

TESTIMONY OF
LEODOLOFF R. ASUNCION, JR.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
ENERGY & ENVIRONMENTAL PROTECTION

Tuesday, January 31, 2023
8:30 a.m.

Chair Lowen, Vice Chair Cochran, and Members of the Committee:

MEASURE: H.B. No. 588

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Requires the Public Utilities Commission to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Public Utilities Commission. Requires the Public Utilities Commission to establish: (1) the distinction between interconnection facilities and utility network upgrades; (2) that the cost of interconnection facilities shall be the responsibility of the interconnection customer; and (3) that the cost of utility network upgrades shall be the sole responsibility of the transmission provider. Establishes a timeline and requirements for interconnection procedures to be established by the Public Utilities Commission for certain utility-scale renewable energy projects. Requires implementation of the Hawaii Electricity Reliability Administrator Law. Requires the Public Utilities Commission to submit a report and assessment of the Hawaii Electric Reliability Administrator to the Legislature.

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 overseeing a timely and transparent interconnection process, while acknowledging the

need for review and approvals from numerous local and State agencies, community acceptance for development, consideration of ratepayer impacts, and achievement of the State's energy goals.

In pursuit of its commitment, the Commission has engaged with stakeholders and Hawaiian Electric to adopt recommended changes to the interconnection process, beginning with the recently issued Stage 3 Request for Proposals ("RFP") for renewable energy projects, in Docket No. 2017-0352. As noted in the bill, the Commission approved Hawaiian Electric's recommendation to complete the interconnection requirements studies prior to the execution of Power Purchase Agreements with sellers of renewable energy, which more closely follows the sequence of interconnection processes in the continental U.S.

Additionally, the Commission established a performance incentive mechanism, under its Performance-Based Regulation framework (Docket No. 2018-0088), that creates financial incentives and penalties for Hawaiian Electric to complete the interconnection requirements studies and provide results to interconnection customers within a target of 10 months. This target is faster than these studies have historically been completed but was proposed by Hawaiian Electric as an achievable goal due to the recent improvements made to the interconnection process.

This bill also raises the concern that Stage 3 procurement projects "are required to assume interconnection costs prior to the completion of the interconnection requirements study and total estimated interconnection costs." The Commission shares this concern but did not find that alternative processes were feasible nor in the interest of ratepayers to implement in time for the Stage 3 process. For example, if developers were allowed to adjust interconnection cost estimates and bid prices after a contract is awarded, this would undermine the selection of low-cost projects and such cost increases would be passed onto ratepayers. Additionally, if Hawaiian Electric were made responsible for the costs of additional equipment that was unforeseen in the estimated costs, this would still require additional costs for ratepayers through Hawaiian Electric's cost recovery, or worse, could create an incentive to avoid equipment upgrades necessary to ensure grid reliability. Alternatively, if Hawaiian Electric were to study all potential projects ahead of the competitive process, this would require ratepayers to cover costs of studying every potential project even if the project was not selected in the RFP, therefore creating unnecessary expense.

The Commission, after extensive research into other jurisdictions and consideration of stakeholder feedback, chose to adopt process improvements that would protect ratepayers from unanticipated bid price increases and focus more scrutiny on Hawaiian Electric's ability to provide interconnection customers with the resources to inform interconnection cost estimates and oversight in Hawaiian Electric's allocation of interconnection-related costs to projects.

To these ends, the Commission hired an Independent Engineer to oversee the technical aspects of Hawaiian Electric's RFP process and interconnection-related procedures, including interconnection studies and cost allocation. Currently, the Independent Engineer is monitoring the development of bids into Hawaiian Electric's Stage 3 RFP to ensure that renewable energy project developers are receiving the information they need to accurately estimate interconnection costs. Later in the process, the Independent Engineer will be conducting a review of the interconnection costs, comparing estimates to actual costs, and verifying Hawaiian Electric's allocation of costs, in accordance with the Commission-approved rules for charging interconnection costs.

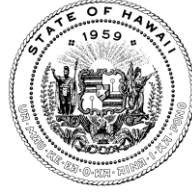
Regarding the legislature's finding "that the State does not regulate interconnection costs," the Commission observes that Hawaiian Electric's Rule No. 19, which governs interconnection and transmission upgrades, aligns with the Federal Energy Regulatory Commission's distinction between interconnection costs and utility network upgrades (referred to by Hawaiian Electric as "System Upgrades"). Rule No. 19 states that interconnection customers are responsible for the cost of Interconnection Facilities whereas Hawaiian Electric is responsible for the construction and cost of System Upgrades and "Betterments", which are defined as any upgrade or improvements made to a facility or the system not attributable to the interconnection requirements and required to provide reliable and safe operation of the system.

Furthermore, the legislature's finding that this purported lack of regulation "results in the ratepayer bearing the full financial burden of both interconnection costs and utility network upgrades in the electricity rates," while potentially accurate, this would still be true regardless of regulation or lack thereof. The Commission points out that in all the U.S., regardless of FERC jurisdiction, ratepayers will bear the full financial burden of interconnection costs and utility network upgrades in the electricity rates, since the utility's capital expenses are passed through to customers in addition to the cost of generation from independent power producers, which include the cost of interconnection facilities.

The Commission will continue to oversee how this rule is applied to interconnection customers and will utilize the Independent Engineer to provide additional scrutiny on the justification and reasonableness of interconnection costs that are allocated to the interconnecting customers. In its regulation of cost allocation, it is the Commission's role to ensure the most cost-effective and fair means of providing power to customers, therefore the Commission will continue its efforts to determine who should bear the cost burden of interconnection-related expenses in a manner that fairly allocates such costs. The Commission will continue to utilize the Independent Engineer to make sure that interconnection requirements and information are clearly provided in Hawaiian Electric's tariffs and RFP materials to ensure certainty and cost transparency for project developers.

The Commission does agree that establishing grid reliability standards will provide the benefits the legislature puts forth in this bill. The Commission believes that the reliability standards can be established by leveraging current and past proceedings before the Commission, along with the expertise of the Independent Engineer. The Commission offers for consideration that making the establishment of the Hawaii electricity reliability administrator mandatory may result in unnecessary additional cost to ratepayers, via the applicable surcharge, and instead, an investigation into establishing reliability standards could be opened to determine the most cost-effective way to achieve the goals laid out in this bill.

Thank you for the opportunity to testify on this measure.



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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Energy & Environmental Protection
Tuesday, January 31, 2023
8:30 a.m.
Conference Room 325**

**On the following measure:
H.B. 588, RELATING TO RENEWABLE ENERGY**

Chair Lowen and Members of the Committee:

My name is Dean Nishina, and I am the Acting 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 certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Commission. The bill also requires the Commission to establish: (1) the distinction between interconnection facilities and utility network upgrades; (2) that the cost of interconnection facilities shall be the responsibility of the interconnection customer; and (3) that the cost of utility network upgrades shall be the sole responsibility of the transmission provider. In addition, the bill: (1) establishes a timeline and requirements

for interconnection procedures to be established by the Commission for certain utility-scale renewable energy projects; (2) requires implementation of the Hawaii Electricity Reliability Administrator Law; and (3) requires the Commission to submit a report and assessment of the Hawaii Electric Reliability Administrator to the Legislature.

The Department appreciates the intent of this bill to expedite the timeline and procedures for interconnection in order to facilitate the development of renewable energy projects. The Department also notes that the Commission recently approved certain measures in Docket No. 2018-0088 that is meant to provide incentives and penalties to encourage expedited completion of interconnection facilities. If the proposed bill is enacted, the Department offers that the recently adopted performance incentive mechanism related to expediting interconnections will need to be revisited as it would be unreasonable for customers to reward the Hawaiian Electric Companies to comply with statutory mandates.

In addition, the Department offers that the proposed measure may have some unintended consequences. To explain, interconnection requirements generally depend on various types of factors, such as the type, size, and other characteristics of the facility, to name a few examples. The interconnection requirements may also need to consider location specific factors. Establishing standard requirements may result in either very conservative standards to mitigate concerns with reliability impacts or reliability concerns may arise if the interconnection requirements do not adequately address system conditions.

Thank you for the opportunity to testify on this bill.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
ENERGY & ENVIRONMENTAL PROTECTION**

H.B. 588

Relating to Renewable Energy

Tuesday, January 31, 2023

8:30 a.m., Agenda Item #6

State Capitol, Conference Room 325 & Video Conference

Rebecca Dayhuff Matsushima
Vice President, Resource Procurement
Hawaiian Electric

Chair Lowen, Vice Chair Cochran, and Members of the Committee,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of Hawaiian Electric in **opposition** to H.B. 588, Relating to Renewable Energy.

