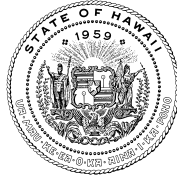


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE COMMITTEES ON

GOVERNMENT OPERATIONS
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

FEBRUARY 13, 2024, 3:10 P.M.
CONFERENCE ROOM 225 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 2822

RELATING TO ENERGY

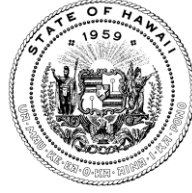
Chairs McKelvey and DeCoite, Vice Chair Gabbard and Wakai, and Members of the Committees, thank you for the opportunity to submit testimony on S.B. 2822

The Department of Accounting and General Services (DAGS) **supports** S.B. 2822 which requires the public utilities commission, by August 1, 2024, to open a docket and set a procedural schedule to determine whether and by which rules the Department of Accounting and General services may engage in wheeling of electricity that is produced by renewable energy sources from their own facilities over existing transmission lines, subject to certain restrictions. We would also recommend that, rather than limit the facilities to only those operated and managed by DAGS, the language be broadened to allow for other State facilities operated and managed by other

departments and agencies to be able to engage in wheeling electricity from renewable sources at their respective facilities. The language could be modified as such: "§269- Wheeling; renewable energy; department of accounting and general services; rules. (a) No later than August 1, 2024, the public utilities commission shall open a docket and set a procedural schedule to determine whether and by which rules the department of accounting and general services **and other departments** may engage in wheeling of electricity produced at its own facilities from renewable sources."

The docket will determine the feasibility of wheeling for DAGS facilities along with rules in which DAGS may engage in wheeling of electricity produced at its own facilities from renewable resources. DAGS supports the intent of becoming more environmentally sustainable through the use of renewable resources which reduce greenhouse gas emissions and other pollutants.

Thank you for the opportunity to testify on this measure.



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA
SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Energy, Economic Development, and Tourism
And
Senate Committee on Government Operations
Tuesday, February 13, 2024
3:10 p.m.
Conference Room 225

On the following measure:
S.B. 2822, RELATING TO ENERGY

Chair DeCoite, Chair McKelvey, 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, by 8/1/24, require the Public Utilities Commission (Commission) to open a docket and set a procedural schedule to determine whether and by which rules the Department of Accounting and General Services may engage in wheeling of electricity that is produced by renewable energy sources from their own facilities over existing transmission lines, subject to certain restrictions.

The Department appreciates the bill's intent to not only support the State's ability to install renewable energy facilities, but also to facilitate the sharing of renewable energy facility benefits among different state agencies. The issue of intragovernmental wheeling has been evaluated before, including in the Commission's Docket No. 2007-0176. At the

time of Docket No. 2007-0176, the State's options to support renewable energy projects were limited and standing up an intragovernmental wheeling program would have required considerable resources. Since that time, other options have become available. For example, in Docket No. 2020-0204, the Commission is evaluating a pilot that will explore the University of Hawaii's ability to receive the benefits of a remotely sited renewable energy project, which is akin to the benefits realized under a wheeling program. The Commission also considered the issue of wheeling as part of microgrids in Docket No. 2018-0163. In that docket, the scope of investigating a microgrid services tariff has expanded to include wheeling utilizing utility infrastructure; this would essentially require a form of wheeling. While procedures in both matters are currently suspended by the Commission, the Department offers that it would be more efficient to move forward with these proceedings than opening a new docket.

In addition, aspects of wheeling have been discussed as part of other dockets, such as Docket No. 2019-0323. Through these dockets, appropriate wheeling tariffs can be developed to: (1) enable users to wheel energy from one site to another in a manner that does not adversely affect other customers or the grid; and (2) fairly compensate the utility for using their transmission and distribution facilities to enable wheeling, so that other customers do not have to unfairly subsidize wheeling activities.

