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**STATE OF HAWAII
OFFICE OF THE DIRECTOR
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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Energy, Economic Development, and Tourism
Monday, January 31, 2022
3:00 p.m.
Conference Room 224 & Videoconference**

**On the following measure:
S.B. 2171, RELATING TO ENERGY**

Chair 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 offers comments on this bill.

The purpose of this bill is to authorize independent generators of renewable energy to wheel the renewable electricity they produce to users of renewable energy under administrative rules established by the Public Utilities Commission (Commission).

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. 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 more recently initiated a Proceeding to Investigate Establishment of a Microgrid Services Tariff by issuing Order No. 35566 on July 10, 2018, opening Docket No. 2018-0163, which may address whether a microgrid will rely on the electric utility's transmission and distribution facilities to transmit energy and will involve wheeling.

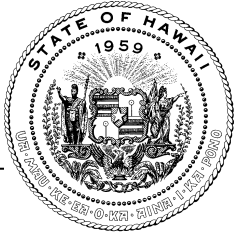
Wheeling raises challenges to ensure that terms and conditions, including the prices associated with using utility facilities, are fairly set. The Department supports careful examination of a fair tariff to use utilities' transmission and distribution systems. However, adequate care must be exercised 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 renewable energy buyer 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.

Thus, the Department respectfully suggests that the Legislature allow the Commission to: (1) continue its consideration of issues associated with designing and implementing tariffs that will be foundational to the evolving energy industry, including wheeling; and (2) complete its ongoing proceedings, which should address wheeling. Establishing a firm date to address the wheeling issue will potentially tax the limited resources that the Department, the Commission, and other stakeholders and could result in refocusing those resources away from other ongoing complex and time-consuming proceedings, such as several power purchase agreement proceedings. The Department appreciates the Legislature's interest and offers that a substantive resolution, that includes annual reporting on the progress on developing technical guidelines and tariffs to enable wheeling, may be more appropriate.

If, however, the Committee intends to pass this measure, the Department respectfully requests that the Legislature consider adopting provisions to protect all customers so that other customers will not be required to subsidize a customer who is allowed to wheel energy or to mitigate other adverse impacts. In addition, it is important

that provisions are adopted to protect the customers that are relying on wheeled electricity services from substandard services. This could be accomplished by adding a subsection (e) to read: “The public utilities commission should evaluate the need to adopt customer protection measures and may disallow a wheeling project if the commission determines that the project is: (1) Detrimental to the safe and reliable operation of an electric grid; (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.”

Thank you for the opportunity to testify on this bill.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
SENATE Committee on ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Monday, January 31, 2022
3:00 PM

State Capitol, Conference Room 224 & Videoconference

in CONSIDERATION of
SB 2171
RELATING TO ENERGY.

Chair Wakai, Vice Chair Misalucha, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on SB 2171, which authorizes independent generators of renewable energy to wheel the renewable electricity they produce to users of renewable energy under administrative rules established by the Public Utilities Commission.

HSEO's comments are guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy.

HSEO agrees that wheeling – including scope, definitions, and what would constitute, as described on page 2, lines 3-4, “fairly compensating the third-party utility for utilizing its existing infrastructure” would be a valid topic for a structured discussion, and would share many of the pricing, location, interconnection, and time of production issues currently undergoing discussion in proceedings such as the microgrid, distributed energy resource, and performance-based regulation dockets.

The HSEO would be concerned, however, if administrative rules became a parallel path to the current docket system. This could result in confusion and delays. It may be preferable to keep the administrative rules system for how parties interact with the PUC during proceedings in front of that body, and the docket system for discussions

and decisions of how both public and private parties interact with the utilities. As slow as docketed proceedings may seem at times, it is possible that rulemaking may move even more slowly, especially if the rulemaking process is used for matters that are more commonly handled through dockets.

HSEO defers to the appropriate agency for comment on this matter.

Thank you for the opportunity to testify.

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

TO THE
SENATE COMMITTEE ON
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

January 31, 2022
3:00 p.m.

Chair Wakai and Members of the Committee:

MEASURE: S.B. No. 2171

TITLE: RELATING TO ENERGY.

DESCRIPTION: Authorizes independent generators of renewable energy to wheel the renewable electricity they produce to users of renewable energy under administrative rules established 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 notes that implementing retail wheeling would likely be an intensive process involving stakeholder consultation, research, rulemaking, and other regulatory actions. The proposed statutory deadline would require the Commission and other stakeholders to redirect resources that are currently devoted to other priority issues. For this reason, the Commission recommends changing the deadline on page 2, line 16, from December 31, 2022, to December 31, 2023, as well as changing the reporting deadline to be no later than twenty days prior to the convening of the regular session of 2024, should this measure pass.

