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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Government Operations
and
Senate Committee on Energy, Economic Development, and Tourism
Wednesday, February 17, 2021
3:20 p.m.
Via Videoconference**

**On the following measure:
S.B. 1371, RELATING TO ENERGY**

Chairs Sharon and Wakai 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 government agencies to wheel electricity that is produced by their own facilities from renewable energy sources to another agency's facilities, subject to disallowance and rules adopted by the Public Utilities Commission (Commission).

The Department appreciates the bill's intent to not only support the State's ability to install renewable energy facilities, but also to facilitate the sharing of renewable energy facility benefits among different state agencies. The issue of intragovernmental wheeling has been evaluated before, including in the Commission's Docket No. 2007-0176. At the time of Docket No. 2007-0176, the State's options to support renewable

energy projects were limited, and standing up an intragovernmental wheeling program might have required considerable resources. Since that time, other options have become available. For example, in Docket No. 2020-0204, the Commission is evaluating a pilot that will explore the University of Hawaii's ability to receive the benefits of a remotely sited renewable energy project, which is akin to the benefits realized under a wheeling program.

The Commission is also considering the issue of wheeling in Docket No. 2018-0163. In that docket, the scope of investigating a microgrid services tariff has expanded to include microgrids that may serve customers who are not on contiguous premises; this would essentially require a form of wheeling.

In addition, aspects of wheeling have been discussed as part of other dockets, such as Docket No. 2019-0323. Through these dockets, appropriate wheeling tariffs can be developed to: (1) enable users to wheel energy from one site to another in a manner that does not adversely affect other customers or the grid; and (2) fairly compensate the utility for using their transmission and distribution facilities to enable wheeling, so that other customers do not have to unfairly subsidize wheeling activities.

In view of the foregoing, the Department respectfully requests that the Committee consider the work the Commission has already initiated and allow the Commission to carefully complete its above dockets to enable wheeling for all customers. If this bill moves forward, however, the Department respectfully suggests amending subsection (c) to allow the Commission to implement a wheeling program, either by adopting administrative rules or by Commission order.

Thank you for the opportunity to testify on this bill.

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

TO THE
SENATE COMMITTEES ON
GOVERNMENT OPERATIONS
AND
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

February 17, 2021
3:20 p.m.

Chair Moriwaki, Chair Wakai, and Members of the Committees:

MEASURE: S.B. No. 1371

TITLE: RELATING TO ENERGY.

DESCRIPTION: Authorizes government agencies to wheel electricity that is produced by their own facilities from renewable energy sources to another agency's facilities, subject to disallowance by the public utilities commission.

POSITION:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

COMMENTS:

The Commission supports this measure's intent to encourage the production of clean energy and reduce Hawaii's dependence on fossil fuels. The Commission also appreciates the language that allows the Commission to disallow wheeling projects in cases where the projects would be detrimental to an electric company or the public interest.

If this measure is to move forward, the Commission recommends that the Committee amend the language on page 3, lines 19-20, to allow the Commission to implement the provisions of this measure either through the adoption of rules or by Commission order.

Thank you for the opportunity to testify on this measure.



Testimony to the Committees on

Government Relations and
Energy, Economic Development, & Tourism

Wednesday, February 17, 2021

3:20 PM

VIA Video Conference

Conference Room 224, Hawaii State Capitol
SB 1371

Chairs Moriwaki and Wakai, Vice Chairs Dela Cruz and Misalucha, and members of the committees,

Hawaii Clean Power Alliance (HCPA) supports SB 1371, which authorizes government agencies to wheel electricity that is produced by their own facilities from renewable energy sources to another agency's facilities, subject to disallowance by the public utilities commission.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance the development and sustainability of clean energy in Hawaii. Our goal is to support the state's policy goal of 100 percent renewable energy by 2045. We advocate for utility-scale renewable energy, which is critical to meeting the state's renewable energy and carbon reduction goals.

We offer these comments SB 1371.

This proactive step towards regulating wheeling and establishing the platform for fair compensation to the electric utilities whose assets are critical to successful wheeling, and guidance to all parties can assist in achieving the state clean energy goals. By adopting rules for the PUC to implement wheeling, regulators can create a framework that will be fair for the electric utilities and government entities.

As an island state, Hawaii's scarcity of large land areas makes it hard to secure sites for utility scale projects, especially in urban communities, where the electricity usage is higher due to density. This proposal allows the state to appropriately leverage its existing assets, allowing the state to utilize assets as in aggregate, rather than on TMK-specific terms, positively impacting the electric utilities' ability to achieve the RPS and the state's ability to reduce greenhouse gas emissions.



