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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. 152, H.D. 1 - RELATING TO WHEELING

DESCRIPTION:

This measure proposes to require the Public Utilities Commission (“PUC” or “Commission”) to study the feasibility of implementing retail wheeling and require the Commission to report on the status of the implementation of retail wheeling annually until the implementation is complete.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) supports this bill and offers the following comments.

COMMENTS:

The Consumer Advocate supports this bill as it has been amended to direct the Commission to explore retail wheeling, by opening an investigatory docket if necessary, instead of mandating that retail wheeling must be implemented.

Retail wheeling was the subject of significant debate during the 1990s. Much of this discussion eventually led to the restructuring of electricity markets in several states. It is a mechanism that has led to mixed results in various jurisdictions. Thus, requiring the Commission to explore the feasibility of retail wheeling in Hawaii in order to determine whether it is in the public interest reflects a reasonable approach.

The Consumer Advocate supports the intent of this bill, but respectfully suggests that an amendment to the bill may be appropriate. Currently, HB152, H.D. 1, directs the Commission to explore the feasibility of retail wheeling and, if feasible, also requires the Commission to explore the appropriate steps to implement retail wheeling. The bill also requires the Commission to “submit an annual report on the status of the implementation of retail wheeling in the State, if any, until the implementation is complete.” The current language would require an annual report, even if not deemed feasible, until the implementation of retail wheeling was complete. This could lead to the unintended consequence of an annual report that would be required for some indeterminate time if retail wheeling is not deemed feasible. The Consumer Advocate suggests that the language should be revised to read, “. . .submit a report on the results of its investigation and, if deemed feasible and in the public interest, the proposed retail wheeling implementation plans and associated deadlines.”

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. 152, H.D.1
TITLE: RELATING TO WHEELING

Chair McKelvey and Members of the Committee:

DESCRIPTION:

This measure requires the Public Utilities Commission (“Commission”) to explore the feasibility of implementing retail wheeling in Hawaii. This measure also requires the Commission to report on the status of the investigation and the status of the implementation of retail wheeling annually until the implementation is complete.

POSITION:

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

COMMENTS:

The issue of retail wheeling is complex and has the potential for significant overlap with other high priority issues currently before the Commission. Allowing the Commission to explore retail wheeling through an investigation or other appropriate proceeding prior to requiring implementation allows stakeholders the opportunity to assist the Commission in its investigation and provide feedback regarding the question of whether retail wheeling in Hawaii is feasible and in the public interest.

Thank you for the opportunity to testify on this measure.



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TESTIMONY OF JOHN CROUCH ON BEHALF OF ERS, A RENEWABLE ENERGY COMPANY
BASED IN HAWAII, BEFORE THE
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

In SUPPORT of HB 152, HD1 HSCR 367 RELATING TO WHEELING

Wednesday, February 22, 2017 2:01 PM. Conference Room 329

Aloha, Rep. Angus L.K. McKelvey, Chair, Rep. Linda Ichiyama, Vice Chair and members of the Committee, my name is John Crouch. I have been involved in the design and installation of renewable energy projects in Hawaii since the first large unit at Mauna Lani Bay Hotel and Bungalows in 1998 and the first large scale PV project in Hawaii, 2008, on Lana'i composed of 1.5MW of PV to supply 30% of the daytime load.

ERS is in **SUPPORT** of **HB 152, HD1 HSCR 367**

This Bill requires the PUC to act on a concept of asset equalization (wheeling) that has been before the legislature in one form or another for over thirty years. Until now, it has successfully been opposed by the utilities on the bases of maintaining control of energy generation and distribution. This has been a generally accepted objection up until now when the security and the cost of that generation, (fossil fuel) has become unstable.

It is imperative that the PUC gives direction in the form of setting out steps for the implementation of Wheeling in order to match the assests of renewable energy generation with the assets of energy consumption. Clarity to the use of utility transmission and distribution assests for the purpose of moving "generation" to "load" is good economic sense. Understanding that most of the utility lines have unused transmission capacity that could take renewable energy from point A to point B efficiently (Wheeling) and at a financial positive impact to the utility by charging for the use of that space in the transmission lines, would be a benefit to the rate payer.

HB 152, HD1 HSCR 367 – Is important as a tool to help us reach our goals of energy security sooner than later.

Thank you for allowing me to testify. John Crouch – Cell 989-1637



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
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Melissa Pavlicek, Hawaii Public Policy Advocates
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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

IN OPPOSITION TO HB152 HD1, Relating To Wheeling.

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.

HB152 HD1 requires the PUC to explore the feasibility of implementing retail wheeling in Hawaii, and requires annual reporting on the status of the investigation and implementation.

The Forum opposes this measure for the following reasons:

HB 152 HD1 requires the PUC to explore the feasibility of implementing retail wheeling in Hawaii, and requires annual reporting on the status of the investigation and implementation.

The forum believes that this bill is unnecessary. The commission is able to address issues like wheeling without a change in the law, and already has an open, but suspended, docket on intra-governmental wheeling. Implementing a wheeling program is a complex process and would involve the unbundling of the utilities' transmission, distribution, and other system services costs to ensure the utility is compensated for the services used by a wheeling entity. If a wheeling entity does not compensate the utility for the use of the utility's assets and services, other ratepayers will have to bear that cost. Additionally, wheeling provides large customers with an option to bypass the utility generation system, which leaves smaller customers and customers without wheeling options with higher risks and potentially higher costs. The commission is in the process of examining some of these cost issues in various dockets, including DR programs (grid services tariffs), distributed energy resources (TOU pricing), and community based renewables (pricing).



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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
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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

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

Thank you for the opportunity to testify.

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

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



H.B. No. 152, HD.1

Relating to Wheeling

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 offering comments to H.B. 152, H.D.1.

In Hawai'i, there's no extension cord to the mainland. Unlike California and many other places we're compared to, we can't plug into the mainland grid, either to buy or sell electricity to neighboring utilities and for reliability. As loads continue to decrease, as we have seen over the last 10 years, the loss of large customers will impair the sustainability of fair cost allocations to all customers which will impair economic development and the attainment of our state renewable policies and goals. We must address the State's energy future as a whole and not with techniques that sound reasonable as stand-alone concepts, especially those used in larger grids in the mainland with large manufacturing and commercial loads. Hawaii has the best chance of success when all stakeholders can participate in reasoned discussions.

Retail wheeling, among other things:

- Allows independent power producers to sell electricity directly to end users. This will likely benefit a few large-load customers at the expense of all other customers who may have to pay for all the cost of

the electric system while impeding the utilities' ability to pursue 100% renewable energy by 2045.

- May result in the degradation of service reliability as the utility would not be able to negotiate to change operating requirements and project design to protect the system. The utilities need to be involved in setting operational reliability standards to assure system reliability.
- Unfairly creates winners and losers between independent power producers – those who sell directly to a select group of customers through wheeling vs. those with PUC-approved power purchase agreements with the utilities or who are currently negotiating power purchase agreements with the utility.

Thank you for this opportunity to testify.