



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development and Tourism
before the
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Tuesday, March 21, 2017
8:30 a.m.
State Capitol, Conference Room 325

in consideration of
SB 376, SD1
RELATING TO THE INTERISLAND TRANSMISSION SYSTEM.

Chair Lee, Vice Chair Lowen and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) has serious concerns pertaining to SB 376, SD1, which would repeal the authority of the Public Utilities Commission to establish a regulatory structure for the installation and implementation of an interisland high-voltage electric transmission cable and for the construction of on-island transmission infrastructure.

DBEDT respectfully offers the following comments on this measure:

At this juncture, a related PUC proceeding¹ is still open. As an undersea cable is a potential tool to assist Hawaii in achieving its clean energy goals, including Hawaii's 100% Renewable Portfolio Standard, it would be premature for the Legislature to eliminate Act 165 (2012), a tool that may result in cheaper financing for the cable, should the PUC find an undersea cable is needed. In HECO's recent Power Supply Improvement Plan the potential benefits of an undersea cable were estimated to be roughly \$3 Billion dollars.²

An undersea cable would be a substantial undertaking requiring a significant lead time (i.e. 10 years) from the point a decision is made to proceed to the point at which an undersea cable could be operational. The analysis and due diligence on determining whether a cable was prudent could also take several years. All of this would need to be

¹ DOCKET NO. 2014-0183

² PSIP Update at P-43

done in advance in order to meet a target on line date that would maximize ratepayer benefits (e.g. 2030).

The elimination of HRS 265 Chapter VIII would increase the uncertainty surrounding the development of a cable lengthening the assessment and development period which could inadvertently push up the timeframe in which a detailed assessment would need to begin. In comments filed with the Commission, DBEDT requested that HECO develop a timeline to determine when a thorough analysis of an undersea cable would need to begin such that the undersea cable would be operational in time to capture the potential \$3 Billion dollars in benefits for ratepayers.³

Act 165 (2012) allows for the creation of a "Certified Cable Company (CCC)" (separate from the incumbent electric utility), essentially a "cable utility" that would own or control the cable. The CCC would obtain reimbursement for the development and construction of the cable under a PUC mandated surcharge and appropriate regulatory process. The surcharge would reduce risk and overall project costs by ensuring that the CCC would obtain appropriate reimbursement for the development and construction of the project. Lower project costs ultimately translate to lower electric rates for consumers.

Even if Act 165 (2012) is repealed, the incumbent utility would still have the authority to propose and develop an undersea transmission cable should the PUC find that an undersea cable is warranted. However, without HRS 269, Part VIII there would be greater uncertainty with regards to the regulation and cost recovery of the cable. This would likely lead to greater cable project development and construction risk and cost, ultimately resulting in suboptimal pricing of the cable and inferior ratepayer outcomes.

Thank you for the opportunity to offer these comments on SB 376, SD1.

³ Page 23, The Department of Business Economic Development and Tourisms Statement of Position on the Hawaiian Electric Companies Revised and Supplemented Power Supply Improvement Plans filed February 14th, 2017

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

March 21, 2017
8:30 a.m.

MEASURE: S.B. No. 376, S.D. 1

TITLE: Relating to the Interisland Transmission System

Chair Lee and Members of the Committee:

DESCRIPTION:

This measure would remove the authorization granted to the Public Utilities Commission (“Commission”) regarding the regulatory structure for the installation and implementation of an interisland high-voltage electric transmission cable system.

POSITION:

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

COMMENTS:

The Commission defers to the Legislature with respect to its priorities and appreciates its guidance related to any potential interisland transmission system.

The Commission currently has an open regulatory proceeding regarding this issue (See Docket No. 2013-0169). The Commission opened this proceeding to solicit information and evaluate whether an Oahu-Maui island grid interconnection may be in the public interest. The proceeding has been investigating this issue through the following actions:

- Seeking input from potential cable developers, renewable energy project developers, the HECO Companies, and other stakeholders on potential costs and benefits of an Oahu-Maui island grid interconnection to determine under what circumstances and conditions such a potential system would be in the public interest;

- Seeking input on appropriate regulatory policies and practices governing development and on-going regulation of a certified cable company in Hawaii;
- Seeking input from potential cable companies, the HECO Companies, and other stakeholders on the best way to proceed with developing a high-voltage electric transmission cable system interconnecting Oahu and Maui Island if the Commission were to determine such a system is in the public interest; and
- Facilitating public input and dissemination of information on an Oahu-Maui Island grid interconnection.

In reviewing this issue, the Commission has received considerable feedback from the parties and public, which are available in the public docket record. The Commission has also held public meetings on Maui and Oahu.

The Commission notes that at present there is no pending proposal to build an interisland cable before the Commission.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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CATHERINE P. AWAKUNI COLÓN
DIRECTOR
JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

TUESDAY, MARCH 21, 2017
8:30 A.M.

TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE CHRIS LEE, CHAIR
AND MEMBERS OF THE COMMITTEE

SENATE BILL NO. 376, S.D. 1 - RELATING TO THE INTERISLAND
TRANSMISSION SYSTEM

DESCRIPTION:

This measure proposes to repeal chapter 269, Part VIII, Hawaii Revised Statutes (“HRS”), relating to the interisland transmission system.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) offers comments on this bill.

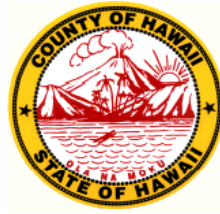
COMMENTS:

As noted in Section 1 of this bill, chapter 269, part VIII, HRS, sets up a regulatory framework to facilitate an interisland electric transmission cable, but it does not require the construction of an interisland electric transmission cable. The enabling language of chapter 269, part VIII, HRS, sets forth provisions that would ensure Public Utilities Commission review and approval of a cable utility, if that particular ownership model appeared in the public interest. The Department supports ongoing discussion of what energy policies and planning are in the State’s best interest, but it also favors providing flexibility, where appropriate, and recommends not repealing laws that provide such flexibility, which enhances the efficiency of the regulatory process, unless absolutely necessary.

The Consumer Advocate notes that the proposed language in the HD1 version proposes to strike the entirety of Chapter 269, part VIII in section 2 of the bill. However, in section 7 of HD1, it also proposes to specifically strike HRS § 269-133, which is part of Chapter 269, part VIII. As noted above, the Consumer Advocate contends that deleting part VIII of Chapter 269 will not prevent the construction of an interisland cable, but will hinder consideration of a particular ownership model. If the proposed HD1 is going to move forward, however, the Consumer Advocate respectfully notes that section 7 of HD1 is unnecessary as HRS §§ 269-131 through 269-135 will be deleted as long as section 2 of the bill remains.

Thank you for this opportunity to testify.

Harry Kim
Mayor



Wil Okabe
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawai'i

Office of the Mayor

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Dear Chair Lee and Members:

I appreciate this opportunity to testify in support of SB 376.

I fully agree that statutory references to an interisland transmission system should be removed from HRS, until such time as a consensus on such a system can be reached.

Respectfully submitted,

Harry Kim
Mayor
County of Hawaii

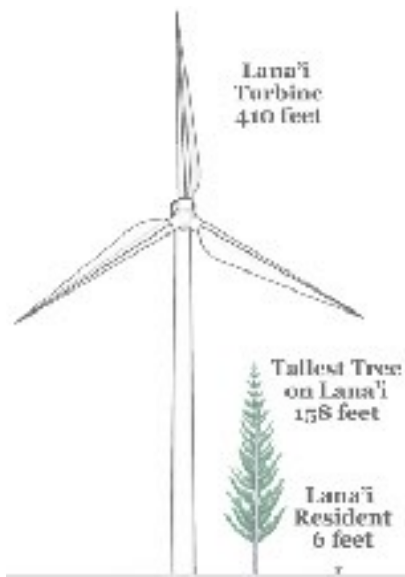
Name: Friends of Lana`i
Email Address: friendsoflanai@gmail.com
Testifying on behalf of: Organization
Position: In Support
Testifying in person: No

SB 376: RELATING TO THE INTER ISLAND TRANSMISSION SYSTEM

Friends of Lana`i (FOL), which formed in 2009 to oppose Big Wind on Lana`i and to support energy independence for each island in Hawai`i, **supports SB 376** which would repeal Act 165, passed by the Legislature in 2012. In addition to recognizing that there is no consensus on an undersea cable system, SB 376 simultaneously corrects a serious and detrimental wrong. FOL urges the Committee on Commerce, Consumer Protection and Health, and the Committee on Transportation and Energy to move this bill forward towards full legislative approval.

Act 165 was an ill-advised and transparently blatant effort by Hawaiian Electric Company (HECO), Castle & Cooke and the State of Hawaii's Department of Business, Economic Development and Tourism (DBEDT) to contribute to and fast-track a single developer's implausible, environmentally-disastrous, unpopular and incredibly expensive wind project – all to relieve O`ahu's excessive energy use.

The inter-island transmission system outlined by Act 165 had numerous problems, which were highlighted in FOL's earlier testimony:



- It was never made clear whether the “surcharges” that would be collected by the utilities “from its ratepayers” would have included all HECO/MECO ratepayers, including Lana`i and Moloka`i residents who would have received none of the electricity generated by the proposed industrial wind power plants on their islands.
- It was never clear how the provisions of Ch 269, Part VIII would have capped the amount the utility would be able to “recover [for] the costs of acquiring the cable system...” or why the utility should be allowed to “own” it in the first place.
- It was never clear from what source the utility would be allowed to “recover the costs of predevelopment and development in the event that the system is not completed,” nor explained why ratepayers and/or taxpayers should be responsible to reimburse the utility for a poor business decision.

