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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Energy & Environmental Protection
Thursday, January 30, 2025
9:00 a.m.
Conference Room 325

On the following measure:
H.B. 338, RELATING TO RENEWABLE ENERGY

Chair Lowen and Members of the Committee:

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.

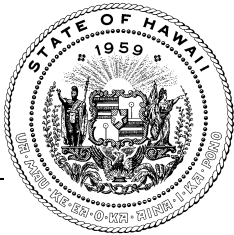
The purpose of this bill is to: (1) clarify that adjustments linked to premium interest rates for high yield credit are just and reasonable; and (2) authorize the Public Utilities Commission (Commission) to include these incremental adjustments to the rate for electricity generated from non-fossil fuels.

The Department supports this bill's intent to facilitate the procurement of renewable energy facilities within the State. The Department also recognizes that Hawaiian Electric's current credit rating has decreased its near-term ability to procure renewable energy because some renewable energy project developers that were selected through Hawaiian Electric's competitive bidding process are indicating that they are not able to continue with developing their projects representing that they are unable to obtain

reasonable financing terms due to their lenders' concerns over Hawaiian Electric's credit rating as the energy off-taker of the renewable projects.

However, the Department has concerns that customers will be paying inflated prices for renewable energy on an ongoing basis if these amendments are adopted and premium interest rates are allowed to be found just and reasonable and included within rates. Allowing the cost of premium interest rates to be included within rates would allow the Commission to find that the costs of developers/independent power producers including premium interest rates in power purchased agreement pricing could result in higher prices than what is achievable from the competitive bidding process. This could unintentionally adversely impact the competitive procurement process for renewable resources on an ongoing basis resulting in higher electricity rates for utility customers. Additionally, there is no finite duration for how long customers would be paying interest premiums in the PPA price. Independent power producers/project developers with strong financials are best positioned to provide clean and renewable energy at competitive pricing and effectively procure and build the most cost-effective facilities. These producers should be able to obtain project financing that is not adversely impacted or only marginally impacted by the credit worthiness of the utility off-taker in future requests for proposals.

Thank you for the opportunity to testify on this bill.



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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Thursday, January 30, 2025
9:00 AM
State Capitol, Conference Room 325 and Videoconference

In Support of
HB 338

RELATING TO RENEWABLE ENERGY.

Chair Lowen, Vice Chair Perruso, and Members of the Committee, the Hawai'i State Energy Office (HSEO) supports HB 338, that would authorize the Public Utilities Commission (PUC) to allow for adjustments due to interest rates in certain circumstances. HSEO defers to the PUC on the implementation of the measure.

Hawai'i's energy project developers are facing a dynamic situation regarding interest rates, exacerbated by the 2023 wildfires. The relatively long project development, approval, and construction timelines of energy projects also contribute to difficulty in maintaining static terms for financing. This bill expressly states that the PUC is allowed, but not required, to consider this factor when appropriate. Investors may view this legislation as a statement of support for energy project investment, potentially relieving some concerns from financiers and allowing for greater competition, lower prices, and fewer project delays and cancellations.

HSEO's support of this bill is consistent with section 196-71, Hawai'i Revised Statutes, to promote renewable energy to help achieve a resilient clean energy economy.

Thank you for the opportunity to testify.

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Testimony of the Public Utilities Commission

To the
House Committee on
Energy & Environmental Protection

January 30, 2025
9:00 a.m.

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

Measure: H.B. No. 338
Title: RELATING TO RENEWABLE ENERGY.

Position:

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

Comments:

The Commission appreciates the intent of this measure to improve the renewable clean energy procurement process by permitting the Commission to authorize the inclusion of incremental adjustments that are linked to premium interest rates for high yield credit to the rate for electricity generated from non-fossil fuels.

The Commission recognizes the many challenges that Hawaii's electric utilities and independent power producers face in trying to achieve a clean, renewable power system. The achievement of the state's renewable portfolio standards will hinge in no small part on the ability of independent power producers to finance their projects, as well as successfully execute agreements with Hawaii's electric utilities. The Commission believes that H.B. 338 will support the ability of independent power producers to successfully finance their projects and enter into agreements with Hawaii's electric utilities to provide clean, renewable power. The Commission, however, is cognizant of the additional burden H.B. 338 may place on the Hawaii's ratepayers and remains committed to ensuring that any rates arising from such agreements are just and reasonable, and in the public interest.

Thank you for the opportunity to testify on this measure.