When the state benefits, so do ratepayers and taxpayers. The efficiencies achieved by the state entities result in decreased expenses because renewable energy costs are now less expensive than fossil fuels. This ultimately means less tax requirements decreasing the burden for the citizens of the state.

While we know the road to effective regulatory decisions will be complex, having the PUC build the framework for the electric utilities and impacted stakeholders can benefit all parties.

We ask the committee to pass this bill.

Thank you for the opportunity to testify.

Sincerely,



Frederick Redell, PE

Executive Director

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Environmental Caucus of The Democratic Party of Hawai'i

Tuesday, February 16, 2021, 3:20 pm

Senate Committees on Government Operations and Energy, Economic Development, and Technology
SENATE BILL 1371 – RELATING TO ENERGY: Wheeling

Position: Supporting the Intent, with a Suggestion

Me ke Aloha, Chairs Sharon Moriwaki and Glenn Wakai, Vice-Chairs Donovan Dela Cruz and Bennette Misalucha, and Members of the Committees on Government Operations and Energy, Economic Development, and Technology:

The Environmental Caucus of the Democratic Party, through its Committee on Energy and Climate Action, supports the intent of SB 1371. The purpose of the bill is to authorize government agencies to wheel electricity that is produced by their own facilities from renewable energy sources, subject to disallowance by the public utilities commission.

The future of Hawaii energy self-reliance and resilience lies in the facilitation of wheeling between any number of entities that generate renewable energy, not merely governmental ones. While the Public Utilities Commission has begun a process of streamlining procedures, expanding the range of interconnection options, and drawing the energy generating community closer to a true public utility rather than a hodge-podge of private corporations that generate or transmit energy, the energy grid is still bound to corporate prerogatives and incentives that may clash with the public interest. It seems wasteful of constructive energies for the Public Utilities Commission to be spending its time mediating between the public trust and corporate interests, when the public interest is increasingly paramount. The public interest should take the lead in planning and implementing the State's goals without private profits.

With climate change advancing more speedily, its devastating destruction and costliness will be steadily increasing in the coming years, with any single catastrophic event potentially bringing the economy to its knees.

It is thus imperative that the transition to a more robust, redundant, and resilient public utility be accelerated in the most deliberate and thoughtful way. There needs to be a growing number of independent grids, especially in more rural areas, a variety of generating sources linked for redundancy, and these need to be linked in a non-profit configuration to assure that benefits accrue to the general public rather than to private offshore accounts.

It's not clear that feasibility needs examination, but rather that we need a strategic path to goals that are shifting even as speak (plainly, the goal of zero emissions or weaning off fossil fuels by 2045 is far too late). The Environmental Caucus proposes that a slightly different strategy be explored – an *implementation board* charged with finding that strategic path toward greater administrative simplicity and efficiency, coordinating a transition to a tighter network of public interest concerns that can expedite alternative/renewable energy systems and their interconnection.

Mahalo for the opportunity to address this issue.

/S/ Charley Ice, Co-Chair, Energy and Climate Action Committee, Environmental Caucus of the Democratic Party of Hawaii



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEES ON
GOVERNMENT OPERATIONS AND
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

**S.B. 1371
Relating to Energy**

Wednesday, February 17, 2021
3:20 pm
State Capitol, Conference Room 224

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

Chair Moriwaki, Chair Wakai, and Members of the Committees:

My name is Kevin Katsura and I am testifying on behalf of Hawaiian Electric Company **in opposition** to S.B. 1371.

Generally, 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 is unfair to the broader public without appropriate protections and fees charged to the wheeling parties. In addition, this may delay 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.

Intra-governmental wheeling must address the critical issues that wheeling raises. 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.

The Commission recently established Performance Based Regulation (PBR) – a new regulatory framework. Hawaiian Electric and other stakeholder parties recently completed a two-year process which took thousands of hours of work, including working group meetings, extensive filings, position statements and proposals, as well as formal hearings. This was an open process where all stakeholders could participate, and which balanced all the competing interests and issues. Indeed, this process is still ongoing as working groups continue to refine and finalize details of performance incentive mechanisms and tariffs. We should give this process time to work without introducing major policy changes that would require the stakeholders to revisit the PBR framework before it even starts.

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, Hawaiian Electric opposes S.B. 1371. Thank you for this opportunity to testify.