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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 Energy, Economic Development, and Tourism
Tuesday, February 13, 2024
9:00 a.m.
Conference Room 229

On the following measure:
S.B. 2505, RELATING TO THE PUBLIC UTILITIES COMMISSION

Chair Keohokalole, Chair DeCoite, and Members of the Committees:

My name is Michael Angelo, 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: (1) require the Public Utilities Commission (Commission) to establish reliability standards and interconnection requirements for the Hawaii electric system; (2) establish system resilience as a metric that is monitored and considered by the Commission; (3) require the Commission to collect the Hawaii electricity reliability surcharge and provides that the surcharge may be transferred to the Commission for the purpose of its duties; and (4) require the Commission to contract for the performance of certain of its functions with a Hawaii Electricity Reliability Administrator.

The Department appreciates and supports the bill's intent for the Commission to prioritize system reliability, resilience, and interconnection. The Department offers that reliability, resilience, and interconnection are system-wide considerations that are interrelated and affect the planning and design of the grid which in turn impacts all customers. As such, the Department supports these issues being addressed within on-going regulatory efforts.

The Department has concerns regarding the requirement to hire a reliability administrator and impose a reliability surcharge. The Department believes that with on-going regulatory efforts, existing reporting requirements, and existing performance incentive mechanisms (PIMs) (PIMs only apply to Hawaiian Electric) the Commission can assess, compel, and incentivize the electric utilities to attain sufficient reliability targets, continued progress on interconnecting renewable energy systems, and develop and achieve resiliency goals. As an example, the Department notes that the Commission previously enacted PIMs for Hawaiian Electric that use performance reliability indices common to the electric utility industry as metrics to assess the reliability of Hawaiian Electric's generation, transmission, and distribution. Insufficient performance results in Hawaiian Electric being assessed penalties.

The Department does not support establishing an electricity reliability surcharge because providing safe and reliable utility service is the one of the most fundamental and central expectations of customer service across all electric utilities. As an example, Hawaiian Electric states that its vision for the company and Hawaii is, "to empower our customers and communities with affordable, reliable, clean energy, and provide innovative energy leadership for Hawaii" (See <https://www.hawaiianelectric.com/about-us/our-vision-and-commitment>).

Thank you for the opportunity to testify on this bill.

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

TO THE
SENATE COMMITTEES ON
COMMERCE AND CONSUMER PROTECTION
and
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Tuesday, February 13, 2024
9:00 a.m.

Chairs Keohokalole and DeCoite, Vice Chairs Fukunaga and Wakai, and Members of the Committees:

MEASURE: S.B. 2505

TITLE: RELATING TO THE PUBLIC UTILITIES COMMISSION.

DESCRIPTION: Requires the Public Utilities Commission to establish reliability standards and interconnection requirements for the Hawaii electric system. Establishes system resilience as a metric that is monitored and considered by the Commission. Requires the Commission to collect the Hawaii electricity reliability surcharge and provides that the surcharge may be transferred to the Commission for the purpose of its duties. Requires the Commission to contract for the performance of certain of its functions with a Hawaii Electricity Reliability Administrator.

POSITION:

The Public Utilities Commission (“Commission”) supports this measure and offers the following comments for consideration.

COMMENTS:

The Commission supports this measure and its intent to require the Commission to improve the reliability and resilience of Hawaii’s electricity grid.

The Commission recognizes that grid reliability and resilience are more important than ever, particularly after the wildfires in August 2023, in Lahaina, Maui, and given the growing natural disaster risks posed by climate change that Hawaii’s electric grid faces. However, there are trade-offs between a more resilient grid and a more reliable one, making balancing of the two priorities increasingly challenging. The Commission believes

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S.B. 2505 would benefit the public by ensuring grid reliability and resilience are appropriately balanced by a Hawaii Electricity Reliability Administrator.

Thank you for the opportunity to testify on this measure.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEES
ON COMMERCE & CONSUMER PROTECTION
AND
ENERGY, ECONOMIC DEVELOPMENT, & TOURISM**

**SB 2505
Relating to the Public Utilities Commission**

Tuesday, February 13, 2024
9:00 AM
State Capitol, Conference Room 229

Rebecca Dayhuff Matsushima
Vice President, Resource Acquisition
Hawaiian Electric

Dear Chair Keohokalole and Chair DeCoite, Vice Chair Fukunaga and Vice Chair Wakai,
and Members of the Committees,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of
Hawaiian Electric **in opposition to SB 2505, Relating to the Public Utilities
Commission.**

SB 2505 proposes requiring the Public Utilities Commission (“PUC” or
“Commission”) to develop reliability standards and interconnection requirements,
collect a Hawaii electricity reliability surcharge, and contract with a third party to serve
as the Hawaii electricity reliability administrator.

Hawaiian Electric understands the significance of the issues raised in SB 2505
relating to resilience of the electrical grid and is implementing solutions for improving
reliability and resiliency. Hawaiian Electric does not oppose the addition of the term
“resilience” to §269-145.5 specifically; however, in other instances, as described below,
the Company opposes mandating the implementation of the Hawaii electricity reliability
administrator or surcharge as the Commission is actively investigating and taking action
on reliability and resilience through a number of open proceedings currently before the

Commission.

