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TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

THE TWENTY-NINTH LEGISLATURE  
REGULAR SESSION OF 2017

THURSDAY, FEBRUARY 2, 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

HOUSE BILL NO. 1569 - RELATING TO ENERGY PLANNING

**DESCRIPTION:**

This measure proposes to require the Public Utilities Commission (“PUC” or “Commission”), when considering certain types of grid modernization plans, to direct an independent third party to establish an initial grid modernization plan and to require the Commission to allow public comments subject to further plan modification by the Commission.

**POSITION:**

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

**COMMENTS:**

The Consumer Advocate has concerns about the grid modernization planning process and participants proposed in this bill. Assigning the job of planning the modernization of the utilities’ grids to an entity outside of and apart from the utilities could create ambiguity about what entity should be responsible for reliable electric service. Traditionally, when system events, such as over-voltage events or blackouts adversely affect customers, there are avenues for recourse, such as filing property damage claims and seeking compensation from the utility. In addition, the Commission could investigate and assess penalties on the utility. However, if a utility is just following

the direction of an independent third party who was responsible for the plan, the Consumer Advocate is concerned that, after a system event attributable to the grid modernization plan, culpability would be difficult, if not impossible, to determine.

The Consumer Advocate is also concerned that, from the text, it is unclear whether the Commission will be able to appoint a designated independent third-party grid modernization planner in a timely fashion. In order to be competent and qualified to take on such a specialized and technical task and also consider Hawaii's specific and unique needs, the likely candidates for this role may be limited to the national engineering firms already used by Hawaii utilities or other parties as consultants; thus, finding independent third-party consultants capable of such planning efforts may be challenging.

It should be noted that, the Commission has ordered the HECO Companies to develop a detailed, scenario-based grid modernization plan for each utility no later than June 30, 2017 in Decision and Order No. 34281 in Docket No. 2016-0087. Thus, enacting the proposed legislation at this time may be premature.

Thank you for this opportunity to testify.

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

February 2, 2017  
8:30 am

**MEASURE:** H.B. No. 1569

**TITLE:** RELATING TO THE PUBLIC UTILITIES COMMISSION

Chair Lee and Members of the Committee:

**DESCRIPTION:**

This measure would require the Public Utilities Commission (“Commission”) to direct an independent third party to establish an initial grid modernization plan. This measure also requires that the public and stakeholders be allowed to offer comments to the plan in a public hearing and that a regulated utility make available any requisite data and information deemed appropriate by the Commission for the purposes of establishing the plan.

**POSITION:**

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

**COMMENTS:**

The Commission notes that this measure may not be necessary as the “grid modernization” planning process is already underway through various priority energy dockets including the HECO Companies’ Power Supply Improvement Plans (See Docket No. 2014-0183), the Distributed Energy Resource Policies Investigation (See Docket No. 2014-0192), the HECO Companies’ Demand Response Program (See Docket Nos. 2007-0341, 2015-0412, 2015-0411), and others. These top priority dockets are all highly technical, complex, and forward looking proceedings that are currently under review and receiving contributions from the Consumer Advocate, a variety of intervenors, and the Commission’s own staff and consultants.

The Commission also notes that the costs of hiring an independent third-party to create a new plan are unknown and likely very significant. Additional appropriations from the legislature to fund the development of such a plan would be necessary.

Thank you for the opportunity to testify on this measure.