In view of the foregoing, the Department respectfully requests that the Committees consider the work the Commission has already initiated and allow the Commission to carefully complete its above dockets to enable wheeling for all customers, including governmental agencies. As noted above, establishing wheeling is complex and involves various factors. If allowed to complete the ongoing work in existing dockets, the need for an additional docket to investigate wheeling would be mitigated, if not obviated. Requiring the Commission to implement additional forms of wheeling could not only delay the implementation but also create additional delays in the future when changes may be required to ensure that terms, conditions, prices, and other factors related to wheeling may need to change to reflect future system requirements.

Thank you for the opportunity to testify on this bill.



**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

February 13, 2024 at 3:10 PM
Room 225

TESTIMONY IN SUPPORT OF SB 2822

Aloha Chair DeCoite, Chair McKelvey, and members of the Committees:

Blue Planet Foundation **supports SB 2822**, which directs the Public Utilities Commission to open a docket to explore rules that would allow government agencies to “wheel,” or use the utility’s transmission infrastructure to transmit electricity, for renewable energy generated by government agencies.

Blue Planet Foundation is a Hawai‘i-based nonprofit organization committed to help Hawai‘i cut its carbon emissions and avoid the worst impacts of climate change. Through our advocacy for renewable energy, energy efficiency, and clean transportation, we seek to make our communities stronger, our energy more secure, our environment healthier, and our economy more robust.

We note that governmental wheeling has been under consideration by the PUC for a number of years. On June 29, 2007, the PUC initiated an investigation to examine the feasibility of implementing intra-governmental wheeling of electricity in Hawai‘i. This was partially the result of Senate Concurrent Resolution 180 adopted on April 30, 2004. This docket was suspended by the PUC until December 2010 to allow for the other regulatory dockets (such as feed-in tariffs and decoupling) to be resolved. The governmental wheeling docket remains open before the PUC.

Intra-governmental wheeling provides multiple benefits for the grid, clean energy power producers, and state taxpayers. It can also be a useful tool to promote community-based microgrids and bring us closer to our vision for a participatory and resilient grid of the future where residents and communities can produce and share energy.

Although wheeling is complex, it is timely and prudent that the PUC, along with the participation of other energy stakeholders in the docket, determine how to best move forward with wheeling in Hawai‘i.

Thank you for the opportunity to testify in support of this measure.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

Testimony of the Hawaii Solar Energy Association (HSEA) Regarding SB2822, Relating to Energy, Before the Senate Committee on Energy, Economic Development, and Tourism and the Senate Committee on Government Operations

Tuesday, February 13, 2024

Dear Chairs DeCoite and McKelvey, Vice Chairs Wakai and Gabbard, and committee members,

The Hawaii Solar Energy Association (HSEA) **supports SB2822**, which calls for the Public Utilities Commission to open a proceeding to determine whether and how the Department of Accounting and General Services may conduct wheeling of renewable energy.

To achieve Hawaii's renewable energy and resilience goals, Hawaii needs a diverse portfolio of renewable energy assets from a variety of sources and at a variety of scales. Intragovernmental wheeling offers an attractive solution that can bring significant benefits to the State of Hawaii. If this bill advances, we recommend combining it with other wheeling proceedings.

Thank you for providing the opportunity to testify in **support of SB2822**.

Respectfully,

/s/ Rocky Mould

Rocky Mould
Executive Director

About HSEA

Since 1977, HSEA has been advocating for policies that help Hawaii achieve critical climate and resilience goals by enabling residents and businesses to invest in and benefit from the transition to clean energy. These investments provide reliable and affordable power that reduces energy cost burden and contributes to Hawaii's energy security as we decarbonize our economy and electric grid. HSEA members include the majority of locally owned and operated solar and energy storage companies doing business in the state of Hawaii along with leading global cleantech manufacturers and service providers that invest and sell in our market.



**Testimony to the Committee on Government Operations and
Committee on Energy, Economic Development, and Tourism
February 13, 2024, 3:10 PM
Conference Room 225 & Via Videoconference**

SB 2822

Chairs, McKelvey, DeCoite, Vice Chairs Gabbard, Wakai and Members of the Committees,

Hawaii Clean Power Alliance (HCPA) **supports SB 2822**, which by 8/1/24, requires the Public Utilities Commission to open a docket and set a procedural schedule to determine whether and by which rules the Department of Accounting and General Services may engage in wheeling of electricity that is produced by renewable energy sources from their own facilities over existing transmission lines, subject to certain restrictions.

