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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

THURSDAY, FEBRUARY 23, 2017
2:00 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. 1567, H.D. 1 - RELATING TO THE
PUBLIC UTILITIES COMMISSION

DESCRIPTION:

This measure proposes to authorize the Public Utilities Commission (“PUC” or “Commission”) to establish preferential electricity rates for communities that serve as geographic hosts for renewable energy projects.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) has concerns with this bill and would like to offer the following comments for the Committee’s consideration.

COMMENTS:

Any subsidized rates for one group of utility customers necessarily entail increased rates for the remaining utility customers. Therefore, the cross-subsidization inherent in this proposal is a matter of concern.

The Consumer Advocate recognizes the importance of communities that host renewable energy facilities that will be required to fulfill the state’s transition to 100% renewable energy. The Consumer Advocate contends that it is important to encourage community benefits programs where the developer of the projects provides

significant, if not all of the, contributions towards the community benefits. The Consumer Advocate appreciates the intent made clear in the amendment to this bill, which forbids the Commission from allowing a preferential rate to absolve an energy project developer from providing a meaningful community benefits package.

If this measure is to move forward, the Consumer Advocate asks the Committee to consider additional provisions to clarify the provisions regarding community benefits. As currently drafted, it might be argued that the Commission only needs to evaluate the energy project developer's contribution when a preferential electricity rate is sought for the host community. The Consumer Advocate offers that the host community and other customers may be better served if the draft language required evidence to be provided to the Commission by the project developer that: 1) it has collaboratively developed a community benefits program with the host community; and 2) makes clear that the developer is funding most, if not all, of the contributions and support for the community benefits program.

The Consumer Advocate acknowledges that the proposed language only enables the Commission to consider preferential electricity rates. However, besides the subsidization issues already discussed, the Consumer Advocate has remaining concerns with the administrative effort and costs that may be associated with establishing community based preferential rates.

Thank you for this opportunity to testify.

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

February 23, 2017
2:00 p.m.

MEASURE: H.B. No. 1567, H.D. 1

TITLE: RELATING TO THE PUBLIC UTILITIES COMMISSION

Chair McKelvey and Members of the Committee:

DESCRIPTION:

This measure would authorize the PUC to establish preferential electricity rates for ratepayers residing in communities that serve as geographic hosts for energy projects.

POSITION:

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

COMMENTS:

The Commission notes that establishing preferential rates for one class of customer results in subsidization through the rates charged to all other customers. Establishing preferential rates for one class of customer may be inconsistent with the fundamental regulatory principles of establishing rates based on cost-causation and prohibiting undue discrimination between similarly situated customers.

If it is the will of the legislature to provide a financial benefit to the geographic hosts of energy projects, a tax credit or other incentive provided at the discretion of the legislature may be more appropriate.

Thank you for the opportunity to testify on this measure.



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, Uluopono 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

To the
House Committee on Consumer Protection & Commerce

February 23, 2017 at 2:00 PM in Conference Room 329

COMMENTS ON HB1567 HD1, Relating To The Public Utilities Commission.

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.

HB 1567 HD1 authorizes the PUC to establish preferential electricity rates for communities that host energy projects.

The Forum provides the following comments:

Allowing the Commission to provide preferential rates to communities that host energy projects could be a way to help balance the burdens on communities hosting projects and the benefits the projects provide. It should be remembered, however, that any discount is ultimately paid for by other ratepayers. Additionally, it seems the bill would allow this treatment for any energy project. That could mean, in order to be fair, the Commission would need to review all projects in the State (existing and future), to determine the impacts on energy project hosting communities and determine whether preferential rates, and the amounts if any, are appropriate for each community.

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