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

**Before the  
House Committee on Finance  
Wednesday, April 6, 2022  
1:30 PM**

**Conference Room 308 & Videoconference**

**On the following measure:  
S.B. 2474, SD2, HD1, RELATING TO RENEWABLE ENERGY**

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 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 and -145, 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  
FINANCE

April 6, 2022  
1:30 p.m.

Chair Luke 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.<sup>1</sup>

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.

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<sup>1</sup> 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.



**TESTIMONY BEFORE THE HOUSE COMMITTEE ON  
FINANCE**

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

**Relating to Renewable Energy**

Wednesday, April 6, 2022

1:30 p.m., Agenda Item #20

State Capitol, Conference Room 308 & Video Conference

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

Chair Luke, Vice Chair Yamashita, 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. At the outset, we note a bill is not needed for these purposes, as

the PUC already has the statutory authority and ability to institute many, if not all, of these requirements.

While Hawaiian Electric understands the significance of the issues raised in the preamble of this bill, Hawaiian Electric does not believe the bill will address these issues and has concerns that the changes proposed by the bill could have unintended consequences and a detrimental impact on renewable projects as further explained below.

First, the bill notes a delay in the Interconnection of Stage 1 and Stage 2 projects. It has been well documented that delays in the interconnection study process for Stage 1 were largely due to developers' failure to provide working equipment software models needed to start these studies. There have been no documented Company delays in the interconnection studies for the Stage 2 projects. The large majority of delays outside of the model issue with both the Stage 1 and Stage 2 projects have been caused either by developers making equipment changes which require restudy or by the COVID-19 pandemic and resulting supply chain crisis causing rising prices and delaying manufacturing and shipping of items. None of the foregoing delays would be resolved by this bill.

Further the bill does not properly describe the interconnection process. The first step is completion of an interconnection requirements study. Once the study is complete, the design of the interconnection is done largely by the developer and not by the utility as suggested in the bill. Procurement and construction of interconnection facilities are also largely completed by the developer and therefore not within the control of the utility. As such, imposing deadlines or requirements on the utility would be ineffective.

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 for utility scale renewable projects. 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 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 Hawaii Island 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 is specific to each project and must be flexible 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. If the process developed is too rigid, it could result in unintended consequences such as projects being terminated, delays to other projects, or lack of community support for projects. Moreover, the technologies being implemented on Hawaii's system are leading-edge technologies, which have not been implemented at this scale or scope across the nation, relative to system size. Prescribing timelines to manage the process overlooks that we are at the forefront of the industry, with plans to displace traditional generating resources with new inverter-based technologies with functions that have not yet been in operation. Our responsibility is to ensure the safe and reliable operation of the electric system, which this bill proposes to directly impede.

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 Finance  
Wednesday, April 6, 2022  
1:30 PM  
Conference Room 308 & Via Video Conference, Hawaii State Capitol**

**SB 2474 SD2, HD1**

Chair Luke, Vice Chair Yamashita, 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 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-HD-1**

Submitted on: 4/5/2022 1:29:24 PM

Testimony for FIN on 4/6/2022 1:30:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Phillip Stephens	Kalamaula Mauka Homestead Association	Support	Written Testimony Only

Comments:

SB 2474,SD1 HD2

RELATING TO RENEWABLE ENERGY.

My name is Phillip Stephens, I am a Native Hawaiian resident of Molokai and I represent Kalama‘ula Mauka Homestead Association. Kalamaula Mauka Homestead Associations (KMHA) is a Hawaiian Homestead Beneficiary Association (HBA) as identified under 201.6 of the Hawaiian Homes Commission Act of 1920 and federally defined Homestead Associations under 43 Code of Federal Regulations. KMHA is located in the Kona district of Molokai, the second largest landowner on the island. Our mission is to serve, protect, and preserve the interest of the Native Hawaiian beneficiaries of the Hawaiian Home Lands trust.

KMHA requests a friendly amendment to exempt those projects on Hawaiian Home Lands.

Mahalo for this opportunity to testify on this measure.

Phillip Stephens



# Environmental Caucus of The Democratic Party of Hawai‘i

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## Energy & Climate Action Committee

Wednesday, April 6, 2022, 1:30 am

House Committee on Finance

SENATE BILL 2474 – RELATING TO RENEWABLE ENERGY

Position: Support

Me ke Aloha, Chair Luke and Members of the Finance Committee:

SB2474 requires the Public Utilities Commission to set reliability standards and interconnection requirements to facilitate the connection of renewable energy projects and community-based renewable energy projects.

We understand that the electric grid needs to be upgraded to enable such connections, and that this is a complicated matter. It is essential that the PUC adopt the reliability and interconnection standards to facilitate design and construction of necessary renewable projects. Your support for this upgrading is important preparation for our future self-reliance in energy. We earnestly need to accelerate this process and look for ways to overcome supply chain issues.

Mahalo for the opportunity to address this issue,

/s/ Charley Ice & Ted Bohlen, Co-Chairs, Energy and Climate Action Committee  
Environmental Caucus of the Democratic Party