H.B. 588 proposes to increase Public Utilities Commission (“PUC”) regulation of reliability standards, and interconnection requirements, processes, and cost responsibilities for utility-scale renewable energy projects. A similar bill was introduced in the 2022 session. That bill ultimately resulted in Act 201 which mandated a study by an independent consultant of the interconnection process. The first phase of such study was concluded at the end of 2022 and a second phase is planned. The first phase suggested only minor improvements to the process which are currently being implemented by Hawaiian Electric. Enacting any legislation prior to the implementation of these items and the second phase of the Act 201 study is premature.

Hawaiian Electric understands the economic and environmental importance of streamlining the interconnection process to accelerate further integration of renewable energy projects. Timely completion and successful development of renewable projects

are critically important 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. Given the importance of interconnection, the PUC, Hawaiian Electric and other stakeholders have taken the following actions since the last legislative session. These changes should be allowed to take effect prior to introducing any legislation requiring further changes to the process.

1. The Performance Based Regulation ("PBR") process has implemented two scorecards related to interconnection providing further insight into the process and timelines. Most importantly, in the PBR docket, a performance incentive mechanism has been set and approved for utility scale interconnection. This performance incentive mechanism penalizes the utility when an interconnection requirement study ("IRS") takes longer than 12 months and rewards the utility the sooner it is completed. Further, in PBR the PUC has implemented rewards for accelerated RPS achievement and pursuant to Hawaii Revised Statute §269-92 established a \$20/MWh penalty for non-compliance of the RPS mandates. Additional penalties as proposed in H.B. 588 would be unduly punitive.
2. As noted above, in 2022, Phase 1 of the Act 201 study was completed and filed at the end of 2022. Phase 2 of the study will specifically address driving factors for interconnection costs and timelines, and it would be premature to institute the provisions in this bill before such study is complete.
3. Hawaiian Electric continues to improve efficiencies and reduce timelines for the interconnection process based on its experiences with Stage 1 and 2 procurements. The company has incorporated changes in its Stage 3 RFPs,

including the following measures: (1) accelerated and streamlined engineering aspects, (2) shortened the IRS process by allowing for more parallel efforts and an earlier equipment software model verification process, and (3) provided developers with preliminary interconnection requirements and circuit capacity information during the bid submittal period, so developers can prepare more accurate bids. In addition, Hawaiian Electric has proposed a process where PPAs are executed after IRS completion, which will help ensure project milestones match the results of the IRS, and incentivize a quicker IRS process. This process would also enable Hawaiian Electric to create efficiencies by submitting only one application for approval of both a PPA and any line extension request.

4. The PUC implemented an Independent Engineer (“IE”) in Stage 3. Among other things, the IE has been tasked with providing an independent review of interconnection requirements and their cost implications and to participate in discussions related to interconnection between the company and developers.

For these reasons, Hawaiian Electric believes the need for H.B. 588 is moot.

Hawaiian Electric also notes that:

1. The PUC already has the authority to determine whether the requirements for interconnection are reasonable, and has mechanisms in place to regulate interconnection requirements.
2. H.B. 588 does not take into consideration that developers play a crucial role in the interconnection process.
3. Mandating interconnection standards and timelines reduces flexibility needed to improve the efficiency and viability of renewable energy projects if changes would result in a better project. Examples include, changing equipment or

design specifications for reduced costs and greater functionality, or to address permitting requirements, financing restrictions, or community feedback.

Imposing strict requirements will likely slow the interconnection process and/or result in less reliable and resilient grids.

4. Requiring Hawaiian Electric to be responsible for all costs due to changes in reliability standards or interconnection requirements after PPA execution is unduly punitive in instances where such changes are initiated by developers.
5. The PUC already delineates interconnection cost responsibilities, as Hawaiian Electric already includes Rule 19, a PUC approved tariff, in its RFPs, which specifies the responsibility of interconnection costs, and outlines definitions associated with the interconnection process.

Hawaiian Electric firmly supports timely project completion. To this end, the PUC, Hawaiian Electric and other stakeholders, have taken significant action since the 2022 legislative session to further improve the interconnection process rendering the need for H.B. 588 moot.

Thank you for this opportunity to comment in opposition to H.B. 588. For reasons mentioned above, we request this bill be held.

