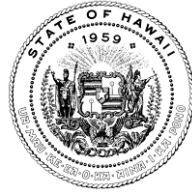


SB376

Measure Title: RELATING TO THE INTERISLAND TRANSMISSION SYSTEM.
Report Title: Interisland Transmission System; Repeal
Description: Repeals chapter 269, part VIII, Hawaii Revised Statutes, relating to the interisland transmission system.
Companion:
Package: None
Current Referral: CPH/TRE
Introducer(s): BAKER, GREEN, INOUYE, RUDERMAN, S. Chang, Nishihara



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

STATE OF HAWAII
OFFICE OF THE DIRECTOR
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CATHERINE P. AWAKUNI COLÓN
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JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER
PROTECTION, AND HEALTH
AND
TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

WEDNESDAY, FEBRUARY 22, 2017
1:15 PM

TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ROSALYN H. BAKER,
TO THE HONORABLE LORRAINE R. INOUYE, CHAIR,
AND MEMBERS OF THE COMMITTEES

SENATE BILL NO. 376 - 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.

Senate Bill No. 376

Senate Committee on Commerce, Consumer Protection, and Health

Senate Committee on Transportation and Energy

February 22, 2017

Page 2

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.

Thank you for this opportunity to testify.



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development and Tourism
before the
**SENATE COMMITTEES ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH
AND
TRANSPORTATION AND ENERGY**
Wednesday, February 22, 2017
1:15 p.m.
State Capitol, Conference Room 225

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

Chairs Baker and Inouye, Vice Chairs Nishihara and Dela Cruz and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) has serious concerns pertaining to SB 376, 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

¹ DOCKET NO. 2014-0183

² PSIP Update at P-43

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 is prudent could also take several years. All of this would need to be done in advance in order to meet a target online date that would maximize ratepayer benefits (e.g. 2030).

The elimination of HRS 269 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

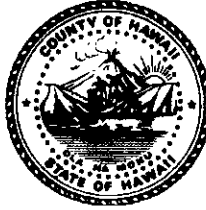
Act 165 (2012) allows for the creation of a "Certified Cable Company (CCC)" (separate from the incumbent electric utility), essentially a "cable utility" that would own or control the cable. The CCC would obtain reimbursement for the development and construction of the cable under a PUC mandated surcharge 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.

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

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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February 21, 2017

Senator Rosalyn Baker
Commerce, Consumer Protection
and Health
Senator Lorraine Inouye
Transportation and Energy
Hawaii State Capitol
Honolulu, HI 96813

Dear Chairs Baker and Inouye, and members:

RE: **SB 376**

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.

I thank co-sponsors Baker, Inouye, Green, and Ruderman for addressing this issue.

Respectfully submitted,

Harry Kim
Mayor

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 22, 2017
1:15 p.m.

MEASURE: S.B. No. 376

TITLE: RELATING TO THE INTERISLAND TRANSMISSION SYSTEM

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

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 Committees’ 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.

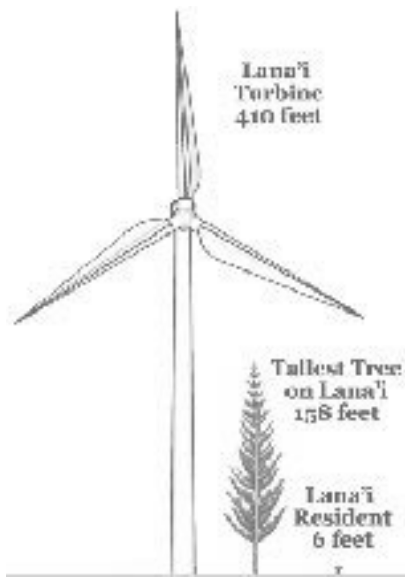
Name: Friends of Lana`i
Email Address: friendsoflanai@gmail.com
Testifying on behalf of: Organization
Position: In Support
Testifying in person: No

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.



