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DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2017

WEDNESDAY, FEBRUARY 22, 2017  
2:01 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. 1283, H.D. 1 - RELATING TO ENERGY

**DESCRIPTION:**

This measure proposes to require the Public Utilities Commission (“PUC” or “Commission”) to establish performance incentive mechanisms that directly tie electric utility revenues to the utility’s achievement on performance metrics and allow the PUC to delay implementation until no later than January 1, 2020.

**POSITION:**

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

**COMMENTS:**

Performance incentive mechanisms are the subject of multiple ongoing dockets before the Commission. This legislation may be unnecessary.

The Commission initiated a Decoupling Investigation docket by issuing Order No. 31289 on May 31, 2013. In its subsequent Order No. 31484, the Commission identified General Issues 3. (“Whether performance incentives/penalties should be incorporated into the RBA, RAM or other utility rate designs or ratemaking procedures?”) and 4. (“Whether changes should be made to general ratemaking procedures to improve efficiency and/or effectiveness?”).

Furthermore, the Commission, through its Order No. 33342, required the Hawaii Electric Light Company (“HELCO”) to file its next rate proceeding with proposed economic incentive and cost recovery mechanisms, consistent with Act 37 of the 2013 SLH in order to further encourage reduction in costs and acceleration of clean energy transformation. Subsequently, when Hawaiian Electric Company (“HECO”) filed for a rate case in 2016, in Docket No. 2016-0328, HECO’s filing reflected the requirements that were placed on HELCO where the Commission is asked to consider proposed performance incentive mechanisms.

Also, the Commission chair indicated in a public legislative informational briefing earlier this year that a Commission decision in the Decoupling Investigation may be forthcoming.

Given the ongoing investigations in various proceedings, the proposed measure appears unnecessary and the Consumer Advocate urges the legislature to allow the Commission to complete the ongoing proceedings before requiring performance incentive mechanisms by a certain date.

If, however, this committee believes this measure should move forward, the Consumer Advocate urges consideration of the following modifications:

- The proposed metric of “exceeding the State’s renewable portfolio standards;” should be deleted. If the desirable objective is the rapid integration of renewable energy resources such that the utility is rewarded for achieving a benchmark earlier than the goals already set forth in statute, that metric is arguably already captured within § 269-\_\_\_(b)(7), which reads, “rapid integration of renewable energy sources, including customer-sited resources.”
- The proposed metric of “fair compensation for utility employees” should be deleted. The Consumer Advocate supports the notion that utility employees should be fairly compensated. If this metric is adopted, however, it could lead to unintended consequences where consumers will likely bear greater costs as utility companies increase employee compensation in order to ensure meeting this performance metric.

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 22, 2017  
2:01 p.m.

**MEASURE:** H.B. No. 1283, H.D. 1

**TITLE:** RELATING TO ENERGY

Chair McKelvey and Members of the Committee:

**DESCRIPTION:**

This measure would require the Public Utilities Commission (“Commission”) to establish performance incentive mechanisms that directly tie electric utility revenues to the utility’s achievement on performance metrics on or before January 1, 2020. This measure also sets forth a number of factors that the Commission would be required to consider in developing performance incentive and penalty mechanisms.

**POSITION:**

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

**COMMENTS:**

The Commission agrees that electric utility performance should be aligned with meeting the State’s energy goals and protecting ratepayers from potentially unnecessary additional costs. This principle was discussed in detail in the *Commission’s Inclinations on the Future of Hawaii’s Electric Utilities* (See Docket No. 2012-0036, Order No. 32052). which has guided the Commission’s regulatory activities over the last several years.

The Commission currently has an open proceeding to re-examine the HECO Companies’ Decoupling Mechanism (See Docket No. 2013-0141) and the development of performance incentive mechanisms is one of the issues pending final decision in that docket. The Commission also intends to examine implementation of performance incentive mechanisms in the forthcoming rate case applications from each of the HECO Companies.

