



**Testimony to the Senate Committee on Higher Education and
the Senate Committee on Transportation and Energy
Tuesday, March 21, 2017 at 2:10 P.M.
Conference Room 414, State Capitol**

LATE

**RE: HOUSE BILL 848 HD2 RELATING TO ENERGY MODERNIZATION AT THE
UNIVERSITY OF HAWAII SYSTEM**

Chairs Kahele and Inouye, Vice Chairs Kidani and Dela Cruz, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 848 HD2, which exempts microgrids that promote and serve public higher education institutions from regulation as a public utility by the Public Utilities Commission; adds a definition for "microgrid".

The Chamber is Hawaii's leading statewide business advocacy organization, representing about 1,600+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

As defined in the bill, "Microgrid" means a localized electrical system with distributed energy resources, powered by a renewable energy system, as defined in this section, that may include energy storage, generation, or both, to serve interconnected loads of one or more persons or buildings within clearly defined electrical boundaries, and that acts as a single controllable entity with respect to the grid and can:

- (1) Include several adjacent or nearby properties having different tax map key designations; and
- (2) Operate either independently of or in parallel with the utility grid."

Based on this definition, it would appear that the bill allows any public higher education institutions to use existing utility lines and infrastructure to transfer the energy produced to other users without compensation or coordination with the owners of the utility infrastructure.

Furthermore, while the bill proposes to exempt the microgrid from PUC regulation, Section O, (v) of the bill provides the following:

- (v) An electric utility may not charge microgrids standby service rates or similar fees and charges for interconnection into the electric utility system; provided that the educational institution shall pay to the electric utility at established rates filed with, and approved by, the public utilities commission: (1) charges for the use of any electricity from the electric utility and (2) either lease rent or similar charge for the use of, or the cost to, install electric lines and



Chamber *of* Commerce HAWAII

The Voice of Business

facilities to transport electricity from the power source to the microgrid and the microgrid users' electrical systems.

It would appear that the proper venue to discuss how a public higher educational institution could operate a “microgrid” in conjunction with the existing utility infrastructure should be with the Public Utilities Commission.

For these reasons, we request that this bill be held and appreciate the opportunity to express our views on this matter.



SENATE JOINT COMMITTEE ON HIGHER EDUCATION AND
TRANSPORTATION & ENERGY

Tuesday, March 21, 2017 2:10PM Room 414

LATE

In SUPPORT HB 848 HD2 Relating to Energy Modernization at UH

Aloha Chairman Kahele, Chairwoman Inouye, and members of the Joint Committee,

On behalf of our 20,000 members and supporters, the Sierra Club of Hawai'i strongly supports HB 848 HD2, which defines "microgrid" and seeks to exempt microgrids that promote and serve public higher education institutions from regulation as a public utility by the Public Utilities Commission.

Since 1968, the Sierra Club of Hawai'i has been working to protect the unique natural and cultural resources of our islands. We know that 100% clean energy economy is our best chance of combating climate change.

We support HB 848 HD2 because it is the right thing to do. Allowing UH its own microgrid, encourages the University to enhance its own potential renewable energy resources across its many properties. This brings all of Hawai'i closer to achieving its goal of a 100% clean energy economy by 2045. The use of renewable energies will have a significant benefit to the environment by reducing the University's carbon footprint.

This bill also has the added benefit of facilitating a more secure utility system with built in redundancies that encourage self-reliance and are more aligned with the State's energy goals. Microgrids are able to operate independent of the main grid, and can provide the various UH campuses with power in situations where the main power grid is inoperative.¹

A microgrid would be able to store energy generated at the planned solar farm at the UH West Oahu campus and use that energy to help power the other UH campuses throughout the island.² This would, in turn, save the University a substantial amount of money.

¹ U.S. Department of Energy Website, *How Microgrids Work* (June 17, 2014) available at: <https://energy.gov/articles/how-microgrids-work>.

² Duane Shimogawa, *Large solar energy farm planned for West Oahu*, Pacific Business News (November 9, 2016) available at: <http://www.bizjournals.com/pacific/news/2016/11/09/large-solar-energy-farm-planned-for-west-oahu.html>.

Various universities across the nation have already implemented the use of microgrid technology, which has resulted in dramatic savings in power costs.³ For example, as recently as 2014, the Illinois Institute of Technology reported that their microgrid saves the IIT main campus about \$1 million annually.⁴ The University of California, San Diego also uses a microgrid and reported that they save more than \$8 million annually in power costs.⁵

Thank you very much for this opportunity to provide testimony on this important issue.

Mahalo,
Marti Townsend
Director

³ National Electrical Manufacturers Association, *Microgrids, Macro Benefits: How to talk to decision makers about building your own electrical power system*, p.6 (2014) available at: <https://www.nema.org/Communications/Documents/Microgrids-Macro-Benefits.pdf>.

⁴ Id.

⁵ Id.

LATE

**Testimony to the Senate Committees on Higher Education, and Transportation and Energy
Tuesday, March 21, 2017
2:10 p.m.
State Capitol - Conference Room 414**

**RE: HOUSE BILL NO. 848, H.D. 2, RELATING TO ENERGY MODERNIZATION AT THE UNIVERSITY OF
HAWAII SYSTEM**

Chairs Kahele and Inouye, Vice Chairs Kidani and Dela Cruz, and members of the committees:

Graham Builders, a locally owned & operated design+build general contractor, **OPPOSES** HB 848, HD 2, which exempts microgrids that promote and serve public higher education institutions from regulation as a public utility by the Public Utilities Commission.