In addition, the Commission recommends that the Committee amend the language on page 2, lines 16-21, to allow the Commission to implement the provisions of this measure either through the adoption of rules or by Commission order. This will allow the Commission to implement the measure's intent in a more efficient manner.

Thank you for the opportunity to testify on this measure.



Testimony to the Committee on Energy, Economic Development, and Tourism

Monday, January 31, 2022

3:00 PM

VIA Video Conference

Conference Room 224, Hawaii State Capitol

SB 2171

Chair Wakai, Vice Chair Misalucha, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** SB 2171, which authorizes independent generators of renewable energy to wheel the renewable electricity they produce to users of renewable energy under administrative rules established by the Public Utilities Commission.

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.

Wheeling has been proven to bring more competition to the market since power producers can respond to customers - whether individuals or businesses or other entities - so that they can enter an agreement that meets the needs of both the consumers and the energy producers.

Greater efficiencies, competitors, and options benefit Hawaii's ratepayers. There is much work to be done to meet our 2045 obligations and with this timeline, we cannot afford to wait on this impactful legislation.

We also support the legislation's provision that the electric utility whose transmission and distribution system would be used under any wheeling agreement would be fairly compensated for that shared resource. The mainland has long relied on wheeling structures that benefit both the electric utility handling transmission and distribution as well as the independent power producers delivering that energy to consumers. Importantly, the Public Utilities Commission can ensure there be no burden on ratepayers who are serviced by the utility, similarly done in rooftop solar tariffs. Competition spurs lower rates. Competition spurs economic development and jobs. Hawaii's move in that direction through this bill brings us closer to renewable energy at an affordable cost to ratepayers.



We ask the committee to pass this bill.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred Redell", written in a cursive style.

Frederick Redell, PE

Executive Director

(949) 701-8249

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**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

SB 2171

Relating to Energy

Monday, January 31, 2022

3:00 pm

State Capitol, Conference Room 224 & Videoconference

James Abraham
Associate General Counsel, Legal Department
Hawaiian Electric Company, Inc.

Chair Wakai, Vice Chair Misalucha, and Members of the Committee:

My name is James Abraham and I am testifying on behalf of Hawaiian Electric Company providing comments on and expressing concerns with SB 2171.

Hawaiian Electric supports energy programs that benefit all customers and we are committed to working with customers to determine the best ways to meet their energy needs. Generally, wheeling enables electricity to be generated at one location and used at a separate location that could be nearby or even a significant distance away, and can be operationally and economically complex. Technology and the energy market have evolved to the point where Hawaiian Electric now enables customers to enjoy many of the benefits of wheeling through existing programs such as shared solar, Microgrid Services Tariff and Green Tariff Pilot (awaiting regulatory approval).

Previous versions of this bill limited wheeling to the movement of energy between government entities, potentially offering benefits to taxpayers and contributing to the state's renewable energy goals. This bill represents a significant expansion of wheeling to include private, for-profit enterprises that could use the transmission and distribution system that was built and is maintained by utility ratepayers. Hawaiian Electric

appreciates this bill's attempt to seek innovative ways to reduce fossil fuel dependency by bringing on more renewable energy, but the Company has concerns with applying a full retail wheeling model to Hawai'i. Isolated island electric grids in Hawai'i are vastly different from the bulk power system of the mainland, where the wheeling model proposed in this bill originated. 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 or for reliability purposes.

Making full retail wheeling available would potentially exacerbate financial and geographic equity issues by encouraging the construction of renewable energy projects on one part of the island to supply power exclusively to customers on another part of the island, using Hawaiian Electric's transmission and distribution system to connect them. Even assuming the Company is compensated for this use, this arrangement could shift costs to customers who do not benefit from wheeling arrangements yet must still pay to maintain the grid. It could also aggravate community concerns that have emerged around the siting of renewable energy projects, especially if the benefits accrue only to end users located miles away.

In order to succeed in Hawaii's unique renewable energy environment, a wheeling program must be designed to consider and address the following key principles:

- **Promote customer choice by increasing options.** We seek collaboration to establish and coordinate specific services between utilities and customers needed to lower bills, increase renewable energy, and energy efficiency.
- **Safety is paramount.** Operating an electric grid is complex and should be the responsibility of the utility without undue interference to ensure safety of all customers and utility crews.

- **Reliability of the electric system.** The stability and reliability of the public utility's electric grid must not be compromised.
- **Aiding renewable energy.** Wheeling programs should be designed and implemented to help increase the use of renewable energy for the benefit of the whole community, not just the few who can afford it.
- **Equity.** Burden on other customers should be balanced with the benefits, including the opportunity cost for non-wheeling customers. Wheeling should not increase costs for non-participating customers. Regulatory policies must minimize cost shifting, along with establishing other policy and technical requirements.