Thank you for the opportunity to testify on this measure.



Before the House Committee on Consumer Protection and Commerce  
Wednesday, February 22, 2017, 2 p.m., Room 329  
HB 1283 HD 1: RELATING TO ENERGY

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

On behalf of the Distributed Energy Resources Council of Hawaii, I would like to testify in support for HB 1283 HD 1, which requires the PUC (“Commission”) to establish performance incentive mechanisms that directly tie electric utility revenues to the utility’s achievement on performance metrics. This bill is effective July 1, 2017, but it allows the PUC to delay implementation until no later than January 1, 2020. The DER Council is a nonprofit trade organization formed to assist with the development of distributed energy resources and smart grid technologies to support an affordable, reliable, and sustainable energy supply for Hawaii.

The DER Council strongly supports HB 1283 HD 1 as it starts the process of reforming the utility’s business model to meet the needs of Hawaii’s energy transformation. We believe that HB 1283 HD1 combines both clarity and caution. First, HB 1283 HD1 directs the Commission to include and consider several key performance metrics which will ensure that our decoupled utility will make the best decisions and most effectively engineer our energy transformation with their guaranteed revenue requirement. Right now, under the decoupled business model, the utility makes a guaranteed revenue which is not specifically tied to any particular performance. HB 1283 HD 1 would assist the utility in reforming its business model by tying the utility’s revenues to performance determined as necessary by the commission. Next, HB 1283 HD 1 gives the Commission and the utility ample time to integrate these changes, as the Commission need not implement the performance metrics until January 1, 2020.

In addition, although a rate case has recently been filed before the Commission which may consider performance based ratemaking, the DER Council urges this committee to assist with this process by setting a clear limit as performance incentives have already been considered by the Commission with no clear result. Under the Reexamination of the Decoupling docket (a docket specifically designed to tackle the utility business model), the Commission decided to no longer pursue PBR for renewable energy metrics.<sup>1</sup> Also, the DER Council wishes to note that although the PSIP docket presents a variety of plans for the Commission and stakeholders to consider, the plans do not involve any fundamental changes to the utility’s business model. HB 1283 HD 1 *does* address the utility business model, and it gives clear yet flexible guidance to the Commission as we move ahead with our energy future.

Thank you for the opportunity to testify.

Leslie Cole-Brooks  
Executive Director  
Distributed Energy Resources Council of Hawaii

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<sup>1</sup> Order No. 327735 at 46.



# Healthy Climate Communities

**Testimony in support of HB1283 RELATING TO ENERGY**

**SENATE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE**

**Hearing Wednesday, February 22, 2017 2 p.m.**

Aloha Chair McKelvey, Vice-Chair Ichiyama and committee members,

Please support HB1283.

This bill ties utility profits to achieving criteria that are important to consumers, rather than what's important to the Utility. This bill will align our financial and environmental interests with the profit motivation of the Utility.

Utilities have a financial interest in driving up costs for electric grid infrastructure from which they earn an automatic profit, but which ratepayers are forced to pay for. Instead, utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service.

Mahalo,

Dr. Lisa Marten  
Executive Director  
Healthy Climate Communities  
[healthyclimate@hawaii.rr.com](mailto:healthyclimate@hawaii.rr.com)



Testimony Before the House Committee on  
Consumer Protection & Commerce

By Michael Yamane  
Chief of Operations  
Kauai Island Utility Cooperative  
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Wednesday, February 22, 201, 2:01 p.m.  
Conference Room # 329

**House Bill No. 1283, HD1 – Relating to Energy**

To the Honorable Angus L. K. McKelvey, Chair; Linda Ichiyama, Vice-Chair, and Members of the Committee:

This measure proposes to require the Public Utilities Commission (PUC) to establish performance incentive mechanisms that directly tie electric utility revenues to the utility's achievement on performance metrics and allow the PUC to delay implementation until no later than January 1, 2020.

