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**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
Senate Committee on Commerce and Consumer Protection  
and  
Senate Committee on Energy, Economic Development, and Tourism  
Thursday, March 25, 2021  
10:00 a.m.  
Via Videoconference**

**On the following measure:  
SR 207, REQUESTING THAT THE PUBLIC UTILITIES COMMISSION DEVELOP  
AND ADOPT RELIABILITY STANDARDS AND INTERCONNECTION  
REQUIREMENTS TO FACILITATE THE TIMELY INTERCONNECTION  
OF UTILITY-SCALE RENEWABLE ENERGY PROJECTS.**

Chairs Baker and Wakai and Members of the Committees:

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 offers comments on this resolution.

The purpose of this resolution is to request that the Public Utilities Commission (Commission): (1) develop and adopt reliability standards and interconnection requirements to facilitate the timely interconnection of utility-scale renewable energy products; and (2) enter into a contract establishing the Hawaii Electricity Reliability Administrator (HERA).

The Consumer Advocate appreciates and shares the concern associated with unreasonable delays in interconnecting renewable energy projects that reduce

customer bills, and it upholds Hawaii's progress in complying with the renewable portfolio standards. Strict time limitations could, however, result in unintended consequences. Past interconnection agreements have taken time to complete for various reasons, such as the independent power producer requesting modifications after the initial review had started and disagreements over certain interconnection requirements, to name two examples. Interconnecting utility scale projects to the electric grid requires appropriate care to avoid reliability and service quality issues. Imposing time limits on the interconnection design and agreement between the utility and independent power producer could, for instance, result in: (1) the utility agreeing to interconnection terms that jeopardize system reliability so that the utility does not forfeit incentives or face penalties; or (2) the adoption of a standard interconnection agreement that would not be subject to modifications requested by the independent power producer, which might discourage developers from submitting proposed projects.

The Commission has already expedited its review process of both power purchase agreements and interconnection agreements. In fact, the Commission reviewed the phase 1 projects pursuant to very aggressive procedural schedules that taxed the Department's resources to prioritize review of these applications. The Department generally defers to the Commission on whether the proposed 180 days for action on power purchase agreements is reasonable, especially when those reviews must include a thorough analysis of greenhouse gases. However, the Department believes exceptions should be allowed to allow due consideration of customer and community concerns that may be raised with the renewable energy project or the interconnection facilities.

The Department also notes that requiring the start-up of HERA will require funds and may duplicate some of what the Commission already seeks to accomplish. The Department defers to the Commission regarding the impact that "standing-up" HERA at this time may have on its operations and available funds.

Thank you for the opportunity to testify on this resolution.

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

TO THE  
SENATE COMMITTEES ON  
COMMERCE AND CONSUMER PROTECTION  
AND  
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

March 25, 2021  
10:00 a.m.

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

**MEASURE:** S.R. 207

**TITLE:** REQUESTING THAT THE PUBLIC UTILITIES COMMISSION DEVELOP AND ADOPT RELIABILITY STANDARDS AND INTERCONNECTION REQUIREMENTS TO FACILITATE THE TIMELY INTERCONNECTION OF UTILITY-SCALE RENEWABLE ENERGY PROJECTS.

**POSITION:**

The Public Utilities Commission (“Commission”) supports this resolution and offers the following comments for consideration.

**COMMENTS:**

The Commission shares the concerns expressed in this measure regarding the delays to approved renewable energy projects and believes that mitigating these delays is essential in creating and upholding an electric system that serves the public interest. The Commission is willing to work with the Legislature to foster improvement in this area for the benefit of the public.

The Commission recognizes the importance of renewable energy projects and infrastructure in achieving the State’s energy goals and delivering benefits to customers, while mitigating risks to the public. Understanding the urgency of the matter, the Commission has taken numerous major steps, including but not limited to those

mentioned in this resolution, to prevent future delays and expedite interconnection timelines for renewable energy projects.

Through the efforts of stakeholders in the distributed energy resources (DER) docket (Docket No. 2019-0323), the Commission has reformed the utilities' interconnection process for small-scale systems, reducing interconnection timelines by up to 50%. In the Commission's final decision and order on Performance-Based Regulation (Docket No. 2018-0088), issued on December 23, 2020, the Commission established a performance incentive mechanism that will use penalties and incentives to encourage the timely interconnection of DER resources by electric utilities, as well as incentives to accelerate achievement of renewable portfolio standard (RPS) goals.

For reasons partly noted in this resolution, the Commission opened Docket No. 2021-0024 to comprehensively track the status of renewable projects, investigate interconnection delays, and review Hawaiian Electric's plans to transition away from fossil fuel power plants. On March 15, 2021, the Commission held a status conference with HECO, the Consumer Advocate, the Hawaii State Energy Office, and project developers. This status conference specifically targeted interconnection delays and aimed to solicit and develop solutions that would aid in accelerating project schedules. The Commission is hosting an additional status conference in April 2021 that will address circumstances specific to Maui. The Commission is investigating whether interconnection delays to renewable projects on Maui may jeopardize the timely retirement of the Kahului Power Plant and delay the benefits of the lowest-cost renewable project on Maui.

