Ofc of US Rep. Colleen Hanabusa
Sharon Moriwaki, UH Public Policy Center
Ron Nelson, US Pacific Command Energy Office
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Stan Osserman, HCATT
Darren Pai, Hawaiian Electric Companies
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, Hawaii Government Employees Assn
Fredrick Redell, Maui County Energy Office
Rick Rocheleau, UH Hawaii Natural Energy Institute
Will Rolston, Hawaii County, Research & Development
Peter Rosegg, Hawaiian Electric Companies
Riley Saito, SunPower Systems
Scott Sen, Hawaiian Electric Companies
Joelle Simonpietri, UH Applied Research Lab
Ben Sullivan, Kauai County
Terry Surles, Hawaii State Energy Office, DBEDT
Lance Tanaka, Par Hawaii, Inc.
Maria Tome, Public Utilities Commission
Kirsten Turner, Ofc of US Representative Tulsi Gabbard
Alan Yamamoto, Ofc of US Senator Mazie Hirono

Testimony of John Cole
Chair, Regulatory Reform Working Group
Hawaii Energy Policy Forum

To the
House Committee on Consumer Protection & Commerce

February 23, 2017 at 2:00 PM in Conference Room 329

IN OPPOSITION TO HB1569 HD1, Relating To Energy Planning.

Chair McKelvey, Vice-Chair Ichiyama, and Members of the Committee,

I am John Cole, Chair of the Regulatory Reform Working Group of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of over 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

HB 1569 HD1 requires the PUC to direct an independent third-party to establish an initial grid modernization plan.

The Forum opposes this measure for the following reasons:

This bill may not be necessary since the PUC is already proceeding with a grid modernization planning process through several current dockets, including those addressing power supply improvement plans, distributed energy resources policies, demand response programs, and grid modernization. The issues involved in modernizing our electric grids are technical, complex and interwoven with many of the other issues being addressed to effect the State's transition to clean energy.

Currently, the utilities are responsible for maintaining electric resource sufficiency and system reliability, and the planning required to ensure them. Transferring the planning to a third-party will remove some amount of this responsibility from the utility and place it elsewhere (PUC? the third-party?), along with the attendant risks and potential liabilities.

The Forum, therefore, opposes and respectfully urges the bill be filed.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily



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of the individual Forum members or their companies.

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, Hawaii Inst. for Public Affairs
Hajime Alabanza, Hawaii Solar Energy Association
John Antonio, US Dept of Agriculture
Karlie Asato, Hawaii Government Employees Assn
David Bissell, Kauai Island Utility Cooperative
Joseph Boivin, Hawaii Gas
Warren Bollmeier, Hawaii Renewable Energy Alliance
Michael Brittain, IBEW, Local Union 1260
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH Hawaii Natural Energy Institute
Jay Fidell, ThinkTech Hawaii
Carl Freedman, Haiku Design & Analysis
Matthias Fripp, REIS at University of Hawaii
Ford Fuchigami, Hawaii Dept of Transportation
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Senator Brian Schatz
Michael Hamnett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
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Brian Kealoha, Hawaii Energy
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Alan Yamamoto, Ofc of US Senator Mazie Hirono

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

H.B. No. 1569, H.D. 1

Relating to Energy Planning

Thursday, February 23, 2017

2:00 pm

State Capitol, Conference Room 325

Todd Kanja

General Manager, System Planning

Hawaiian Electric Company, Inc.

Chair McKelvey, Vice Chair Ichiyama, and Members of the Committee:

My name is Todd Kanja and I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities Maui Electric Company and Hawai'i Electric Light Company (collectively, the "Companies") in **opposition** to H.B. 1569, H.D. 1.

H.B. 1569, H.D. 1 directly conflicts and is redundant with the State of Hawaii Public Utilities Commission's ("Commission") mandate in Order No. 34281, Dismissing Application Without Prejudice and Providing Guidance for Developing a Grid Modernization Strategy, filed January 4, 2017, in Docket No. 2016-0087 ("Order 34281"). Specifically, by Order 34281, the Commission has already established a process for "development of a well-vetted, overarching strategy for grid modernization that is informed by stakeholder input" [Order 34281 at 4], through which the Companies will file a detailed, scenario-based Grid Modernization Strategy for Commission review. Order 34281 at Ordering Paragraph 3. The Commission envisions that this process:

will provide a forum to convene industry experts and representatives to deliver presentations and facilitate dialogue on a variety of grid modernization topics that would appear to be most critical in Hawaii. The commission intends for the dialogue generated by this process to help inform the Companies as they develop detailed, grid modernization strategies for each island system. Order 34281 at 4-5.

Order 34281 further provides that the Commission intends to institute a separate docketed proceeding to review this Grid Modernization Strategy. Accordingly, the Commission has already defined a process for the development of a “detailed, comprehensive, and holistic Grid Modernization Strategy that will guide the HECO Companies’ approach to grid modernization investment over the short, medium, and long term,” and the Commission should be allowed to continue and complete these efforts to establish a Grid Modernization Strategy for the Companies’ island systems independent of legislative involvement.

In addition, H.B. 1569, H.D. 1 will cause duplicative work, will result in waste of valuable resources, and will unduly and unnecessarily delay a grid modernization planning process that has already begun by order of the Commission. This is inconsistent with the urgency with which the Commission recognizes the “Companies must move to modernize the islands’ electric grids in order to expeditiously meet the State’s energy goals.” Order 64281 at 3.

Further, although H.B. 1569, H.D. 1 states that its purpose is to minimize conflicts of interest in the grid planning process, H.B. 1569, H.D. 1 incorrectly points to the Power Supply Improvement Plan (“PSIP”) process in Docket No. 2014-0183 as the source of the alleged conflicts. Grid modernization planning efforts will not take place in the PSIP docket, but rather will take place in connection with the process mandated by the Commission in Order 34281. Further, while H.B. 1569, H.D. 1 states that the goal of the PSIP is to take “the next steps to modernize the State’s aging electric grid,” the goal of the PSIP is actually to achieve the State’s clean energy goals by outlining “a detailed plan charting the specific actions for the years 2017 through 2021 to accelerate the achievement of Hawai’i’s 100 percent

Renewable Portfolio Standard (RPS) by 2045.” December 23, 2016 PSIP Update
Report at ES-1.

Accordingly, the Hawaiian Electric Companies oppose H.B. 1569, H.D. 1.

Thank you for this opportunity to testify.