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 legislature recognizes that the state's progress to its clean energy goals is hindered by the continued use of imported fossil fuels. Additionally, it has become evident that clean energy projects are both short- and long-term economic drivers of jobs and new business development.

In 2007, seventeen years ago, the PUC opened a docket for intragovernmental wheeling recognizing there are many renewable energy generating facilities that are curtailed when there is an oversupply of generation. This energy gets wasted and can be utilized to achieve the state's policy goals. There are many constraints in land and rooftop space for certain state agencies to be able to generate renewable energy, and this bill will allow the state to overcome some of those constraints by utilizing the over-supply of energy in one location and utilizing it in another.

We also recognize that the use of the utilities' transmission and distribution lines can be established fairly with PUC oversight to provide neutral impacts to the ratepayer and potentially create an opportunity for the utilities' to also improve their grid with additional revenue streams.

We ask the committee to pass this bill.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEES ON
ENERGY, ECONOMIC DEVELOPMENT, & TOURISM
AND
GOVERNMENT OPERATIONS**

**SB 2822
Relating to Energy**

Tuesday, February 13, 2024
3:10 pm
State Capitol, Conference Room 225

James Abraham
Associate General Counsel
Hawaiian Electric

Dear Chair DeCoite, Chair McKelvey, Vice Chair Wakai, Vice Chair Gabbard, and Members of the Committees,

My name is James Abraham and I am testifying on behalf of Hawaiian Electric offering comments and a proposed amendment to SB 2822, Relating to Energy.

Hawaiian Electric supports programs that aid renewable energy by enabling customers to use their renewable energy systems more effectively; however, the utility also recognizes the importance of equity and ensuring that the benefits of wheeling are balanced with any additional costs or burdens that may be placed on non-wheeling customers. Regulatory policies must take into account these considerations and establish policy and technical requirements that minimize cost shifting and consider the impacts on non-wheeling customers.

Hawaiian Electric agrees with the Public Utilities Commission's ("PUC") suggestion of opening a new investigatory docket to explore whether implementing wheeling in Hawaii is feasible and in the public interest. Specifically, we believe that such a docket should examine intragovernmental wheeling (i.e., wheeling of electricity from one

government agency to another) as an initial step to consider the appropriate balance of interests and priorities and address among other things risk of potential significant cost and equity impacts to non-wheeling customers. Such a docket would allow the PUC, the Consumer Advocate, Hawaiian Electric and other stakeholders to establish a foundation for a balanced wheeling model which could be used to develop similar programs for a wider range of customer-participants. However, SB 2822 as drafted would allow the Department of Accounting and General Services to engage in wheeling to any third-party, not limited to other government agencies, which may lead to unintended consequences.

In order to effectively balance many important objectives and produce sustainable success in Hawaii's unique renewable energy environment, a wheeling program must be designed to consider and address the following key principles:

- **Promote customer choice by increasing options.** We seek collaboration to establish and coordinate specific services between utilities and customers needed to lower bills, increase renewable energy, and energy efficiency.
- **Safety is paramount.** Operating an electric grid is complex and should be the responsibility of the utility without undue interference to ensure public safety and the safety of utility crews.
- **Reliability of the electric system.** The reliability and resilience of the public utility's electric grid must not be compromised.
- **Aiding renewable energy.** Wheeling programs should be designed and implemented to help increase the use of renewable energy for the benefit of the whole community, not just the few who can afford it.
- **Cohesion with existing renewable laws.** A new wheeling model in Hawaii must recognize existing laws, such as the utilities' 100% renewable portfolio standard, and ensure that wheeling does not interfere with or defeat these goals.
- **Equity.** Burden on other customers should be balanced with the benefits, including the opportunity cost for non-wheeling customers. Regulatory policies must minimize cost shifting, along with establishing other policy and technical requirements.

- **Avoid unintended consequences.** Hawaii’s regulatory framework is sophisticated and intended to serve many state and customer objectives. In fostering achievement of certain objectives, care must be applied to avoid unintentionally undermining other priority objectives.