**COMMENTS:**

The bill as currently written appears to apply to all electric utilities in the state of Hawai'i; however, Kaua'i Island Utility Cooperative (KIUC) believes that member-owned cooperatives should be exempt from this measure and asks the committee to consider amendments in this regard.

As its basic premise, this bill seeks to improve the "alignment of utility customer and company interests" to ensure that mutual benefits of Hawai'i's utilities, residents and businesses are realized. Because KIUC is a member-owned cooperative, governed by a member-elected board, we believe that the interests of KIUC and our residential and commercial members are already inherently and fundamentally aligned.

Further, decisions made by KIUC on financial matters – including capital investments, integrating renewables and minimizing the use of fossil fuels for energy generation – are devoid of a profit motive, as any revenues beyond what is required to meet KIUC's operational and capital investment needs and its lender's financial metrics are returned to its members in the form of patronage capital. Said another way, because the incentives or penalties allowed in KIUC rates would be essentially collected from the utility's ratepayers to be paid to the utility's shareholders, which in KIUC's case are one and the same person, the concept of performance financial incentives and penalties is arguably moot for a member-owned cooperative electric utility.

Regarding the bill's proposers belief that electric utilities need to move with urgency, it should be noted that KIUC has already made major investments in grid modernization as well as nationally-recognized progress in renewable energy implementation. It bears repeating that, as a utility that is accountable to each of its "customers" via an elected Board, potential savings will always be an integral factor considered in the decision-making process.

Finally, we believe that the most prudent approach at this time would be for the PUC to further explore the benefits and disadvantages of adopting performance incentives and penalty mechanisms for electric utilities, rather than adopting a framework without proper due diligence.

Mahalo for your consideration.



## HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Feb. 22, 2016, 2:01 P.M.

Room 329

(Testimony is 3 pages long)

### TESTIMONY IN SUPPORT OF HB 1283 HD1

Aloha Chair McKelvey, Vice Chair Ichiyama, and Committee Members:

The Blue Planet Foundation **supports** HB 1283 HD1. This bill would:

- (1) Establish a **deadline** to implement a performance-based mechanism for utility compensation;
- (2) Establish a **framework** for reviewing performance-based utility incentives and penalties;
- (3) Maintain a non-prescriptive **deference** to the PUC on the details of the performance-based mechanism.

As detailed below, implementing a performance-based revenue mechanism is needed to improve **alignment between ratepayer and shareholder interests**. Note that the Hawaiian Electric Companies have asked for a new investigatory docket to examine performance-based mechanisms. Also, in the recent Hawaiian Electric rate cases, the Companies have proposed a limited set of performance incentives (but no penalties).

This testimony explains why performance-based ratemaking is **necessary** and **urgent**. We suggest two amendments. Performance-based ratemaking is most applicable to investor-owned utilities. Also, utility performance is equally important for both electric and gas utilities. Thus, we propose altering the bill's language to clarify that performance-based ratemaking should apply to both electric and gas utilities, and that the PUC may determine whether to exempt cooperative or municipal utilities.

#### **“Cost-Plus” Ratemaking**

Many Hawai'i residents and businesspeople are surprised to learn that utility rates across the country were traditionally set using a “cost-plus” system. Under this system, utility profits are generally set as a percentage of utility expenditures. As noted in the preamble of the bill, the Wall Street Journal has explained that under cost-plus ratemaking, "the more [utilities] spend, the more profits they earn." The report called this "a regulatory system that turns corporate accounting on its head."

During a recent informational briefing, utility expert Jim Lazar from the nonprofit Regulatory Assistance Project agreed with the Wall Street Journal's assessment. He summarized that in a



cost-plus regime, “building stuff” leads to utility earnings. And “building more stuff” leads to more earnings. He further explained that this can create a disincentive for energy options that aren’t owned by a utility. This might include energy efficiency, customer-owned energy projects, or third-party-owned energy projects.

**This unbalanced incentive system is bad for everyone. Customers lose if it spurs sub-optimal investments in capital projects by utilities. Utility shareholders lose if the utility chooses third-party options.**

### **“Cost Plus” Should Be Replaced with a Performance-Based System**

In contrast to a cost-plus system, performance-based ratemaking would tie utility revenues to the achievement of PUC-approved performance benchmarks, while also ensuring that utilities remain viable by recouping approved expenditures. This would more firmly align the financial interests of utility shareholders with the interests of consumers.

The bill identifies several types of performance benchmarks to be considered by the PUC. The bill is **not prescriptive**. It also allows other categories of performance benchmarks to be considered; additional benchmarks could be suggested by the PUC, Consumer Advocate, utilities, or other stakeholders.

#### **Potential Performance Benchmarks**

- Rate affordability
- Reducing ratepayer risk
- Electric service reliability
- Customer satisfaction
- Quickly interconnecting customer projects
- Timely competitive procurement processes
- Exceeding renewable portfolio standards

### **Long-Awaited Reform**

The 2014 PUC “Inclinations” were focused on aligning customer interests with the utility business model. Subsequent years have seen this re-alignment examined in several ways. For example, the PUC has directed utility power supply improvement plans to evaluate the utility business model. In a docket open since 2013, the PUC has also investigated the “decoupling” process, which was intended to remove an incentive to sell more energy (and thus removing a disincentive for energy efficiency).

Recently, the Hawaiian Electric Companies have filed several “rate cases” with the PUC. Those rate cases propose a limited set of performance benchmarks. **Hawaiian Electric has also requested that the PUC “initiate a separate investigatory docket based on HRS § 269-6(d) . . . to fully develop a comprehensive PBR [performance-based ratemaking] Framework for all three Hawaiian Electric Companies.”**<sup>1</sup> This prior and ongoing work provides a foundation for implementing a comprehensive performance-based ratemaking process. With HB 1283, the legislature would ensure that this long-awaited and consumer-friendly update to the regulatory compact will be accomplished within the next three years.

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<sup>1</sup> See Hawaiian Electric Company, Inc. 2017 Test Year Application, filed Dec. 16, 2016 in Docket No. 2016-0328, at page 20.

## **Suggested Amendment**

To ensure that the PUC maintains discretion to fashion appropriate ratemaking mechanisms for the various utility ownership models that are, or may be, under its regulatory control, we suggest amending subsection (a) to clarify that the PUC may exempt cooperative and municipal utilities. In addition, we suggest clarifying that performance-based revenue is important for both electric and gas utilities.

(a) On or before January 1, 2020, the public utilities commission shall establish performance incentive and penalty mechanisms that directly tie investor-owned electric and gas utility revenues to a utility's achievement on performance metrics. Once established, such performance incentives and penalties, as may be amended by the public utilities commission from time to time, shall apply to all regulation of electric utility rates under section 269-16. The commission shall have discretion to determine whether performance incentive and penalty mechanisms shall apply to utilities owned by a cooperative or municipality.



COLLEGE OF SOCIAL SCIENCES  
**HAWAII ENERGY POLICY FORUM**  
UNIVERSITY OF HAWAI'I AT MĀNOA

**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

**LATE**

To the  
House Committee on Consumer Protection & Commerce

February 22, 2017 at 2:01 PM in Conference Room 329

**COMMENTS on HB1283 HD1, Relating To Energy.**

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.

HB1283 HD1 requires the PUC to establish performance incentive mechanisms that directly tie electric utility revenues to the utility's achievement on performance metrics. Allows the PUC to delay implementation until no later than January 1, 2020.

**HEPF Position: Comments.**

The Forum provides the following comments:

Most agree that utility incentives should be better aligned with their success in helping achieve the State's energy goals. The issue of utility performance incentive mechanisms is currently being addressed in the Commission's review of the HECO Companies' decoupling mechanism and in recently filed rate cases. While setting a deadline for the Commission to establish these mechanisms is the prerogative of the legislature, it should be noted that the resolution of performance incentive mechanism issues is a complex process, and has taken other jurisdictions a number of years to accomplish.

Thank you for the opportunity to testify.

*This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies*

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

**LATE**

**H.B. No. 1283, HD.1**

**Relating to Energy**

Wednesday, February 22, 2017

2:01 pm

State Capitol, Conference Room 329

Kevin M. Katsura  
Assistant Deputy General Counsel (Regulatory), Legal Department  
Hawaiian Electric Company, Inc.

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

My name is Kevin Katsura and I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities Maui Electric Company and Hawai'i Electric Light Company. The Companies support the intent of H.B. 1283, H.D. 1, however oppose it in its current draft because it is potentially too prescriptive and overbroad.

The Companies support carefully designed incentive based regulation, a.k.a., performance based ratemaking ("PBR"). Indeed, this bill may be unnecessary because the Companies have recommended in Hawaii Public Utilities Commission ("Commission") proceedings that an investigatory docket be opened to fully review and develop a comprehensive PBR Framework.

However, if the bill were to move forward, the Companies respectfully submit that it would be better to establish a framework of principles within which the scope of PBR and the incentives themselves should be developed rather than jumping ahead and prescribing specific outcomes now. This is because PBR models can be designed in many different ways for many different purposes. Like any change in regulatory ratemaking, the basic principles of a PBR model should be first established, and great care should be given to avoid unintended consequences.

Thus, PBR can more quickly and effectively be developed and implemented if principles, such as the following, are first established.

PBR is best considered as an adaptation to traditional rate-making rather than a completely new and different approach. All PBR plans are founded on cost-based rates determined in the same way as a traditional general rate case. Incentives can then be layered on top of the cost-based rates to encourage desired outcomes. If, over time, the desirable outcomes are achieved, the utility will earn a greater return than it would have done under traditional ratemaking. Conversely, if the desirable outcome is not achieved, the utility will earn a smaller return than it would have done under traditional ratemaking.

The utility should bear risk from factors that are within management control but should not bear the risk from factors that are outside its control. PBR plans frequently incorporate a mechanism to pass through changes in elements of cost that are outside management control, such as fuel prices or changes in taxation. PBR plans also frequently incorporate sales decoupling so that management does not have a conflict between the policy goals of energy conservation and promoting distributed energy resources and the fact that lower retail sales will lower profits. Targets should be realistic and attainable and consistent with funding levels and measurement of results should be objective.

A PBR plan must provide the utility with a reasonable opportunity to earn a fair rate of return. Employing a PBR plan does not change the applicable regulatory standards and protections associated with determining an authorized rate of return.

Incentives to achieve clean energy goals and other specific outcomes, can be developed based on and should be consistent with the underlying service and resource plan on which the PBR plan is based.

Well-designed PBR plans tend to have a small number of incentives in key performance areas. There are limits on the total amount of revenue that can be put at risk through incentive schemes, so if there are too many individual incentives the strength of any one incentive will be diluted.

As drafted, this bill does not establish a framework of principles that should anchor the development of specific incentives. It also requires that all aspects of rates should be tied to performance metrics, and prescribes the objectives that must be considered for outcomes, which are overbroad, too complicated and may be counter-productive. Such a framework would make the Company subject to penalties and rewards for factors outside of its control and potentially expose the Company and ultimately its customers to higher levels of risk that could affect the Company's financial state, its ability to invest in electrical and renewable infrastructure and the provision of reliable service.

Finally, specific outcomes to be incentivized should support the Companies' Power Supply Improvement Plans as those may be approved or modified by the Commission in Docket No. 2014-0182 and/or desired outcomes established in the Commission's ongoing Distributed Energy Resource ("DER") docket (Docket No. 2014-0193 to name a few. The seven objectives listed in this bill seem to predetermine outcomes in those dockets.