At the time this legislation passed, it was opaque and presented a clear and present economic danger to all residents of Hawaii. FOL believed at the time and still concludes that the “regulatory scheme” approved in Act 165 was and is just that: an underhanded and secret plot, hatched behind closed doors, that left too many questions unanswered, and placed a corporate financial balancing act solely on the backs of ratepayers.

The Big Wind portion of this “regulatory scheme” currently languishes in the PUC and in the corporate offices of Castle & Cooke, and is unlikely to resurface. The legislation enabling it is nothing more than an embarrassing legislative relic that is no longer relevant and should be repealed.



Email: communications@ulupono.com

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, February 21, 2017 — 8:30 a.m. — Room 325

Ulupono Initiative Opposes SB 376 SD 1, Relating to the Interisland Transmission System

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

My name is Murray Clay and I am Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally produced food; increase affordable, clean, renewable energy; and reduce waste. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

Ulupono opposes SB 376 SD 1, which removes references to the interisland undersea transmission cable from the Hawai'i Revised Statutes.

Ulupono is very supportive of the State's 100 percent renewable portfolio standard by 2045. Yet, one of the challenges that developers, the utility, and regulators must face to accomplish this mission is O'ahu has a higher relative demand for electricity with less renewable energy potential, while the reverse is true on the neighbor islands. One potential solution is to interconnect the different islands' grids via an undersea cable to match supply and demand. The latest version of the utility's Power Supply Improvement Plan shows that an interisland undersea cable is the least cost option to achieve 100 percent renewable energy.

The underwater sea cable would be a major infrastructure project that would need to have permitting, financing, community support, and political will. Hawai'i will need to upgrade its infrastructure to meet 21st century challenges, but historically it has been extremely difficult to accomplish large projects.

While there is no current undersea cable project being put forth, in the future, as we all work towards 100 percent renewable energy, it may make sense to do so. Prior to any serious proposal, an organization would consider whether there are legal statutes that can help facilitate the project and removing such facilitating language as this bill proposes could discourage that group from pushing the project in the future when the project could

Investing in a Sustainable Hawai'i



make both economic and environmental sense.

We urge these committees to leave reference to the interisland undersea cable in statute.

As Hawai'i's energy issues become more complex and challenging, we appreciate this committee's efforts to look at policies that support renewable energy production.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

Name: Diane Preza

Email Address: preza@sandwichisles.net

Testifying on behalf of: Individual

Position: In Support

Testifying in Person: No

SB376, SD1: RELATING TO THE INTER ISLAND TRANSMISSION SYSTEM

SB376/SDI should be passed, thereby repealing the undersea cable bill. The negative environmental and economic concerns far outweigh the positive impact of the undersea cable.

Thank you for the opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 6:52 AM
To: EEPtestimony
Cc: yookom@gmail.com
Subject: Submitted testimony for SB376 on Mar 21, 2017 08:30AM

SB376

Submitted on: 3/20/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Deborah dela Cruz	Individual	Support	No

Comments: I support this Bill. The undersea cable is basically a very expensive extension cord for Oahu to my home island of Lanai where there is strong opposition to the wind farm. Hawaii won't have the equipment or expertise to fix the cable in a timely manner so Oahu will need backup production capability anyway. We've had the wind farm hanging over our heads for many years. Please take another step in killing the project.

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.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

Name: Robin Kaye
Email Address: rkayelny@gmail.com
Testifying on behalf of: Individual
Position: In Support
Testifying in Person: No

SB376, SD1: RELATING TO THE INTER ISLAND TRANSMISSION SYSTEM

The undersea cable regulatory bill (Act 165, passed by the Legislature in 2012), which SB376/SD1 would repeal, should never have been signed into law. It was poorly conceived and written in the dark by DBEDT and HECO in support of Castle & Cooke's environmentally destructive and incredibly expensive Big Wind project.

The undersea cable regulatory bill was a piece of legislation clearly intended to support one single developer. It was poorly written, vague and left many questions unanswered. It was unnecessary in 2012; it is even more so now.

SB376/SDI should be passed, thereby repealing the undersea cable bill.

Thank you for the opportunity to testify.

Robin Kaye

Robin Kaye

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 10:23 AM
To: EEPtestimony
Cc: lisa.m.galloway@gmail.com
Subject: Submitted testimony for SB376 on Mar 21, 2017 08:30AM

SB376

Submitted on: 3/20/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Galloway, PhD	Individual	Support	No

Comments: Please repeal this bill. It was poorly conceived and written to support an environmentally destructive and irresponsibly expensive project. Hawaii can meet its energy goals better without it. Thank you for your consideration.

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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