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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Consumer Protection & Commerce
Tuesday, March 22, 2022
2:00 PM
Conference Room 329 & Videoconference**

**On the following measure:
SB 2474, SD2, HD1, RELATING TO RENEWABLE ENERGY**

Chair Johanson 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 require the Public Utilities Commission (Commission) to establish reliability standards and interconnection requirements for renewable energy projects and community-based renewable energy projects.

This HD1 version amends the bill by authorizing the Commission to determine timelines and deadlines relating to any interconnection procedures; by specifying that the procedures for interconnection also apply to community-based renewable energy projects; and has deleted language that would have required the Commission to contract for the performance of some of its duties by the Hawaii Electricity Reliability Administrator and submit a report and assessment to the Legislature.

The Department appreciates the intent of this bill to aid in the timely interconnection of renewable energy generation projects, such as community-based

renewable energy projects, and how delays in interconnecting cost-effective renewable energy projects will delay any benefits associated with those projects being delivered to consumers and progress in complying with the renewable portfolio standards. The Department also appreciates how this HD1 version no longer would amend HRS §§ 269-147 and -149 as previous versions would have.

The Department notes, however, (as does the Legislature in Section 1 of this bill) that the Commission is already investigating utility interconnection processes in Docket No. 2021-0024. This topic is also being reviewed in the context of specific proceedings related to the approval of the purchased power agreements. Thus, the Department respectfully suggests, instead of this bill's prescriptive approach to HRS § 269-142, that the Legislature allow the Commission to pursue this issue with the current flexibility in HRS Ch. 269 Part IX and through the aforementioned proceedings.

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
HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE

March 22, 2022
2:00 p.m.

Chair Johanson and Members of the Committee:

MEASURE: S.B. No. 2474 SD2 HD1

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Requires the Public Utilities Commission to establish reliability standards and interconnection requirements for renewable energy projects and community-based renewable energy projects. Effective 7/1/2100. (HD1)

POSITION:

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

COMMENTS:

The Commission supports the intent of this measure to facilitate the timely interconnection of utility-scale renewable energy projects. The Commission is committed to creating a regulatory environment that fosters improvement in the interconnection process, while mitigating risks to ratepayers and facilitating achievement of the State’s energy goals.

The Commission shares the concerns expressed in Section 1 of this measure regarding delays in bringing on needed renewable energy projects due to the utility’s interconnection process. As a result, the Commission has prioritized this matter in its decision-making in several interrelated dockets, including the convening of multiple public conferences with utility executives regarding their performance in this area, ordering specific improvements to the interconnection process managed by the utilities, and

requiring monthly or more frequent reporting from utilities and independent power producers regarding pending renewable energy projects.¹

As a component of these efforts, the Commission is currently investigating the establishment of a Hawaii Electricity Reliability Administrator (“HERA”), as authorized under HRS Section 269-146. The Commission has issued a Request for Information (“RFI”) to solicit input from qualified entities to serve under contract as the HERA (a copy of the RFI is available at <https://hands.ehawaii.gov/hands/opportunities/opportunity-details/21007>).

The Commission appreciates the amendments made by the Committee on Energy and Environmental Protection, including authorizing the Commission to determine timelines and deadlines relating to any interconnection procedures. The Commission believes that the flexibility to implement the HERA legislation based on the responses the Commission may receive from the RFI and subsequent request for proposal (“RFP”) processes will best serve the interests of electric customers and the State.

Thank you for the opportunity to testify on this measure.

¹ The Commission has been reviewing the interconnection process and has solicited feedback from stakeholders in Docket No. 2021-0024. Through this docket, the Commission has developed improvements to the interconnection process that are being incorporated into the next round of Requests for Proposals (“RFPs”). The Commission has also set up tracker accounts to quantify and monitor the costs of project delays. As of the monthly update submitted by Hawaiian Electric on February 18, 2022, this cost adds up to \$12,545,170.87 across several projects. Accounting for these costs will allow for the Commission to assess and remedy these costs through regulatory action and ensure that ratepayers are not burdened by the costs of project delays.

Furthermore, through its efforts in the Distributed Energy Resources (“DER”) docket (Docket No. 2019-0323), the Commission has worked with stakeholders to reform the utilities’ interconnection process for small-scale systems, reducing interconnection timelines by up to 50%. In its performance-based regulation (“PBR”) order, issued on December 23, 2020, in Docket No. 2018-0088, the Commission also established a performance incentive mechanism that uses both penalties and incentives to encourage the timely interconnection of DER resources by electric utilities. The Commission is currently considering performance incentive mechanisms for timely interconnection of large-scale projects in the PBR docket.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE**

S.B. 2474 S.D.2 H.D.1

Relating to Renewable Energy

Tuesday, March 22, 2022

2:00 p.m., Agenda Item #20

State Capitol, Conference Room 329 & Video Conference

Rebecca Dayhuff Matsushima
Vice President, Resource Procurement
Hawaiian Electric Company, Inc.