Hawaiian Electric notes that the PUC already has the authority to determine reliability (and resilience) standards and interconnection requirements without this change in law, and Hawaiian Electric and the PUC are working together to improve the interconnection process through active regulatory proceedings related to Request for Proposals for renewable energy resources. Additional regulation may increase electric rates for customers through increased developer and Hawaiian Electric project costs and delay project development efforts without granting any additional authority to the PUC, which already has broad supervisory statutory oversight over the interconnection process and the ability to set timelines and penalties. For example, the PUC has established an interconnection performance incentive mechanism to impose on Hawaiian Electric to ensure timely completion of interconnection requirement studies for renewable projects. As proposed, the mandatory collection of a Hawaii electricity reliability surcharge and establishment of the Hawaii Electricity Reliability Administrator (HERA), would also result in additional costs to Hawaiian Electric customers and is not the most cost-effective way to achieve the goals stated in this bill. The intended functions of the HERA are already being pursued by the PUC.

A similar bill introduced in the 2022 session 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 the second phase's report was issued at the end of 2023. As described in the Act 201 Phase 2 report, the PUC has contracted with two entities to perform the interconnection oversight and system operations oversight functions of the HERA for the Company's Stage 3 and CBRE renewable energy RFPs, and will continue to pursue the duties and goals outlined for the HERA through the Independent Engineer (IE) and relevant proceedings. Importantly, the Act 201 Phase 2

report notes, "the Commission will continue to pursue the most cost-effective approach to achieve the goals set out for the HERA in acknowledgement of the potential ratepayer impacts that would result from the formation of the HERA."

The Act 201 reports suggested a number of improvements to the process, which are currently being implemented by Hawaiian Electric and the PUC. Improvements directed to Hawaiian Electric and that Hawaiian Electric is implementing include the following:

Summary of Recommendation	Company Response
The Companies should review interconnection related tariff/rules and revise, if necessary, to provide technical clarity and consistency in terms of interconnection requirements.	The Company is working on consolidating these requirements.
The Companies should consider using a multi-step approach to request interconnection data from the bidders to streamline and reduce costs of Bid Preparation for Developers.	The Company is building a process for the next round of Request for Proposals later this year that will enable developers to receive interconnection data at multiple points in the procurement process and make changes accordingly.
The Companies should consider providing adequate interconnection related information to the bidders in an easily accessible way during the pre-bid period via a templated "Pre-Application" report at the interested Point of Interconnection (POI) or substation.	For the upcoming Request for Proposals in 2024, the Company intends to provide interconnection-related information to bidders via a templated report.
The Companies should develop comparable interconnection cost metrics for self-build and Independent Power Producer (IPP)-built projects so that interconnection costs can be directly compared.	For the upcoming Request for Proposals, the Company is looking into requiring self-build and IPP proposals to submit interconnection costs in a consistent manner.
The Companies could develop a concise centralized location for bidders to understand the interconnection process.	The Company is preparing to launch an interconnection website that will include this information.
The Companies should share the established Interconnection Dispute Resolution Process (IDRP) with developers by communicating directly with Stage 3 RFP bidders. For any future RFP process, the Commission should ensure that the Companies include the established IDRP process in the RFP document.	The IDRP is a public document. The Company has shared it with the Stage 3 developers and will include the process in the IGP RFP.

Hawaiian Electric notes that companion bill HB 2770 was amended in the House Committee on Energy and Environmental Protection and passed out with an HD1 to reinstate existing statute, thereby maintaining the Commission's discretionary authority in these areas, while also granting the Commission the authority to oversee resilience of the electrical grid. Hawaiian Electric supports the HD1 version of HB 2770 and would request for the Committees to adopt similar language for SB 2505.

Thank you for this opportunity to testify in opposition to SB 2505. Since the intended goals of SB 2505 are already being pursued, we request this bill be held or be amended as written in HB 2770 HD1.



**Testimony to the Committee on Commerce and Consumer Protection and
Committee on Energy, Economic Development and Tourism
February 13, 2024, 9:00 AM
Conference Room 229 & Via Videoconference
SB 2505**

Chairs Keohokalole, DeCoite, Vice Chairs Fukunaga, Wakai, and Members of the Committees,

Hawaii Clean Power Alliance (HCPA) **supports SB 2505**, which requires the Public Utilities Commission to establish reliability standards and interconnection requirements for the Hawaii electric system. Establishes system resilience as a metric that is monitored and considered by the Commission. Requires the Commission to collect the Hawaii electricity reliability surcharge and provides that the surcharge may be transferred to the Commission for the purpose of its duties. Requires the Commission to contract for the performance of certain of its functions with a Hawaii Electricity Reliability Administrator.

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.

The role of the Public Utilities Commission is to regulate the public utilities including the electric utilities. Given the critical nature of energy infrastructure to the health and safety of our residents and businesses as well as the impact to national security, it is highly appropriate for the Commission to establish and monitor reliability standards, resiliency measures and be responsible for interconnection requirements.

The recent weather-related events have seriously impacted the reliability of every island's electric grid, resulting in rolling blackouts. Natural and man-made disasters have highlighted the critical and timely transformation of how Hawaii manages a resilient grid. Appropriately, after two years of study by the public utilities commission on interconnection standards, costs, issues, and opportunities the commission can take the results of their studies and create interconnection requirements that will benefit the ratepayer. Interconnection standards, overseen by the Hawaii Electric Reliability Administer can help to expedite more renewable projects integrated into the grid at a cost-effective rate. The surcharges collected by those connecting to the grid will more than offset the cost of administering.

We ask that the Committee pass this measure.