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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 and Intergovernmental Affairs
Tuesday, February 11, 2025
9:30 a.m.
Conference Room 229

On the following measure:
S.B. 1500, RELATING TO ELECTRIC UTILITIES

Chair Keohokalole, Chair Wakai, 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 supports this bill.

The purpose of this bill is to: (1) provide the Public Utilities Commission (Commission) with the authority to appoint a receiver to take temporary action necessary to assure continued adequate electric services from regulated investor-owned electric utilities, and (2) appropriate funds out of the Public Utilities Commission Special Fund.

The Department first notes that this bill would not amend the high standard for the Commission to appoint a receiver: "the failure [of the utility in question] is a serious and imminent threat to health, safety, and welfare". The Department sees utility receivership as a critical tool for protecting utility customers in the most extreme circumstances, but only in the most extreme circumstances. Therefore, the Department supports affording

the Commission this option for electric utilities. Electric service is critical for daily life for everyone in the State. And the permanent loss of electricity – in such an extreme scenario as, for example, a complete company collapse, however unlikely – could endanger everything from public safety infrastructure to personal health equipment. Finally, because receivership can only be invoked in circumstances extreme enough to meet this very high standard, it should be seen as just a final backstop or safety net, highly unlikely to affect the usual business and service fluctuations of electric utilities.

Thank you for the opportunity to testify on this bill.

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Testimony of the Public Utilities Commission

To the
Senate Committees on
Energy & Intergovernmental Affairs
and
Commerce & Consumer Protection

Tuesday, February 11, 2025
9:30 a.m.

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

Measure: S.B. No. 1501
Title: RELATING TO ENERGY.

Position:

The Public Utilities Commission ("Commission") supports S.B. 1501 and offers the following comments for consideration.

Comments:

The Commission supports the intent of this measure to encourage the continued development of affordable clean energy resources for the benefit of utility customers in the State.

The Commission is aware of the concerns surrounding Independent Power Producer ("IPPs") financing cost increases and market uncertainty created by Hawaiian Electric's non-investment grade credit rating. The Commission closely monitors the Stage 3 Request for Procurement process (Docket No. 2017-0352) and meets regularly with the Independent Observer on the status of all projects. IPPs in their ongoing Power Purchase Agreement ("PPA") negotiations with Hawaiian Electric have sought higher prices than previous rounds to offset their increased financing costs caused by Hawaiian Electric's PPA default risk. Hawaiian Electric in response has sought to find ways to accommodate IPPs to balance ratepayer electricity costs and developer economics. IPPs bidding into the forthcoming Integrated Grid Plan RFP ("IGP RFP"), which is under review by the Commission for approval (Docket No. 2024-0258), will face these same financing cost challenges unless Hawaiian Electric's credit rating improves.

This measure may provide a means to reduce the default risk costs imposed on IPPs by their potential lenders.

Furthermore, the Step-in Agreement will ensure that IPPs continue to be paid for the renewable energy they will produce should the electric utility trigger a default. In the worst-case scenario, if IPPs are not paid for their renewable energy, the IPP may shut down operations and would result in a loss of that renewable energy source.

The Commission respectfully defers to the Department of Budget and Finance on the implementation of other portions of the measure.

Thank you for the opportunity to testify on this measure.