HB-588

Submitted on: 1/30/2023 8:20:56 AM

Testimony for EEP on 1/31/2023 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Frederick Redell	Hawaii Clean Power Alliance	Support	Written Testimony Only

Comments:



Environmental Caucus of
The Democratic Party of Hawai'i

Energy & Climate Action Committee

Tuesday, January 31, 2023, 8:30 am

House Committee on Energy and Environmental Protection

HOUSE BILL 588 – RELATING TO RENEWABLE ENERGY

Position: Strong Support

Me ke Aloha, Chair Lowen and Vice-Chair Cochrane:

HB588 requires the Public Utilities Commission to establish reliability standards and interconnection requirements for certain renewable energy projects, distinguishing between cost obligations for interconnection facilities and utility network upgrades, and requiring establishment of interconnection procedures for certain utility-scale renewable energy projects.

The Environmental Caucus of the Democratic Caucus strongly supports these measures to update our Public Utility Commission frameworks to match the shifting needs of utility grids. The action front has shifted from identifying appropriate energy sources for utilities to the networks themselves, to upgrade the capacities to add in new and multiplying sources that are truly renewable and emissions-free.

Hawaii needs the broad-based administrative capacity to speed the addition of such sources in an integrated, coordinated, compatible manner for firm, reliable service. This will increase protection of consumers from unexpected costs due to discontinuities in administrative procedures and grid interconnection capacities, and provide greater predictability for energy service providers.

Ultimately, this promotes the complex requirements for achieving Hawaii's renewable energy goals and the elimination of carbon emissions to the atmosphere, critical to Hawaii leadership in achieving sustainable culture and life.

The Caucus is sensitive to the perennial understaffing and underfunding of agencies assigned to complex efforts such as this one, and supports the expenditure of funds to support the efforts contained in this bill.

Mahalo for the opportunity to address this matter.

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



**HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
State Capitol, Room 325
415 South Beretania Street
3:10 PM**

January 31, 2023

RE: HB 588 - RELATING TO ENERGY INTERCONNECTION

Chair Lowen, Vice Chair Cochran, and members of the committee:

My name is Max Lindsey, 2023 Government Relations Committee Chair of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii. Our members build the communities we all call home.

BIA-Hawaii is in opposition to HB 588. This bill would require the Public Utilities Commission (PUC) to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the PUC..

While we support renewable energy, this bill would further raise the cost of housing. With respect to energy interconnectivity, Hawaiian Electric Company already has a process during planning for housing developments. Housing developers already work closely with all utilities in the planning process, taking into account infrastructure, energy efficiency, and cost.

The state of Hawaii is in a dire housing crisis. As the Legislature is aware, the cost of housing in Hawaii is extremely high, with Oahu's median price of homes being currently over \$1 million. Approximately 153,967 U.S. households are priced out of buying a home for every \$1000 increase in price, according to the National Association of Home Builders (NAHB). We are in support of legislation that would allow for the building of much-needed housing at every price point in Hawaii.

Thank you for the opportunity to share our concerns.

HB-588

Submitted on: 1/29/2023 6:27:45 PM

Testimony for EEP on 1/31/2023 8:30:00 AM

Submitted By	Organization	Testifier Position	Testify
Lisa Diaz	Individual	Support	Written Testimony Only

Comments:

Aloha EEP Chair Lowen, Vice Chair Cochran & EEP Committee members:

I STRONGLY SUPPORT HB588: RELATING TO RENEWABLE ENERGY. Requires the PUC to establish reliability standards & interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the PUC. Requires the PUC to establish: (1) the distinction between interconnection facilities & utility network upgrades; (2) that interconnection facilities cost shall be the responsibility of the interconnection customer; and (3) that the cost of utility network upgrades shall be the sole responsibility of the transmission provider. Establishes a timeline & requirements for interconnection procedures to be established by the PUC for certain utility-scale renewable energy projects. Requires implementation of the Hawaii Electricity Reliability Administrator Law. Requires the PUC to submit a report & assessment of the Hawaii Electric Reliability Administrator to the Legislature.

It is imperative that our PUC establish reliability standards & interconnection requirements for renewable energy projects to assure Hawaii utility customers, power purchase agreement customers, our state government and taxpayers are protected from interconnection costs, plus cost overruns on utility network upgrades and utility scale renewable energy projects. These costs should be the sole responsibility of the transmission provider. We must implement the Hawaii Electricity Reliability Administrator Law to protect Hawaii consumers.

Mahalo, Chair Lowen, for introducing HB588 and leading the EEP committee to responsibly protect utility customers as we move to 100% renewable energy.

Mahalo with Aloha,

Lisa Diaz

76-223 Haoa St.; Kailua-Kona, HI 96740