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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Labor
Thursday, January 30, 2025
9:00 a.m.
Conference Room 309

On the following measure:
H.B. 1182, RELATING TO RENEWABLE ENERGY

Chair Sayama and Members of the Committee:

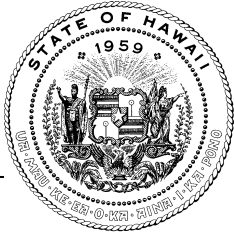
My name is Michael Angelo, and I am the Executive Director of the Department of Commerce and Consumer Affairs (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to: (1) grant the Public Utilities Commission (Commission) the ability to authorize preferential rates for the purchase of renewable energy from facilities that meet certain prevailing wage requirements; (2) require public utilities to forward certain requests for preferential rates to the Commission for approval; and (3) appropriate funds.

The Department supports the intent of this measure to advocate for the State's clean energy economy by improving job quality in clean energy industries and expanding workforce training pathways into these positions. However, the Department would like to ensure that authorizing preferential rates would not adversely impact ratepayers through higher rates and increase the already substantial energy burden of electricity customers

within the State. As reported on pages one and two of the Rocky Mountain Institute's Draft memo to the Commission, "Pathways to Disconnection Reform in Hawaii" issued by the Commission on August 14, 2024, in Docket No. 2022-0250, "Hawaii had the highest average electricity rate and average electricity bill in 2022. Data indicates that a significant portion of the Hawaii population is facing an energy affordability crisis."

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 LABOR

Thursday, January 30, 2025
9:00 AM
State Capitol, Conference Room 309 & Videoconference

In Support of
HB 1182

RELATING TO RENEWABLE ENERGY.

Chair Sayama, Vice Chair Lee, and Members of the Committee, the Hawai'i State Energy Office supports HB 1182 which grants the Public Utilities Commission (PUC) the ability to authorize preferential rates for the purchase of renewable energy from facilities that meet certain prevailing wage requirements, requires public utilities to forward certain requests for preferential rates to the PUC for approval, and appropriates funds.

This measure could help incentivize the use of prevailing wage labor for new renewable energy projects in Hawai'i.

As this is a regulatory issue, we defer to the appropriate agency for comment.

Thank you for the opportunity to testify.

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Testimony of the Public Utilities Commission

To the
House Committee on
Labor

January 30, 2025
9:00 a.m.

Chair Sayama, Vice Chair Lee, and Members of the Committee:

Measure: H.B. No. 1182
Title: RELATING TO RENEWABLE ENERGY.

Position:

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

Comments:

The Commission appreciates the intent of this measure to advance Hawaii's renewable energy goals and create a robust renewable energy workforce within the State. However, the Commission respectfully requests the Legislature to clarify portions of the measure.

Based on the current language, the measure does not specify whether preferential rates may be authorized for renewable energy facilities that provide prevailing wages to out-of-State workers. For context, HRS § 104-1, defines "prevailing wages" as "the basic hourly rate and the cost to an employer of furnishing a laborer or mechanic with fringe benefits, including but not limited to health and welfare benefits, vacation benefits, and pension benefits, whether paid directly or indirectly to the laborer or mechanic." However, the statute does not specify within the definition of "prevailing wages" whether workers must be local or can also be hired from out-of-State.

Second, the Commission also finds ambiguity regarding the use of the term "preferential rates." Within HRS § 269-27.3, the term "preferential rate" refers to a rate that would benefit the consumer of electricity. However, the term "preferential rate" as used in H.B. No. 1182 seems to suggest a rate that would benefit the producer of electricity.

Third, the Commission seeks clarification as to whether this measure is limited to new-build renewable energy facilities that are planning to pay prevailing wages, or if existing renewable energy facilities may also qualify.

Finally, the Commission is concerned of unintended consequences relating to the process of which specific entity would be responsible for determining whether a request from a facility is “bona fide” and the details surrounding the proof required by a facility to show it is paying prevailing wages. Furthermore, the Commission notes that a preferential rate as described in H.B. No. 1182 may result in a rate that is greater than the rate would have originally been negotiated with the electric utility through the current Competitive Bidding Process. This would impact ratepayers for the duration of the Power Purchase Agreement, which typically last from 20 to 25 years. As such, the act of filing “bona fide” requests to the Commission for approval without verifying if these preferential rates would be detrimental to the ratepayer may result in the development of the facility ultimately not being in the public interest.