Hawaiian Electric has strong concerns about the feasibility of addressing and balancing the above key principles in a retail wheeling model, which this bill proposes in a limited fashion, and believes that a reasonable first step would involve the PUC’s examination of intragovernmental wheeling, which may have less impacts on non-participants and the community. Enabling retail wheeling could potentially exacerbate financial and geographic equity issues by encouraging the construction of renewable energy projects on one part of the island to supply power exclusively to customers on another part of the island, using Hawaiian Electric’s transmission and distribution system to connect them. Even assuming the Company is compensated for use of its infrastructure for the benefit of some customers, this arrangement could shift costs to customers who do not benefit from wheeling arrangements yet must still pay to maintain the grid. It could also aggravate community concerns that have emerged around the siting of renewable energy projects, especially if the benefits accrue only to end users located miles away. The PUC is currently investigating these and other energy equity issues in Docket No. 2022-0250, but the concepts being discussed in that proceeding do not include wheeling.

To help address these concerns, Hawaiian Electric respectfully requests that the Committees amend the bill to include the following revisions to the definition of “wheeling” contained in subsection (e) to limit the scope of the resulting docket to intragovernmental wheeling:

(e) For the purposes of this section, "wheeling" means transmitting electric power from **one governmental agency's** point of generation **to the facilities of**

other governmental agencies over the existing transmission lines of a third-party electric public utility.

We welcome continued discussion of how wheeling concepts can be adapted to fit the realities of the Hawaii energy system, with the understanding that the Company must play a primary role in structuring such wheeling transactions to ensure safety, reliability, and financial equity. Indeed, technology and the energy market have evolved to the point where Hawaiian Electric now enables customers to enjoy many of the benefits of wheeling through existing programs such as shared solar and the Microgrid Services Tariff. We must address the State's energy future as a whole and be cautious not to simply adopt mainland solutions ill-fit for Hawaii, especially those used in larger grids with large manufacturing and commercial loads.

Hawaiian Electric appreciates the Committees' consideration of its comments and proposed amendment to SB 2822. Thank you for this opportunity to testify.



Email: communications@ulupono.com

SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, & TOURISM
AND GOVERNMENT OPERATIONS

Tuesday, February 13, 2024 — 3:10 p.m.

Ulupono Initiative offers comments on SB 2822, Relating to Energy.

Dear Chair DeCoite, Chair McKelvey, and Members of the Committees:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono offers comments on SB 2822, which requires the Public Utilities Commission to open a docket and set a procedural schedule to determine whether and by which rules the Department of Accounting and General Services may engage in wheeling of electricity that is produced by renewable energy sources from their own facilities over existing transmission lines by Aug. 1, 2024.

Normally, private wheeling raises significant equity concerns, as it allows companies and other private entities to effectively buy up renewable energy projects (or the energy from such projects) that could otherwise, if purchased by the utility, benefit all ratepayers. This is especially the case currently when utility-scale solar energy is being contracted at roughly half the cost of oil-based electricity.

Wheeling of any kind raises the specter of inequality between customers who would benefit from renewable projects and those who would not. Ulupono is generally wary of wheeling because, regardless of the end user, there are limited areas where renewable energy projects can be developed. As we continue to seek new locations for renewable projects, it will be paramount that the benefits of such projects inure to as many people as possible.

In the case of wheeling by government agencies, the equity concerns are reduced because the government agencies—and therefore tax-payers—benefit. Therefore, Ulupono believes that intra-governmental wheeling is the least objectionable option compared to private wheeling. In such cases, tax-payers and electric utility ratepayers are more or less the same constituents. By allowing this type of wheeling, it may encourage government agencies that have excess land or rooftop space at one facility to develop renewable energy on site even if it cannot all be used at the same location. It may also allow the State to lead by example in adopting renewable energy.

Investing in a Sustainable Hawai'i



We support this bill's direction to have the Hawai'i Public Utilities Commission take the lead in rulemaking around any such program and evaluate the equity issues and future siting concerns that such a program will inevitably raise.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs