

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
FINANCE

February 27, 2019
11:00 a.m.

Chair Luke and Members of the Committee:

MEASURE: H.B. No. 298 HD1

TITLE: RELATING TO INTRA-GOVERNMENTAL WHEELING.

DESCRIPTION: Authorizes any government agency to engage in the wheeling of electricity that is produced at its own facilities from renewable energy resources, subject to disallowance by the Public Utilities Commission. Designates the Natural Energy Laboratory of Hawaii Authority as a microgrid demonstration project. Authorizes the Public Utilities Commission to allow wheeling within the boundaries of the Hawaii Ocean Science and Technology Park.

POSITION:

The Public Utilities Commission offers the following comments for consideration.

COMMENTS:

The Public Utilities Commission (“Commission”) has an open proceeding to investigate intra-governmental wheeling (see Docket No. 2007-0176). However, the Parties to the docket identified the efforts underway in parallel proceedings as interdependent with the issues related to intra-governmental wheeling. As such, the Commission has prioritized other dockets to continue progress towards the State’s clean energy goals (including dockets related to distributed energy resources, power system planning, community-based renewable energy, performance-based regulation, review of power purchase agreements for new renewable energy projects, the demand response portfolio, and other critical initiatives).

The Commission notes that Section 3 of this bill requires the Commission to “complete its intra-governmental wheeling proceeding and establish an intra-governmental wheeling

tariff by December 31, 2020.” However, Section 2 of this bill requires the Commission to adopt rules pursuant to chapter 91 to implement intra-governmental wheeling. Adopting rules pursuant to chapter 91 is a complex and time-consuming process, which will be challenging to complete in the required timeframe.

Accordingly, should the Legislature pass this measure, the Commission respectfully recommends the Commission be permitted the flexibility to implement this measure by rule or order.

Specifically, the Commission recommends Section 2, item (c) be modified to read: “The public utilities commission shall ~~[adopt rules pursuant to chapter 91 to]~~ implement this section by rule or order.”

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN
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JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Wednesday, February 27, 2019
11:00 a.m.
State Capitol, Conference Room 308**

**On the following measure:
H.B. 298, H.D. 1, RELATING TO INTRA-GOVERNMENTAL WHEELING**

Chair Luke and Members of the Committee:

My name is Dean Nishina, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department appreciates the intent of and offers comments on this bill.

The purpose of this bill is to authorize any government agency to engage in the wheeling of electricity that is produced at its own facilities from renewable energy resources, subject to disallowance by the Public Utilities Commission (Commission). For purposes of this bill, "wheeling" would involve the transfer of energy, generated at one government location, to another location, by using the utilities' transmission and distribution system. This bill also designates the Natural Energy Laboratory of Hawaii Authority (Laboratory) as a microgrid demonstration project and authorizes the Commission to allow wheeling within the boundaries of the Hawaii Ocean Science and Technology Park.

As the Legislature acknowledges in the preamble to the bill, wheeling has been discussed or the subject of multiple dockets before the Commission. In Docket No. 03-0371, wheeling came up in the context of the investigation of distributed generation in Hawaii. In Docket No. 2007-0176, Instituting Proceedings to Investigate the Implementation of Intragovernmental Wheeling of Electricity, the Commission opened the proceeding, in part to address the issues raised in Docket No. 03-0371 and in response to S.C.R. 180; however, the docket remains open. In Docket No. 2014-0192, Instituting a Proceeding to Investigate Distributed Energy Resource Policies, the Department raised the need to revisit issues related to properly unbundling costs and establishing clear pricing signals to facilitate distributed generation, including wheeling. Also, the Commission recently initiated a Proceeding to Investigate Establishment of a Microgrid Services Tariff by issuing Order No. 35566 on July 10, 2018, which may address whether a microgrid will rely on the electric utility's transmission and distribution facilities to transmit energy and will involve wheeling.

Wheeling raises challenges to ensure that terms and conditions, including the prices associated with using utility facilities, are fairly set. The Department supports careful examination of a fair tariff to use utilities' transmission and distribution systems. However, adequate care must be exercised to ensure that this tariff does not result in the following: (1) under-compensating the utility for costs associated with the transmission/distribution infrastructure used to wheel the energy, because under-compensation would shift costs to other customers; (2) over-charging the government agency and thereby creating a disincentive for distributed generation; and (3) creating certain rules or provisions that may be discriminatory, such as allowing only certain customers to use or rely on a particular service.

While the ongoing dockets may not be actively addressing wheeling at this time, the Department respectfully suggests that the Legislature allow the Commission to: (1) carefully consider issues associated with designing and implementing tariffs that will be foundational to the new energy industry, which will include wheeling; and (2) complete its ongoing proceedings before requiring wheeling rules. The Department and the Commission have limited resources and are actively engaged in

many other complex and time-consuming proceedings, such as the Performance Based Regulation proceeding. Requiring the establishment of wheeling tariffs by December 31, 2020, would strain existing resources. If the Legislature wishes to express its preferences on the subject or to require a reporting on the progress of tariff adoption, a substantive resolution may be more appropriate.

If, however, the Committee intends to pass this measure, the Department recommends the bill make clear that other customers will not be required to subsidize a customer who is allowed to wheel energy. This could be accomplished by modifying subsection (b) to read: "The public utilities commission may disallow a wheeling project if the commission determines that the project is: (1) Detrimental to an electric utility company; (2) Detrimental to other customers, such as if other customers might be required to subsidize the wheeling arrangement; or (3) Not in the public interest."

Additionally, the Department offers that the proposed amendment to HRS section 269 that would designate the Laboratory as a microgrid demonstration project and that would authorize the Laboratory to design a microgrid on its property may be unnecessary. As long as the Laboratory does not sell or provide electricity and does not involve a connection to the electric grid, the Laboratory is not under Commission jurisdiction. Moreover, HRS section 227D-1.5 makes clear that the Laboratory is not to be deemed an electric utility. If, however, the Legislature believes that enabling language is necessary to provide guidance and authority to the Laboratory to plan and design a microgrid on its property, that enabling language might be better placed in HRS section 227D.

Thank you for the opportunity to testify on this bill.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism

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Statement of
Gregory P. Barbour
Executive Director
Natural Energy Laboratory of Hawaii Authority
before the

HOUSE COMMITTEE ON FINANCE

Wednesday, February 27, 2019
11:00 am
State Capitol, Conference Room 308

in consideration of
H.B. 298 H.D.1
RELATING TO INTRA-GOVERNMENTAL WHEELING.

The Natural Energy Laboratory of Hawaii Authority (NELHA) supports H.B. 298 H.D. 1 which allows government agencies to engage in wheeling of electricity produced from renewable energy resources. This measure also designates NELHA as a microgrid demonstration project and authorizes the Public Utility Commission to allow wheeling at the Hawaii Ocean Science and Technology Park (HOST Park) which is administered by NELHA.

The implementation of microgrid technology at NELHA has long been a key component of NELHA's Distributed Energy Resources (DER) strategy and its master plan which were recently updated in 2013 and 2011 respectively. We believe that a full microgrid is unrealistic at this time due to lack of in-house operational capability at NELHA, but we firmly believe that a research microgrid at HOST Park is very attractive from everyone's point of view.

HB 298 H.D 1 would facilitate and accelerate the implementation of microgrid technology at HOST Park by assisting us in applying for US Federal government funding. It is important to note that we recently received approximately \$2 million from the South Korean government for the development and field verification of artificial intelligence based microgrid operation platform for our research campus and environs. While NELHA has assembled various microgrid components, HB 298 H.D.1 would allow wheeling in our park and allow NELHA to adopt a more comprehensive approach with respect to its DER by removing current limitations associated with developing independent microgrids due to the large size of our 900-acre technology park.

It is important to note that our goal is to deploy microgrid technology only within the park to serve our own demand from the seawater pump stations and the park clients' needs. We do not intend to wheel electrical power outside of the park boundaries.

The lessons learned here at HOST Park will be directly applicable to the rest of Hawaii to help in understanding the benefits of microgrids to island-wide grids. It will also help fulfill NELHA's mission of economic development in West Hawaii by stabilizing electrical costs within the park, assisting with the commercialization of renewable energy technologies and diversifying the economy. In this regard, it is important to note that a recent national study found that lower costs for electricity increases economic growth.

Thank you for the opportunity to offer these comments.

DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

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IN REPLY REFER TO:
WAS 19-80

February 25, 2019

The Honorable Sylvia Luke, Chair
The Honorable Ty J.K. Cullen, Vice Chair
and Members of the Committee on Finance
House of Representatives, Room 308
State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Luke, Vice Chair Cullen, and Members on Finance:

SUBJECT: HB298 HD1 Relating to Intergovernmental Wheeling


The Department of Environmental Services of the City and County of Honolulu **supports** HB 298, which encourages the production and distribution of renewable energy by allowing government agencies to "wheel" renewable energy from the generating agency to other governmental agencies.

The City's H-POWER waste-to-energy facility converts Oahu's municipal solid waste and other wastes into 90 megawatts of reliable, renewable power for Oahu, reducing Hawaii's dependence on imported oil and advancing the State's commitment to a 100% renewable energy by 2045.

HB 298 will promote the production and use of renewable energy generated by H-POWER and other agencies by effectively increasing the benefit to agencies for generating energy through these renewable sources.

Thank you for your consideration of our testimony in support of this measure.

Sincerely,



Lori M.K. Kahikina, P.E.
Director

HB-298-HD-1

Submitted on: 2/26/2019 10:51:57 AM

Testimony for FIN on 2/27/2019 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

**TESTIMONY BEFORE THE HOUSE
COMMITTEE ON FINANCE**

H.B. No. 298, HD1

Relating to Intra-Governmental Wheeling

Wednesday, February 27, 2019
11:00 am, Agenda Item #23
State Capitol, Conference Room 308

Kevin M. Katsura
Director, Regulatory Non-Rate Proceedings
Hawaiian Electric Company, Inc.

Chair Luke, Vice Chair Cullen, and Members of the Committee:

My name is Kevin Katsura and I am testifying in **opposition** to HB 298, HD1, Relating to Intra-Governmental Wheeling on behalf of Hawaiian Electric Company and its subsidiary utilities Maui Electric Company and Hawai'i Electric Light Company.

Governmental agencies are our systems' largest customers. Intra-governmental wheeling would allow our largest customers to strike their own deals with independent power producers, and use the utility electric system, which is paid for by all customers and meant to serve all customers, for their own purposes. This would be unfair to the broader public without appropriate protections and fees charged to the wheeling parties, and complicates our ability to achieve the State's 100% renewable energy future. In order for the State to attain its ambitious 100% RPS with equity, i.e., not burdening those customers who can least afford to find alternative forms of energy, ALL customers and customer groups should work together rather than pursue mechanisms to gain special advantages over others.

Additionally, this bill presumes that Intra-governmental wheeling should be implemented immediately before addressing the critical issues that wheeling raises.

Although the Intra-governmental Wheeling docket has indeed been delayed as foundational technical and regulatory issues have been worked through including establishing long range plans to reach 100% renewable energy, we believe it was prudent to do so and the critical issues of wheeling should now be considered in proper context. Some of these critical issues are: (1) Considering the financial costs and impacts of intra- governmental wheeling on non-wheeling customers of a utility, including other governmental customers; (2) Identifying what impact intragovernmental wheeling will have on existing independent power producers already providing energy under contract to Hawaii's electric utilities, who might see their ability to produce energy curtailed; (3) Identifying any power back-up issues; (4) Addressing how rates for intra-governmental wheeling would be set; and (5) Identifying the costs to the utilities of implementing intra-governmental wheeling.

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. 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. We can all reach Hawaii's renewable future if we are all in it together.

Accordingly, the Hawaiian Electric Companies **oppose** H.B. 298, HD1.

Thank you for this opportunity to testify.



TESTIMONY OF TAWHIRI POWER LLC
ON HB 298, HD1
BEFORE THE HOUSE COMMITTEE ON FINANCE
ENERGY AND ENVIRONMENTAL PROTECTION
WEDNESDAY, FEBRUARY 27, 2019 AT 11 a.m.

TO THE HONORABLE CHAIR LUKE, VICE CHAIR CULLEN AND MEMBERS OF THE COMMITTEE:

Tawhiri Power LLC (“TPL”)¹ strongly supports HB298, HD1 because it will be a major step forward in helping the State reach its goal of obtaining 100% of its energy needs from renewable sources.

Moreover, the passage of HB298, HD1 will allow government agencies to wheel excess renewable energy to other government agencies, thus lowering energy costs for the State and maximizing the utilization of renewable energy being generated by the State.

Currently, if a State agency has renewable energy generation located on its facilities, any excess generation that does not get used on-site is just wasted. HB298, HD1 would allow the State agency having excess generation capability to wheel (share) this excess energy with other government agencies. This will help alleviate the need for other government agencies to get its energy from a non-renewable source or having to incur the expense of developing its own renewable resource.

Thus, if the Committee is truly committed for having Hawaii obtain its goals of being 100% renewable by 2045, we urge the Committee to pass this bill out.

Thank you for the opportunity to testify.

¹ TPL is an Independent Power Producer (“IPP”) that owns and operates Pakini Nui Wind Farm located in the South Point Area on the Island of Hawaii.