We welcome continued discussion of how wheeling concepts can be adapted to fit the realities of the Hawai'i energy system, with the understanding that the Company must play a primary role in structuring such wheeling transactions to ensure safety, reliability, and financial equity. We must address the State's energy future as a whole and not with techniques that simply sound reasonable as stand-alone concepts, especially those used in larger grids on the mainland with large manufacturing and commercial loads.

Hawaiian Electric supports programs that will aid in continued progress towards 100% RPS by 2045, but has concerns that wheeling, as proposed, may hinder rather than support such progress and aggravate community concerns. Inclusive, thoughtful policies that work for Hawaii's unique energy environment are necessary to move us all forward together to a renewable future in Hawai'i.

Hawaiian Electric appreciates the opportunity to testify on SB 2171. Thank you.



TESTIMONY OF TAWHIRI POWER LLC
ON SB 2171 BEFORE THE SENATE COMMITTEE ON
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
MONDAY, JANUARY 31, 2022 AT 3 p.m.

TO THE HONORABLE CHAIR WAKAI, VICE CHAIR MISALUCHA AND MEMBERS OF
THE COMMITTEE:

Tawhiri Power LLC (“TPL”)¹ strongly supports SB2171 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.

This bill is long overdue. In past Sessions there have been bills on wheeling and generally the folks opposing these bills have argued that the bills are not necessary because there is already a docket at the Public Utilities Commission (“PUC”) on this issue. What they fail to say is that this docket has made little progress in front of the PUC.

Currently, without retail wheeling, renewable energy produced by Independent Power Producers (“IPPs”) generally can only be sold to the Utility or used by the IPP on its site. If there is any additional renewable energy that is not committed to the Utility or cannot be used by the IPP on its site, it is wasted. This is totally unacceptable. This bill is necessary to start the progress allowing renewable generators to sell energy they produce directly to end users.

If we are serious about being 100% renewable, we can no longer delay and we need to implement wheeling now. Thus, we strongly 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.

SB-2171

Submitted on: 1/28/2022 9:58:11 AM

Testimony for EET on 1/31/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Keith Neal	Individual	Comments	No

Comments:

I have reservations with SB2171 as written. It is too narrowly written for only two entities.

Wheeling rules/public policy must provide for:

-Allow/permit independent 'clean' (appropriately defined) power producers to the grid generally or to a given user/customer.

-Set appropriate Transmission and Distribution (i.e.T&D) charges for utility owned grid services.

SB-2171

Submitted on: 1/28/2022 8:56:45 PM

Testimony for EET on 1/31/2022 3:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Richard Ha	Individual	Support	No

Comments:

I have personal experince in how the present laws governing wheeling discourages green energy production. Nearly ten years ago I developed a hydroelectric 100KW system that was in a flume originating from Waia'ama Stream In Pepekeo. I put in electric poles to our banana packing house. The power poles traversed 5 properties that I owned. Due to economic conditions we decided to lease then sell the property that a medical cannabis company, Big Island Grown had located its cannabis production operation upon. I subsequently sold the property, I was told by the electric utility that I could no longer sell electricity to Big Island Grown. I still own shares in Big Island Grown. The present law disincentives people from producing green energy when we need more.

TESTIMONY IN SUPPORT OF SB 2171

Chair Wakai, Vice Chair Misalucha, and Committee Members:

My name is Richard Wallsgrove and I am a professor of law at the William S. Richardson School of Law, University of Hawai'i at Mānoa, where I teach energy law and policy along with various other business law and environmental law courses. Prior to joining the law school, I was a frequent participant in regulatory proceedings before the Hawai'i Public Utilities Commission (PUC). This testimony is submitted in my personal capacity.¹ I thank the Committee for allowing me this opportunity to participate in its consideration of this bill.

I am writing to express **support** for SB 25711, which directs the Hawai'i Public Utilities Commission (PUC) to implement retail “wheeling” rules and charges. In the bill, wheeling describes the concept of enabling a clean energy generator to sell electricity to another electricity consumer. The bill expressly directs the PUC to evaluate how to compensate the utility for the use of existing infrastructure. **This concept opens the door for the “participatory” electricity grid of the future, in which people, communities, and businesses everywhere on the grid can consume, produce, and share clean energy,** while utilities serve the important role of network managers.

Puerto Rico’s energy regulators are evaluating wheeling as a mechanism to increase resilience, after suffering a devastating outage from Hurricane Maria. This outage stretched to six months for some communities, and the utility did not report reconnecting the last of its 1.5 million customers until eleven months after the storm. In response, regulators have made a special effort to design utility programs to promote resilient solutions such as microgrids—which can be enabled via retail wheeling. This bill sensibly nudges Hawai'i’s energy systems in the same direction. Community-based microgrids could be an especially powerful way to promote resilient clean energy in smaller communities, such as on the island of Molokai.

¹ This testimony is submitted solely on my own behalf and not on behalf of the University of Hawai'i nor any other entity.