Although HB 848, HD 2 seems to pertain only to microgrids, this bill is really about intra-governmental wheeling. There is currently an open docket at the Public Utilities Commission addressing intra-governmental wheeling. HB 848, HD 2 should be held and the subject of the bill should be examined in that docket.

The proposal is too simplistic and ill advised. Wheeling is a complex issue that must be looked at from the perspective of the impact to our island grid. It is a far different situation than what happens on the mainland where grids are interconnected.

This bill would allow the University of Hawaii to use an electric utility's transmission and distribution system to "wheel" electricity from a UH generating site to a point of use within the UH system, and would not allow the electric utility to charge any type of fee for such use.

Currently, all rate payers pay for the cost to upgrade and maintain the electrical infrastructure. If this measure passes, it will be at the expense of all other rate payers who will see an increase in electricity rates as they will have to pay for all the costs of that infrastructure without directly receiving any of the benefits.

The bill would also exempt UH's microgrids from PUC regulation. For many reasons, including safety, reliability, and cost-shifting, the PUC must be allowed to retain review over these projects.

It is simply unfair and not good State policy that the legislature considers this measure that seeks to benefit one State entity at the expense of everyone else who pays for electricity.

We are opposed to HB 848, HD 2 and appreciate the opportunity to express our views on this matter.

Sincerely,

Evan K. Fujimoto
President, Graham Builders



LATE

LAND USE RESEARCH
FOUNDATION OF HAWAII

1100 Alakea Street, Suite 408
Honolulu, Hawaii 96813
(808) 521-4717
www.lurf.org

March 21, 2017

Senator Michelle N. Kidani, Chair
Senator Breene Harimoto, Vice Chair
Senate Committee on Education

Senator Lorraine R. Inouye, Chair
Senator Mike Gabbard, Vice Chair
Senate Committee on Education

Testimony in Opposition to HB 848, HD2 Relating to Energy Modernization at the university of Hawaii System. (Exempts microgrids that promote and serve public higher education institutions from regulation as a public utility by the Public Utilities Commission. Adds a definition for "microgrid.")

EDU/TRE Hearing: Tuesday, March 21, 2016, 2:10 p.m., in Conf. Rm. 414

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF and its members strongly support renewable energy and educational institutions such as the University of Hawaii (UH). LURF and its members have implemented numerous renewable energy projects and have supported and provided funding for numerous educational scholarships and projects, provide the use of lands, and also maintain numerous working partnerships with the University of Hawaii system and campuses on all islands.

While LURF believes that this bill may have been introduced with a valid purpose, and despite the fact that LURF and its members have proven to be strong supporters of renewable energy and UH, it must regrettably **oppose the current version of HB 848, HD2, and** LURF respectfully recommends that the bill be **held in your Committees** until the UH works with the Public Utilities Commission completes its pending docket on "Wheeling"; and until UH works collaboratively with key stakeholders to confirm the facts, work out the details, and determine whether this is a fair and prudent proposal for all parties.

HB 848, HD2. This measure would exempt microgrids that promote and serve public higher education institutions from regulation as a public utility by the Public Utilities Commission; and adds a definition for "microgrid."

LURF's Position. LURF opposes the current version of **SB 848, HD2, and** LURF respectfully recommends that the bill be **held in your Committees**, based on, among other things, the following,

- **UH lacks the necessary experience and expertise and should not exempt itself from PUC regulation and oversight.** This measure would exempt UH's microgrids from PUC regulation. For many reasons, including safety, reliability, and cost-shifting, the PUC must be allowed to retain review over these projects.
- **This bill would allow the UH to "wheel" energy, before the PUC completes its investigation into the practice of "wheeling."** Although HB 848, HD 2 seems to pertain only to microgrids, this bill is really about intra-governmental wheeling. This bill would allow the UH to use an electric utility's transmission and distribution system to "wheel" electricity from a UH generating site to a point of use within the UH system and elsewhere, and would not allow the electric utility. There is currently an open docket at the Public Utilities Commission addressing intra-governmental wheeling, thus, HB 848, HD 2 should be held and the subject of UH's microgrid and wheeling should be examined in that docket.
- **Other utility rate payers could be unfairly forced to pay for the upgrade and maintenance of electrical infrastructure for the benefit of UH.** Currently, all rate payers pay for the cost to upgrade and maintain the electrical infrastructure. A provision of this bill prohibits an electric utility from charging microgrids standby service rates or similar fees and charges for interconnection into the electric utility system. Thus, if this measure passes, UH may receive free or discounted services and use of a utilities services and equipment, but it may be at the expense of all other rate payers who will see an increase in electricity rates as they will have to pay for all the costs of that infrastructure without directly receiving any of the benefits.
- **Sole benefit to UH, with potential negative consequences to other stakeholders.** It appears that this measure is solely for the benefit of UH, and unfair, because it only benefits the UH at the potential expense of everyone else who pays for electricity.

For the reasons stated above, LURF **must strongly oppose the current version of HB 848, HD2** and respectfully requests that this bill be held in your Committees until the UH works collaboratively with the PUC and key stakeholders to establish a proposal that is technically sound, prudent and fair for all parties.

Thank you for the opportunity to present testimony regarding this matter.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 21, 2017 7:22 AM
To: HRE Testimony
Cc: pohaimm@gmail.com
Subject: *Submitted testimony for HB848 on Mar 21, 2017 14:10PM*

HB848

Submitted on: 3/21/2017
Testimony for HRE/TRE on Mar 21, 2017 14:10PM in Conference Room 414

Submitted By	Organization	Testifier Position	Present at Hearing
C.R.P. Montague-Mullins	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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