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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 Ways and Means
Thursday, February 24, 2022
9:30 AM
Via Videoconference**

**On the following measure:
S.B. 2474, SD1, RELATING TO RENEWABLE ENERGY**

Chairs Baker and Dela Cruz 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 establish reliability standards and interconnection requirements of public electric utilities for renewable energy projects and to require implementation of the Hawaii Electric Reliability Administrator Law.

The Department appreciates the intent of this bill to aid in the timely interconnection of renewable energy generation projects and how delays in interconnecting cost-effective renewable energy projects will delay the benefits associated with those projects being delivered to consumers and progress in complying with the renewable portfolio standards. 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. The Department respectfully suggests, instead of this bill's prescriptive approach to HRS Ch. 269 Part IX, 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.

Strict time limitations could 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; (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; or (3) potentially eliminating the opportunity for community and public concerns to be addressed.

The Commission has already expedited its review process of both power purchase agreements and interconnection agreements. To that effect, the Commission reviewed phase 1 and 2 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 that may require evidentiary hearings.

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 bill.

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

TO THE
SENATE COMMITTEES ON
COMMERCE AND CONSUMER PROTECTION
AND
WAYS AND MEANS

February 24, 2022
9:30 a.m.

Chair Baker, Chair Dela Cruz, and Members of the Committees:

MEASURE: S.B. No. 2474, SD1

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Establishes reliability standards and interconnection requirements of public electric utilities for renewable energy projects. Requires implementation of the Hawaii Electric Reliability Administrator Law. (SD1)

POSITION:

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

COMMENTS:

The Commission supports the intent of this measure. 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 has closely monitored interconnection timelines and has prioritized this matter in its decision-making in several interrelated dockets. For example, 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.

The Commission has been reviewing the interconnection process through 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”).

Additionally, the Commission has set up tracker accounts to quantify and monitor the costs of project delays. As of the monthly update submitted by Hawaiian Electric on January 21, 2022, this cost adds up to \$10,633,921.69 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.

As a component of these pursuits, the Commission is currently investigating the establishment of a Hawaii Electricity Reliability Administrator (“HERA”). The Commission is currently undergoing the Request for Qualifications (“RFQ”) process to solicit input from qualified entities to serve under contract as the HERA.

In order to ensure that utility customers are not forced to bear the costs for the establishment of a HERA, the Commission recommends that the Committee consider amending Section 269-146, HRS, to ensure that the Commission has sufficient discretion in determining how the Hawaii electricity reliability surcharge should be assessed.

The Commission is concerned that the language in subsection (a) may restrict the ability of the Commission to determine the appropriate assessment of the surcharge. Therefore, the Commission recommends that the Legislature amend the first sentence in Section 269-146, subsection (a), as follows:

"(a) The commission may require, by rule or order, that ~~all~~ any 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."

The Commission believes that with this amendment, Section 269-146 would provide the Commission with the necessary authority to determine the appropriate assessment of the surcharge and ensure that the burden of this surcharge does not fall to ratepayers.

Thank you for the opportunity to testify on this measure.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEES
ON COMMERCE AND CONSUMER PROTECTION
AND WAYS AND MEANS**

S.B. 2474 S.D.1

Relating to Renewable Energy

Thursday, February 24, 2022

9:30 a.m., Agenda Item #9

State Capitol, Conference Room 211 & Video Conference

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

Chairs Baker and Dela Cruz, Vice Chairs Chang and Keith-Agaran, and Members of the Committees,

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.1, Relating to Renewable Energy.

S.B. 2474 S.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, and to contract with a third party to serve as the Hawai‘i electricity reliability administrator. The bill also requires the PUC to establish certain interconnection procedures including requiring 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 no later than 270 days after the utility executes and files with the PUC for approval, a power purchase agreement (“PPA”) with the developer.

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, (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 PPA 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. Setting deadlines by statute could create a deterrent to implementing these desirable changes.

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, the PUC has scheduled, and Hawaiian Electric has participated in numerous status conferences 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 contract with a third party to serve as the Hawai'i electricity reliability administrator will necessarily require time, increase costs, and 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.1.



Testimony to the Committee on Commerce and Consumer Protection and
Ways and Means

Thursday, February 24, 2022, 9:30 AM
VIA Video Conference / Conference Room 211, Hawaii State Capitol
SB 2474 SD1

Chair Baker, Chair Dela Cruz, Vice Chair Chang, Vice Chair Keith-Agaran, and members of the committees,

Hawaii Clean Power Alliance (HCPA) supports SB 2474 SD1, which 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 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 SB 2474.

As the legislature recognizes, 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 – simply changing the word “may” to “shall” – the legislature is taking a meaningful and substantive step towards meeting the ambitious renewables targets.

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 coal plant was based on the 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 fossil fuel 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, without the ability to adjust the price due to factors

beyond its control such as interconnecton costs, it can make the project no longer financially viable. As we have seen this play out in recent months, this will cause the project to terminate, setting back renewable development for many years. Hawaii was once known as the innovative and a welcoming opportunity to develop renewable energy projects. It now leaves the industry wary of developing projects due to the risks involved. Timeliness of the interconnection process and transparency in cost can help to resolve some of these risks that delay the state's achievement of the clean energy goals.

Previously, the PUC created an independent observer to oversee the RFPs of renewable energy projects. This bill implements statute already put into law but never implemented. An independent administrator, the Hawaii Electricity Reliability Administrator (HERA) will oversee electric grid reliability. A qualified, independent entity can dedicate focus to address the interconnection process, timeliness, transparency, and equity.

Put simply, when risks are controlled, so are costs. The HERA allows for the PUC to have more oversight into grid reliability standards and interconnection process and provides for more transparency. It puts in place tools that address and control costs, eliminating the unknowns that can derail a project. When variables and risks are controlled, ratepayers benefit. This bill 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 pass this bill.

Thank you for the opportunity to testify.

SB 2474 SD 1 TESTIMONY

To: Committee on Ways and Means
Decision Making on Feb. 24, 2022 at 9:30 a.m.

From: John Kawamoto

Position: Oppose

The narrative in Section 1 of the bill cites the worthy targets set by the Legislature of 100% renewable energy by 2045 and zero emissions, also by 2045. However, renewable energy and zero emissions energy are not equivalent. Certain types of renewable energy, such as the burning of trees, generate emissions. Certain types of zero emissions energy, such as nuclear, are not renewable. The overall target should be clean, renewable energy.

Unfortunately, the bill encourages renewable energy, but not clean energy. As such, it does not strive to achieve the high standards that Hawaii should aspire to.

High standards are needed, especially since the Legislature declared a climate emergency last year by adopting SCR 44. Drastic action must be taken to mitigate climate change. Insufficient effort will result in deadly disasters leading to the collapse of civilization. We owe it to our children to do the best we can to mitigate climate change, and that is a clean, renewable energy future.

In proposing the inadequate standard of renewable energy, this bill micro-manages the Public Utilities Commission (PUC). The PUC should be allowed broad discretion to fulfill its mission of protecting the public. This bill is overly restrictive, and it limits the effectiveness of the PUC.

For the foregoing reasons, I oppose the bill.