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COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

Senator Rosalyn H. Baker, Chair

Senator Clarence K. Nishihara, Vice Chair

COMMITTEE ON TRANSPORTATION AND ENERGY

Senator Lorraine R. Inouye, Chair

Senator Donovan M. Dela Cruz, Vice Chair

Wednesday, February 22, 2017

1:15 p.m.

Conference Room 225

SB 376 RELATING TO THE INTERISLAND TRANSMISSION SYSTEM

SUPPORT

Aloha Chairs Baker and Inouye, Vice Chairs Nishihara and Dela Cruz, and Members of the Committees,

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 47 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

There are many reasons supporting and for opposing undersea high-voltage transmission lines between one island and either another island or an off-shore floating or undersea facility. There are emotional issues and technical issues. The greatest problem with the proposed inter-island transmission line was the failure to show how it could be reliably installed. DBEDT assumed that it would never fail. HECO's latest model assumes islands to be interconnected by infinite buses. Until there is a concrete and realistic plan proposed by anyone, the cable regulatory scheme is not needed.

Mahalo,
Henry Curtis, Executive Director



Email: communications@ulupono.com

SENATE COMMITTEES ON COMMERCE, CONSUMER PROTECTION, & HEALTH AND
TRANSPORTATION & ENERGY

Wednesday, February 22, 2017 — 1:15 p.m. — Room 225

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

Dear Chair Baker, Vice Chair Nishihara, Chair Inouye, Vice Chair Dela Cruz, and Members of the Committees:

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, 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

Investing in a Sustainable Hawai'i

could discourage that group from pushing the project in the future when the project could 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

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 18, 2017 11:36 AM
To: CPH Testimony
Cc: jbeyhi@yahoo.com
Subject: Submitted testimony for SB376 on Feb 22, 2017 13:15PM

SB376

Submitted on: 2/18/2017

Testimony for CPH/TRE on Feb 22, 2017 13:15PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
John Begg	Individual	Oppose	No

Comments: The opportunity is to bid-out the project to get it done and improve standards for residents. Use free enterprise principles to stimulate the opportunity and dispense with the crony capitalism that seems rampant in our islands. Consider crowd funding and cooperative possibilities.

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

My name is John Morris and I work as an attorney representing condominium associations. I am testifying against SB 378.

This bill requires every condominium board member in Hawaii to undergo ethics training. As often seems to be the case, there are no findings of as to why this bill is even necessary. The bill makes no mention of specific or proven circumstances in which board members have suffered ethical breaches that justify forcing every board member in the state into mandatory ethics training sessions. Even if that were the case, it seems unlikely that they have suffered ethical breaches on a percentage basis any more than other citizens who are not required to undergo any such training.

This bill also seems to seriously underestimate the complications of the logistics of carrying out the intent of the bill. The Real Estate Commission indicates there are over 1600 condominium projects registered with the commission. If each of those projects has an average of five board members, at least 8000 board members will have to be encouraged to or threatened into taking the online ethics course. If each project has an average of seven board members, over 11,000 board members will have to undergo the training.

Of course, the first step will be to determine who those 8000 to 11,000 board members are. Moreover, that will be a moving target. Assuming 15% to 20% of the board members leave the board during a particular year, training would have to be provided for 1500 to 2000 new board members each year.

The bill also seems to forget that all board members in Hawaii are volunteers who receive no compensation whatsoever from taking the time to try to make the sometimes difficult decisions necessary to manage and operate their projects on behalf of their fellow owners. In addition to being vilified by owners at legislative hearings on an annual basis, board members sometimes undergo threats and various indignities at the hands of the owners they represent.

As a result, many owners who agreed to serve on the board may find this bill to be the last straw and simply resign. Therefore, the bill should probably include a provision allowing for emergency oversight of condominium associations in Hawaii if the boards do start resigning because they feel that the legislature is failing to properly investigate – or even investigate at all – claims of owners before passing legislation to correct problems that supposedly exist.

The fact that someone makes a complaint does not necessarily mean that it is true or that it should not be investigated to determine whether there is another side to the story before a bill is passed. The state agency that provides the emergency oversight could certainly provide the legislature with specific information about many of the problems that supposedly exist in condominium associations.

Thank you for this opportunity to testify

John Morris