**Hawaiian
Electric**

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

**HB 338
Relating to Renewable Energy**

Thursday, January 30, 2025
9:00AM
State Capitol, Conference Room 325

Rebecca Dayhuff Matsushima
Vice President, Resource
Procurement Hawaiian Electric

Dear Chair Lowen, Vice Chair Perruso, and Members of the Committee,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of Hawaiian Electric in **opposition** to HB 338, Relating to Renewable Energy, **unless amended**. HB 338 is based on the premise that Hawaiian Electric's credit rating increases the cost to finance renewable energy projects. The bill would authorize the Public Utilities Commission ("Commission") to increase the price paid to independent power producers to reflect "premium interest rates for high yield credit."

Hawaiian Electric respectfully submits that SB 1501 and HB 974 are better solutions to the concern that HB 338 is meant to address. SB 1501 and HB 974 provide for the department of budget and finance to enter into a "step-in" agreement with certain independent power producers who contract with Hawaiian Electric to build new renewable energy facilities. We believe that the step-in agreements would remove the credit risk that HB 338 mentions.

HB 338 recites that the step-in agreements may not be sufficient and that the project developers may still face increased financing costs. Hawaiian Electric respectfully questions this assertion. We are concerned that HB 338 will allow

independent power producers to increase their pricing unnecessarily, which would harm customers. We note that HB 338 includes no standards for the Commission to evaluate whether a price adjustment based on financing costs is necessary.

Hawaiian Electric would not oppose the bill if it were amended. Specifically, we propose to amend page 4, lines 12-13 to read:

“adjustments required to compensate for unavoidable increases in financing costs resulting from the utility’s credit status if proven by the producer by clear and convincing evidence”.

This amendment would clarify that the Commission may approve a price adjustment only if the project developer can demonstrate that such an adjustment is required.

Thank you for this opportunity to testify.



TESTIMONY TO THE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

9:00 AM, January 30, 2025

Conference Room 325 & Via Videoconference

HB 338

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

Hawaii Clean Power Alliance (HCPA) strongly **supports** HB 338, which clarifies that adjustments linked to premium interest rates for high yield credit are just and reasonable. Authorizes the Public Utilities Commission to include these incremental adjustments to the rate for electricity generated from nonfossil fuels.

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.

Due to the recent financial status of the electric utility, the ability to finance utility scale renewable projects are in jeopardy, which will delay residents the benefits of affordable, reliable energy. The importance of adding an increased amount of energy to the grid has been repeatedly displayed in 2024 on each Island, when there have been calls for energy conservation and rolling blackouts. Islands such as Maui are in a precarious situation, where both of the utility's generators are projected to retire soon. Additionally, if there is an unexpected unplanned outage, there are no current contingencies available to rely on.

HB 338 addresses a fundamental need to ensure that newly proposed renewable projects do not terminate. Due to the real risk foreseen by financiers due to the electric utility's current financial status, the ability to obtain financing is addressed in HB 974. That measure is critical to mitigate this issue. Additionally, if the power producer is able to obtain financing, it could be at rate above what was forecasted prior to the utility's current financial rating. Typically, the rates offered are not adjusted due to unusual circumstances. This bill will allow the PUC authority to consider this issue, and as long as any rate adjustment is just, reasonable and in the public interest, will allow them to make that adjustment.

It is important to note some important distinctions in this bill:

- 1) It does not substitute the need for HB974 (step-in agreement), but it is complementary to that bill.
- 2) Higher interest rates to finance projects puts the projects in jeopardy of termination.
- 3) The trigger for activating this action is the utility's financial status.

- 4) The bill authorizes the PUC to ensure that justification for any adjustments decided upon within their existing processes and should not be a criterion for activating this action.
- 5) The PUC has the authority to utilize the criteria **that** the rates are just, reasonable and in the public interest, to ensure any proposed adjustments are in the interest of the public.

We ask that you pass HB 338 to achieve the State's clean energy goals while protecting the interests of its residents.

Thank you for the opportunity to testify.

HB-338

Submitted on: 1/29/2025 12:37:32 PM

Testimony for EEP on 1/30/2025 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Jacqueline S. Ambrose	Individual	Support	Written Testimony Only

Comments:

YES to - Clarifies that adjustments linked to premium interest rates for high yield credit are just and reasonable. Authorizes the Public Utilities Commission to include these incremental adjustments to the rate for electricity generated from nonfossil fuels.