## **HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Feb. 2, 2016, 8:30 A.M.

Room 325

(Testimony is 1 page long)

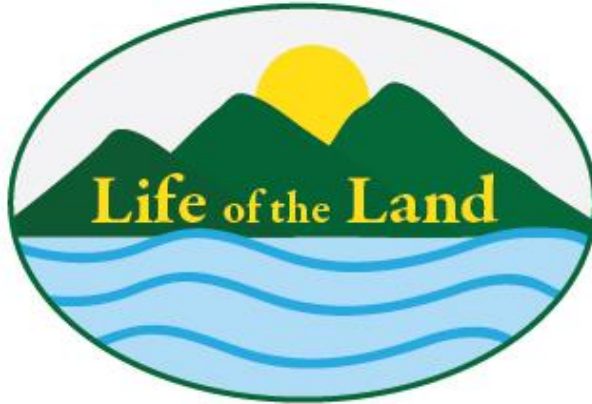
### **COMMENTS ON HB 1569**

Aloha Chair Lee, Vice Chair Lowen, and Committee members:

Blue Planet Foundation supports the intent of this bill, to make the power planning process as efficient and effective as possible.

We suggest that these concepts could be best achieved via combination with the performance-based ratemaking concept contained in HB 1283. For example, a third-party entity could be tasked with developing performance benchmarks that would necessarily shape the planning process. The same third-party could then evaluate utility performance against those benchmarks. This may prove to be a more streamlined and less complex method for ensuring that energy planning is as efficient and effective as possible. Also, the third-party entity would necessarily secure the same access to key energy system information as they would in a planning role, helping to ensure transparency in the planning process.

Thank you for this opportunity to provide comments.



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COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
Rep. Chris Lee, Chair  
Rep. Nicole E. Lowen, Vice Chair

DATE: Thursday, February 2, 2017  
TIME: 8:30am  
PLACE: Conference Room 325

re: HB 1569 Relating to Energy Planning

**SUPPORT WITH CAUTION**

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

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.

The bill correctly notes that a project in which the planner and the implementer are one and the same, can be rife with problems, especially when it involves using Other Peoples` Money (OPM), that is, the costs will be borne by ratepayers.

The proponent "can choose which technologies, projects, and assumptions are built into the plan, thus excluding from consideration cheaper alternatives that could result in significant savings to ratepayers."

There are two issues which must be addressed.

First, anyone, including Life of the Land, has preconceived notions. The initial assumptions, and the on-going development of the plan, need to have public airing. This prevents the plan from being too far along, before serious flaws are discovered, which can no longer be addressed or mitigated.

Second, there needs to be a serious discussion of what “independent” means. All too often, an entity with a separate board of directors, but perhaps some revolving door staff, provides technical support in numerous proceedings over many years. Half way through that 20-year collaboration, many would suspect that the consultant is more interested in maintaining the cash flow, than challenging the status quo. This has resulted in reversed engineered silo studies, where the outcome was known before taxpayer and ratepayer funds were allocated.

Before any plan launches, there should be a discussion of the Assumptions (LNG, interisland cables, smart grids), the use of endogenous items (built into the model rather than determined by the model), the open-source model being used, and the strengths and limitations of the model being used.

Proposed Amendment: "**§269- Grid modernization plans; establishment; public hearing.** (a) The public utilities commission, when considering short-, medium-, or long-term grid modernization plans of four years or more, shall open an investigative proceeding to examine objectives, assumptions, and models, and shall direct an independent third party to establish an initial grid modernization plan that best meets the objectives set forth by the commission. Subsequent to establishment of the plan, stakeholders and other members of the public shall be allowed to offer comments in a public hearing, subject to further plan modification by the commission."

Mahalo,

Henry Curtis  
Executive Director

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, January 31, 2017 1:16 PM  
**To:** EEPtestimony  
**Cc:** skaye@runbox.com  
**Subject:** \*Submitted testimony for HB1569 on Feb 2, 2017 08:30AM\*

**HB1569**

Submitted on: 1/31/2017

Testimony for EEP on Feb 2, 2017 08:30AM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
sally kaye	Individual	Support	No

Comments:

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:** Monday, January 30, 2017 6:34 PM  
**To:** EEPtestimony  
**Cc:** mendezj@hawaii.edu  
**Subject:** \*Submitted testimony for HB1569 on Feb 2, 2017 08:30AM\*

**HB1569**

Submitted on: 1/30/2017

Testimony for EEP on Feb 2, 2017 08:30AM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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