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of Hawaiian Electric Company, Inc. (“Hawaiian Electric” or the “Company”) respectfully in **opposition** to S.B. 2474 S.D.2 H.D.1, Relating to Renewable Energy. We appreciate the edits made in H.D.1 that address several of our concerns, but we still have significant concerns with the bill’s impact to renewable energy projects.

S.B. 2474 S.D.2 H.D.1 proposes to amend the Hawai’i Electricity Reliability Administrator (“HERA”) law requiring, among other things, that the Public Utilities Commission (“PUC”) develop reliability standards and interconnection requirements. The bill also requires the PUC to establish certain interconnection procedures including the timeline and deadlines, for the utility to complete interconnection design, reach agreement with a renewable project developer on interconnection, and file with the PUC, an interconnection or line extension approval request.

While Hawaiian Electric understands the significance of the issues raised in the

preamble of this bill, the Company has concerns that the changes proposed by the bill could have unintended consequences and a detrimental impact on renewable projects as further explained below. Hawaiian Electric understands the deep economic and environmental importance of streamlining the interconnection process to accelerate renewable energy projects and is currently working extremely hard to accelerate further integration of renewable energy in the State.

The Company is committed to continuous improvement and is therefore constantly looking for ways to improve the interconnection process. Based on its experience with its Stage 1 procurement, the Company implemented changes that have resulted in efficiencies and reduced interconnection study timelines in its Stage 2 procurement.

The Company has continued to improve the process and has incorporated changes for interconnection of projects under its pending Stage 3 procurement, as well as for the PUC's community based renewable energy program. For example, the Company plans to: (1) accelerate and streamline engineering aspects, (2) shorten the interconnection requirements study ("IRS") process by allowing for more parallel efforts and an earlier equipment software model checkout process, and (3) provide developers with preliminary interconnection requirements and circuit capacity information during the bid submittal period so developers can prepare better bids. With the IRS improvements, the Company should be able to be complete an IRS within ten months of receiving working models from a developer.

For its Stage 3 procurement, the Company has also proposed a process where the power purchase agreement ("PPA") for a project would be executed after IRS completion, which has several benefits. This will ensure project milestones match the results of the IRS and will incentivize both the developer and the Company to move

through the IRS process quickly. In addition, this would enable Hawaiian Electric to submit an application for PUC approval of a PPA and any interconnection or line extension request via one filing, compared to the current phased approach (i.e., PPA filed first, interconnection PPA amendment executed after the IRS is completed, and a subsequent filing with the PUC for approval of the line extension).

Timely completion and successful development of renewable projects are critically important to Hawaiian Electric for several reasons, including meeting the State's Renewable Portfolio Standards ("RPS") requirements, reducing reliance on imported fossil fuels, stabilizing and reducing volatility of our customers' bills, reducing greenhouse gas emissions, and assisting with post-pandemic economic recovery. Stakeholders, including Hawaiian Electric, developers, the community, government agencies, and regulators must all work together in order to successfully interconnect projects and for the State to meet the RPS. The interconnection process must have the flexibility to adjust for changes due to permitting requirements, financing restrictions, community feedback, and other factors that could impact the fundamental design of an interconnection and change the scope and timing of the interconnection process.

While Hawaiian Electric is working hard to keep renewable energy projects on schedule and put them into service as quickly as possible, there are risks to setting rigid deadlines. A potential, unintended consequence of the bill is that Hawaiian Electric would have to drop projects that do not meet deadlines so as not to potentially cause delays to other projects.

Developers can further help accelerate the process through various means including bidding well-developed projects with minimal changes and timely providing functional software models. Although project changes can cause delays, in some

circumstances, changes may be beneficial. For example, developers may propose project design modifications to address community concerns. In some situations, the delay created by the change can avoid even more severe delays to a project's guaranteed commercial operations date if the project were to maintain its original design.

Given the importance of renewable development for the State, Hawaiian Electric recognizes the concern over timely project completion. However, by statute, the PUC already has broad supervisory oversight over the utility and the ability to set timelines and penalties. There are overview mechanisms already in place, such as the Performance Based Ratemaking ("PBR") scorecards, which will be a mechanism for reporting various milestones throughout the interconnection process. Moreover, the performance incentive mechanism established in the PUC's PBR proceeding for the adjusted calculation of RPS, called RPS-A, already substantially incentivizes Hawaiian Electric to have projects on-line sooner. Finally, Hawaiian Electric has participated in numerous status conferences scheduled by the PUC to provide updates, and continues to provide the PUC with monthly updates, making a change of law unnecessary for the utility to provide updates. Requiring the PUC to adopt formal reliability standards and interconnection requirements and procedures, and establish timelines and deadlines could hinder the progress of renewable project development in Hawai'i, which would be contrary to the intent of this bill.

Thank you for this opportunity to comment on S.B. 2474 S.D.2. H.D.1.