Accordingly, the Hawaiian Electric Companies oppose H.B. 1283, H.D.1 as drafted.

Thank you for this opportunity to testify.

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:51 PM  
**To:** CPCtestimony  
**Cc:** moonierjames@gmail.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
James Moonier	Individual	Support	No

Comments: To Chair McKelvey, Vice-Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce, I strongly support HB1283. The more the utility spends, the more profits it earns. The business model should be changed so that the utility is rewarded for controlling costs, providing good service to its customers and achieving clean energy goals. Thank you for supporting this important bill. James Moonier

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:48 PM  
**To:** CPCtestimony  
**Cc:** vickieinkailua@gmail.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Vickie Fullard-Leo	Individual	Support	No

Comments: Greetings Chair McKelvey, Vice-Chair Ichiyama and all Members of the Committee on Consumer Protection and Commerce, I request that you pass HB1283. When the common person wins, so will the megautility. The business model should be changed so that the utility is rewarded for controlling costs, providing good service to its customers and achieving clean energy goals. The more the utility spends, the more profits it earns. Hold the utility company accountable to be pono. Aloha, Vickei L. Fullard-Leo

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**Sent:** Saturday, February 18, 2017 3:46 PM  
**To:** CPCtestimony  
**Cc:** kittyc8571@gmail.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Catherine Courtney	Individual	Support	No

Comments: Chair McKelvey, Vice-Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce, I strongly support and ask you to please pass HB1283. We need to put in place the right incentives to ensure that our electric company helps to achieve clean energy goals without penalizing residents who are using solar energy. HECO profits should correspond to their performance in reducing costs, achieving renewable energy goals, and improving customer service. Thank you, Catherine Courtney

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:43 PM  
**To:** CPCtestimony  
**Cc:** jlarson@lejardinacademy.org  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Julie Larson Hicks	Individual	Support	No

Comments: Aloha Chair McKelvey, Vice-Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce, I ask you to please pass HB1283. We need to align the interests of the utility with our own interest. They should profit based on meeting performance standards, not based on their spending. Mahalo, Julie Larson Hicks

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**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Karen Simmons	Individual	Comments Only	No

Comments: Dear Chair and Members of the CPC Committee, I request that you support and pass HB1283. HECO should not be rewarded for driving up infrastructure costs which ratepayers pay for. Their profit should be tied to performance in reducing costs, achieving renewable energy goals, and improving customer service. Thank you. Karen Simmons

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**Sent:** Saturday, February 18, 2017 3:37 PM  
**To:** CPCtestimony  
**Cc:** cochrah@gmail.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Heather Cochran	Individual	Support	No

Comments: Chair McKelvey and members of the Committee on Consumer Protection and Commerce, I, Heather Cochran, ask you to pass HB1283. Utilities should be rewarded for their performance in reducing costs, achieving renewable energy goals, and improving customer service. They have the wrong incentives now - HECO earns an automatic profit from electric grid infrastructure costs which they just pass on to ratepayers. Heather Cochran

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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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:33 PM  
**To:** CPCtestimony  
**Cc:** donascot67@gmail.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Scott Sullivan	Individual	Comments Only	No

Comments: Dear Chair McKelvey, Vice-Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce, I support and strongly urge you to facilitate the passage of HB1283. I am a relatively early adopter of a home photovoltaic system, and thus am somewhat insulated from Hawaiian Electric Company, but still depend on HECO to a certain extent. I am very aware of the need to work with the electric utility companies in order to help insure they can continue to provide their services as needed in a clean, renewable, cost effective, and, within reason, profitable manner. This Bill will align the utility business model with customer interests and public policy goals.  
Sincerely, Scott Sullivan

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:31 PM  
**To:** CPCtestimony  
**Cc:** laniquinns@yahoo.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Julie Quinn	Individual	Support	No

Comments: Dear Chair McKelvey, Vice-Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce, I urge you to pass HB1283. I strongly support the bill align the utility business model with customer interests and public policy goals. Mahalo, Julie Quinn

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:28 PM  
**To:** CPCtestimony  
**Cc:** alohasteph@mac.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
stephanie frazier	Individual	Support	No

Comments: Aloha Chair McKelvey, Vice-Chair Ichiyama and Members of the Committee on Consumer Protection and Commerce, Utilities have a financial interest in driving up costs for electric grid infrastructure from which they earn an automatic profit, but which ratepayers are forced to pay for. Instead, utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service. I strongly support and ask you to pass HB1283 Mahalo, Stephanie Frazier Kailua

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, February 18, 2017 3:21 PM  
**To:** CPCtestimony  
**Cc:** bbreis@me.com  
**Subject:** Submitted testimony for HB1283 on Feb 22, 2017 14:01PM

**HB1283**

Submitted on: 2/18/2017

Testimony for CPC on Feb 22, 2017 14:01PM in Conference Room 329

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brijit Reis	Individual	Support	No

Comments: Dear Chair McKelvey and Members of the Committee on Consumer Protection and Commerce, I support HB1283. Utilities have a financial interest in driving up costs for electric grid infrastructure from which they earn an automatic profit, but which ratepayers are forced to pay for. Instead, utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service. Please pass this bill. Sincerely, Brit Reis

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**LATE**

**Hawaii Solar Energy Association**  
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**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION  
IN REGARD TO HB 1283 HD1, RELATING TO ENERGY  
BEFORE THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE  
ON  
WEDNESDAY, FEBRUARY 22<sup>ND</sup>, 2017**

Chair McKelvey, Vice-Chair Ichiyama, and members of the committee, my name is Hajime Alabanza, and I represent the Hawaii Solar Energy Association, Inc. (HSEA)

HSEA supports HB 1283 HD 1 with comments. The measure amends §269 to include language that will designate the public utilities commission to establish performance based mechanisms, rendering electric utility revenue to be a product of its achievement on performance metrics.

These amendments are in line with issues surrounding the Commission’s “Inclinations” docket released on April 28<sup>th</sup>, 2014.<sup>1</sup> It also sets a precedent by the which the utility should be functioning as a service for the public’s benefit.

Currently, several resource and grid modification options are being discussed in active dockets at the Public Utilities Commission.<sup>2</sup> There are no mechanisms being discussed that would incent the utility to meet the objectives laid out in Hawaii Revised Statutes §269-92 other than guidelines and directives regulated by the Public Utilities Commission. By passing HB 1283 HD 1, the legislature will codify into law a process by which the utility will either be rewarded or penalized for meeting renewable energy goals and milestones. This type of legislation represents the enforcement of the aggressive renewable portfolio standard that the state has set for itself.

Rather than relying on a vertically integrated, investor owned, for-profit utility to meet our state’s renewable energy goals, the performance-based mechanisms outlined in HB 1283 HD 1 should be adopted. We are currently into the 4<sup>th</sup> iteration of the PSIP process, not to mention the work that has transferred over from the now defunct Integrated Resources Plan docket. The most current version of the Power Supply improvement Plan, while vast and complex in nature, has yet to be approved and ratified by the Public Utilities Commission.

Rather than having a rate making structure that fights innovative and disruptive technologies such as solar and wind, why not adopt a structure that incents utilities to

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<sup>1</sup> See Order No. 32052, Docket No. 2012-0036, “Commissions Inclinations on the Future of the Public Utility”

<sup>2</sup> See docket No. 2014-0183, Power Supply Improvement Plans, Docket No. 2014-0192, Docket No. 2015-0389

<sup>1</sup>Order No.32052, Docket No. 2012-0036, 16–29



## **Hawaii Solar Energy Association**

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allow more of these resources on to the grid, and provides a path for the utility to integrate these resources?

There is clearly precedent for this type of legislation already present in the Hawaii Revised Statutes, as well as in the current regulatory climate within the state. HB 1283 HD 1 is completely in-line with the 2045 RPS goals, follows recent guidance by the PUC, will create a more flexible market for the various energy resources in the state, and will allow more predictable rates for the electric customers of this state. It also discourages market activity that might otherwise hurt the state's progress toward a 100% RPS, such as grid defection.<sup>3</sup>

We strongly support this bill and urge the committee to pass HB 1283 HD1.

Thank you for the opportunity to testify.

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<sup>3</sup> See <http://www.synapse-energy.com/sites/default/files/performance-based-reg-high-der-future.pdf>

<sup>1</sup>Order No.32052, Docket No. 2012-0036, 16–29

**LATE**



**HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE**

February 22, 2017 2:01PM Room 329

**IN SUPPORT: HB1283 RELATING TO ENERGY**

Aloha Chair McKelvey, Vice Chair Ichiyama, and committee members,

On behalf of the Young Progressives Demanding Action of Hawaii, I strongly support House Bill 1283, a bill that will require the Public Utilities Commission (PUC) to establish a performance-based ratemaking incentive for our electric utility, Hawaiian Electric Company (HECO). Cost-plus ratemaking, otherwise known as rate-of-return (ROR) regulation, is a method established by the PUC to regulate HECO, which, by definition, is a natural monopoly. ROR regulation, however, is inefficient not only for consumer pricing, but for the further implementation of renewable energy. ROR regulation generally causes a “gold-plating” culture within the utility due to the fact that they are rewarded for spending more money. The money spent can be in the form of labor, but most commonly, in the form of capital expenditures. Since prices are set equal to their cost of production, the utility will increase consumer pricing due to their high in-house costs.

Hawaii pays twice the national average for electricity, currently paying roughly \$0.29 per kWh. Performance-based ratemaking will lower the costs for consumers. Performance-based ratemaking is an alternative to ROR regulation that will benefit consumers and the renewable energy market. It gives incentive benchmarks for the utility to reach; some examples of these benchmarks include reducing ratepayer risk, electric service reliability, customer satisfaction, and timely competitive procurement processes. It will also address concerns about decreasing revenues from solar PV. It is critical that we shift to a more incentive-based ratemaking structure in Hawaii in response to our comparatively high electricity rates. This regulation will benefit consumers, the renewable energy market, and the utility.

Thank you,

Jamee Allen

Environmental Chair | Young Progressives Demanding Action Hawaii

ichiyama2 - Brandon

**LATE**

From: Bradley Varney <bvarney@hawaii.edu>  
Sent: Friday, February 24, 2017 9:20 AM  
To: CPCtestimony  
Subject: Solar Bill Testimony

Dear Government Representative,

I am writing to summarize what I said during my testimony on the 22nd of February, 2017.

"Aloha Chair, Vice Chair, and Members of the Board. My name is Bradley Varney and I am 18 years old, a first-year student to KCC, and I come here today as a representative of the Student Sustainability Coalition of Hawaii. This organization accounts for all ten UH campuses in the state of Hawaii; we are all in full support of this bill. As a student I do not make much money, nor do a majority of my peers, and due to the rising electricity costs; I believe that without this bill to create affordable renewable energy young adults such as myself will be rocked with financial stress. But enough about student woes, as an active Americorp member I care about people and want to help those less fortunate than myself. I believe passing this bill will allow for more widespread access to renewable sources of energy. Doing this for impoverished communities, families, and individuals would allow them to become more independent economically. Doing this will create a better financial environment in our state. I believe this is a step in the right direction for a brighter and better future. Mahalo and thank you for your time."

If the Representative reading/receiving this document has any questions or problems with this testimony please reply to me through this e-mail address.

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Bradley J. Varney  
Undergrad (First Year)  
Kaimuki Community College