Thank you for the opportunity to testify on this measure.



TESTIMONY BEFORE THE HOUSE COMMITTEE ON LABOR

HB 1182 Relating to Renewable Energy

Thursday, January 30, 2025
9:00am
State Capitol, Conference Room 309

Greg Shimokawa
Director, Renewable Acquisition
Hawaiian Electric

Dear Chair Sayama, Vice Chair Lee, and Members of the Committee,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric in **strong opposition** of HB 1182, which seeks to grant the Public Utilities Commission (PUC) the ability to authorize preferential rates for the purchase of renewable energy from facilities that meet certain prevailing wage requirements. Upon receipt of a bona fide request for preferential rates for the purchase of renewable energy produced from a facility that meets prevailing wage requirements, the bill would require public utilities to forward the request to the PUC for approval, and without the proposed pricing having gone through the competitive bidding process.

Hawaiian Electric strongly opposes HB 1182 as it seems to allow for circumventing of the competitive bidding process. Hawaiian Electric's competitive bidding process includes evaluation of numerous factors that are important to consider in projecting the viability of a proposed project and its future benefits to customers. Paying a "prevailing wage," defined by HRS § 104-1 as "the basic hourly rate and the cost to an employer of furnishing a laborer or mechanic with fringe benefits, including but not limited to health and welfare benefits, vacation benefits, and pension benefits,

whether paid directly or indirectly to the laborer or mechanic”, has little, if any, nexus to the State’s Renewable Portfolio Standards (RPS), and should not provide a means by which a facility could circumvent the competitive bidding process simply because the facility pays this wage.

In addition, a similar statute already exists (HRS § 269-27.3) that grants the PUC authority to establish preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities, which has greater alignment with the State’s RPS statute than paying a prevailing wage.

Thank you for this opportunity to testify in opposition of HB 1182.



TESTIMONY TO THE COMMITTEE ON LABOR

9:00 AM, January 30, 2025

Conference Room 309 & Via Videoconference

HB 1182

Chair Sayama, Vice Chair Lee and Members of the Committee,

Hawaii Clean Power Alliance (HCPA) **supports HB 1182**, which grants the Public Utilities Commission the ability to authorize preferential rates for the purchase of renewable energy from facilities that meet certain prevailing wage requirements. Requires public utilities to forward certain requests for preferential rates to the PUC for approval. Appropriates funds.

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.

HB 1182 is an essential step toward achieving Hawaii's goal of 100% renewable energy by 2045 while fostering a clean energy economy and ensuring economic equity through fair labor practices.

Hawaii has committed to an ambitious renewable energy future. However, unlike other states, Hawaii does not offer tax incentives for large-scale renewable energy facilities, creating a competitive disadvantage. The proposed legislation bridges this gap by incentivizing renewable energy projects that align with fairly compensating labor by promoting prevailing wage requirements, promoting high-quality job creation and workforce development. It supports a thriving workforce pipeline by expanding access to skilled, well-paying jobs and encouraging workforce training programs that prepare local residents for careers in clean energy industries.

Additionally, Federal incentives, such as the clean electricity investment tax credit, provide substantial support to renewable energy development. However, these programs are subject to change, leaving Hawaii's energy future vulnerable to federal policy shifts. By establishing preferential rates for qualifying projects, this bill provides a reliable state-level mechanism to attract and sustain renewable energy investments without impacting the State budget like investment tax credit would impose. This forward-thinking approach protects Hawaii's workforce and renewable energy development from potential disruptions in federal support.

This measure also aligns with Hawaii's statutory commitment to achieving a 100% renewable portfolio standard by 2045. By offering preferential rates, the State encourages developers to invest in renewable energy projects that prioritize local labor and equitable wages, accelerating progress toward our clean energy future.

The PUC's authority to evaluate requests ensures that all projects align with the principles of just and reasonable rates and serve the public interest. This oversight is critical to balance the interests of ratepayers, renewable energy developers, and the broader community.

HB 1182 provides a much-needed mechanism to promote the use of prevailing wages in renewable energy projects, secure Hawaii's clean energy goals, and support local workers.

I respectfully ask the Committee to pass this measure. Thank you for the opportunity to testify.