The Commission has acted on these delays as described above and in the resolution. The Commission will take further action as appropriate to fully address the situation. One of the planned near-term actions includes identifying the scope and cost of the Hawaii Electricity Reliability Administrator (HERA) under §269-142, Hawaii Revised Statutes (HRS), et seq. As a follow up to last week's status conference, the Commission will issue a Request for Information (RFI) to potential future contractors to gauge market response and cost for this entity.

Currently, the Commission does not intend to fund this administrator through a broad-based surcharge on all customers. The Commission expects to fund the program through a combination of an assessment on generators interconnecting to the grid and Hawaiian Electric. To the extent that the HERA program is required to duplicate utility functions that are already funded through electricity rates and provide additional layers of oversight, the

Commission will establish a funding structure that prevents customers from paying multiple times for the same services.

If this measure is to move forward, the Commission respectfully requests that the Legislature consider amending §269-146, HRS, through separate legislation, to ensure that the Commission has discretion in determining how the Hawaii electricity reliability surcharge should be assessed. This will reduce potential risks to ratepayers by ensuring that customers are not forced to bear the cost burden for the establishment of HERA.

The Commission understands the weight and urgency of this matter and has prioritized taking action to serve the public interest. The Commission is committed to creating a regulatory environment that fosters improvement in this area, while mitigating risks to the public and facilitating achievement of the State's energy goals.

Thank you for the opportunity to testify on this measure.



**Testimony to the Committees on  
Commerce and Consumer Protection and  
Energy, Economic Development, and Tourism**

**Thursday, March 25, 2021  
10:00 AM  
VIA Video Conference  
Conference Room 229, Hawaii State Capitol  
SCR 248 / SR 207**

Chairs Baker and Wakai, Vice Chairs Chang and Misalucha, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** SCR 248 / SH 207 requesting that the Public Utilities Commission develop and adopt reliability standards and interconnection requirements to facilitate the timely interconnection of utility-scale renewable energy projects.

The Hawaii Clean Power Alliance is a nonprofit alliance organized to advance and sustain the development 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 clean energy and carbon reduction goals.

We offer these **comments in support** of SCR 248 / SR 207.

Renewable energy independent power producers provide critical solutions to help the state meet the 100% RPS and carbon neutrality goals. To deliver these projects with speed and at the lowest price to ratepayers requires transparent costs and completion of critical milestones such as interconnection processes.

In addition, power supply and electric grid system reliability is essential to everyone in the state — utilities and consumers. The state's decision to retire the Oahu coal plant and the plan to retire the Kahului power plant was based on the reasonable expectation of timely completion of new replacement renewable generation. Significant delays of these new renewable projects due to interconnection issues have heightened concerns regarding the potential for outages or the increased use of fossil fuel diesel at a higher price to ratepayers.

Developers look to two markers to determine the viability of renewable projects: (1) timeliness of decision-making and execution by the regulatory and utility entities and (2) the costs of interconnection. In Hawaii, these costs remain unknown until well into project



development, after power purchase pricing has been committed to, creating uncertainty for the project's successful completion. When these costs become apparent long after the proposed price has been approved, it can make the project no longer financially viable, setting back renewable development and leaving the market wary of developing future Hawaii projects. Transparency and timeliness of interconnection helps to resolves these concerns.

Previously, the PUC created an independent observer to oversee the RFPs of renewable energy projects. By creating the standards for electric grid reliability and the independent administrator, Hawaii Electricity Reliability Administrator (HERA), to oversee electric grid reliability, a qualified, independent entity can address the interconnection process, timeliness, transparency, equity, and reliability.

The HERA surcharge does not need to create an additional cost to the state or ratepayers because the PUC is authorized by HRS§269-146 section (a) and (d) to determine who shall bear the costs of connecting to the grid. (a) *The commission may require, by rule or order, that all utilities, persons, businesses, or entities connecting to the Hawaii electric system, or any other user, owner, or operator of any electric element that is a part of an interconnection on the Hawaii electric system shall pay a surcharge that shall be collected by Hawaii's electric utilities.*

Additionally, section (d) also allows for the commission to make the choice whether or not to charge ratepayers. (d) *The commission may allow an electric utility to recover appropriate and reasonable costs under the Hawaii electricity reliability surcharge for any interconnection to the Hawaii electric system, including interconnection studies and other analysis associated with studying the impact or necessary infrastructure and operational requirements needed to reliably interconnect a generator, as well as from electric utility customers through a surcharge or assessment subject to review and approval by the commission under section 269-16.*

While we look forward to Governor's task force to provide assistance on speeding up projects, we ask the committee to pass these resolutions to help address these issues. Thank you for the opportunity to testify.

Sincerely,



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Executive Director

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