**Testimony to the Committee on Consumer Protection and Commerce
Tuesday, March 22, 2022
2:00 PM
Conference Room 329, Hawaii State Capitol and VIA Video Conference**

SB 2474 SD2 HD1

Chair Johanson, Vice Chair Kitagawa, and members of the committee,

Hawaii Clean Power Alliance (HCPA) provides **comments** to **SB 2474 SD2 HD1**. SB 2474 HD1 establishes reliability standards and interconnection requirements of public electric utilities for renewable energy projects and requires implementation of the Hawaii Electric Reliability Administrator law (Hawaii Revised Statutes chapter 269, Part IX Electric Reliability) ("HERA"), which was passed in 2012, but has not been implemented by the Public Utilities Commission ("PUC"). **SB 2474 HD1** would effectively maintain the status quo of the HERA law and **would not provide any legislative correction** to ensure the implementation of the HERA law.

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 the following comments.

The HD1 version of SB2474 provides for the status quo. Nothing has been done by the public utilities commission for the last 10 years to address the interconnection transparency or time delays. These issues are now exacerbating Hawaii's ability to depend on renewable energy such as solar, to eliminate our dependence on fossil fuels, and leaving Hawaii to continue to be vulnerable to the rising cost of oil.

Moving with intention and urgency is needed to meet the state's ambitious renewable energy goals, bring relief to ratepayers, and reduce carbon emissions. Independent power producers rely on a clear timeline and transparent costs to ensure their proposed projects can be completed within budget and will positively contribute to the state's renewable energy portfolio goals.

By revising this existing statute as provided in SB 2474 SD2– simply changing the word "may" to "shall" in Section 2 and Section 5 regarding reliability standards and interconnection

requirements, the legislature is taking a meaningful and substantive step towards meeting the ambitious renewables targets. SB2474 SD2 HD1 would delete this change.

In addition, power supply and electric grid system reliability is essential to everyone in the state – utilities, consumers, and developers that bring new projects to market. The state’s decision to mandate the retirement of the AES plant was based on the reasonable expectation of timely completion of new replacement renewable generation. Significant delays of these new renewable projects were due, in part to interconnection delays, and have heightened concerns regarding the potential for outages and the increased use of dirty fossil fuel diesel at a higher price to ratepayers.

1. In SB2474 SD2 HD1, the previous committee deleted references to holding the utility accountable to reasonable timelines and we ask this committee to reinsert the amendment to provide for interconnection to be completed in nine months. From HCPA’s experience and based on mainland interconnection studies, this is more than a reasonable time frame.

2. We ask this committee to retain Section 5 of the previous version of the bill (SB2474 SD2) to provide for the contracting or hiring of an Administrator to implement the HERA law to oversee the current interconnection process. This will allow the Commission to increase the transparency of the interconnection process, similar to the Independent Observer that the Commission contracts for in the procurement process.

3. Additionally, we ask this committee to retain Section 6 of the previous version of the bill (SB2474 SD2), which added subsection (d) to Section 269-149, to require a PUC report to the legislature on the status and implementation of the HERA law.

Put simply, when risks are controlled, so are costs. HERA allows for the PUC to have more oversight into grid reliability standards and interconnection process. It puts in place tools that address and control costs, eliminating the unknowns that can derail a project. Developers know that when variables and risks are controlled, ratepayers benefit. SB2474 SD2 would ensure that the PUC implements the legislature’s intent as it directed when it enacted the HERA law in 2012. SB2474 **HD1** would not. HCPA urges this committee to restore the contents of SB2474 SD2 to this measure, which will support the state’s progress to 100 percent renewable electricity while setting standards for grid reliability, a win-win-win for all stakeholders.

We ask the committee to amend the HD1 version back to the SD2 version, and then pass as so amended.

Thank you for the opportunity to testify.

SB 2474 SD 2 HD 1 TESTIMONY

LATE

To: Committee on Consumer Protection & Commerce
Hearing on March 22, 2022 at 2:00 p.m.

From: John Kawamoto

Position: Oppose

The narrative in Section 1 of the bill cites the targets set by the Legislature of 100% renewable energy by 2045 and zero emissions, also by 2045. It makes sense to pursue a goal of clean, renewable energy. However, the bill falls short because it facilitates renewable energy projects, but not clean, renewable energy projects.

Renewable energy and clean energy are not equivalent. Certain types of renewable energy, such as the burning of trees, generate carbon emissions and are not clean. Certain types of clean energy, such as nuclear, are not renewable. The overall goal should be clean, renewable energy.

It is critical for energy to be clean because carbon emissions due to human activity are higher than ever, and going even higher. Data from the Mauna Loa Observatory show that the concentration of carbon dioxide in the atmosphere has increased unabated every year since 1959 until now. Hawaii is part of that frightening trend.

Carbon dioxide, once emitted, stays in the atmosphere for 300 to 1,000 years, according to NASA. We are observing only the beginning effects of climate change. Scientific data indicate that devastating climate events in the coming decades will become more severe and more prevalent. That future cannot be stopped even if carbon emissions were immediately cut to zero. But we can prevent a global climate catastrophe. The livability of Earth for future generations is at stake.

For the sake of our children and future generations, Hawaii should be working quickly toward a clean, renewable energy future. The committee should hold this bill.