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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Energy & Environmental Protection
and
House Committee on Labor
Tuesday, March 11, 2025
11:15 a.m.
Conference Room 325

On the following measure:
S.B. 997, S.D. 3, RELATING TO ENERGY

Chair Lowen, Chair Sayama, 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) grant the Public Utilities Commission (Commission) the ability to authorize preferential rates for the purchase of firm renewable energy from facilities that meet certain prevailing wage requirements; and (2) require public utilities to forward certain requests for preferential rates to the Commission for approval.

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 for firm renewable energy 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 the Public Utilities Commission

To the
House Committees on
Energy & Environmental Protection
and
Labor

March 11, 2025
11:15 a.m.

Chairs Lowen and Sayama, Vice Chairs Perruso and Lee, and Members of the Committees:

Measure: S.B. No. 997, S.D. 3
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. Nevertheless, 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 residents or can also be hired from out-of-State.

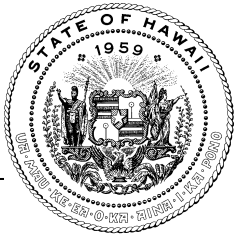
Second, the Commission also finds ambiguity regarding the use of the term "preferential rates." Within HRS §269-27.3, the term "preferential rate" refers to a rate that would

benefit the consumer of electricity. However, the term “preferential rate” as used in S.B. 997, S.D. 3 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 about unintended consequences relating to the process of which a 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 S.B. 997, S.D. 3 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.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
**HOUSE COMMITTEES ON
ENERGY & ENVIRONMENTAL PROTECTION
AND
LABOR**

Tuesday, March 11, 2025
11:15 AM
State Capitol, Conference Room 325 and Videoconference

Providing COMMENTS on
SB 997, SD3

RELATING TO ENERGY.

Chairs Lowen and Sayama, Vice Chairs Perruso and Lee, and Members of the Committees, the Hawai'i State Energy Office (HSEO) offers comments on SB 997, SD3, which would 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 and requires public utilities to forward certain requests for preferential rates to the PUC for approval.

HSEO supports the original SB 997 which would establish labor standards for new renewable energy projects in Hawai'i that are one megawatt or larger in capacity, which could help ensure workers can earn a living wage and will be motivated to pursue a long-term career in Hawai'i's utility renewable energy construction sector. HSEO believes a workforce well-trained through registered apprenticeships and motivated by good wages will increase workmanship quality and keep projects moving which leads to shorter development timelines and more stabilized or lower project construction and maintenance costs. Under the prevailing wage approach, Hawai'i has priced utility-scale solar and battery projects at a lower cost than the residual oil powered generation it is

replacing, and HSEO expects competitively priced renewable energy projects in the future.

HSEO concurs with the prevailing thought that any increase to power purchase agreement pricing would be nominal given that most renewable energy projects in Hawai'i use prevailing wage labor based on and labor costs can be estimated with more certainty than other project costs subject to global markets (i.e., equipment purchasing). While HSEO is still collecting data, input from local labor organizations indicates most utility-scale projects in Hawai'i currently under development, in the process of utility procurement, or undergoing PUC review use prevailing wage labor for construction.

The original SB 997 directed the Department of Business, Economic Development and Tourism (DBEDT) to retain the required attestation or declaration in a manner consistent with the department's record retention rules. While HSEO was not specifically referenced to perform this function, HSEO has the capability and experience in filing records for energy efficiency and renewable energy programs and currently has the capacity to maintain the records (e.g., attestations, declarations) required by SB 997 if the measure were to pass and DBEDT were to request HSEO's assistance.

HSEO believes giving the PUC the ability to authorize preferential rates for the purchase of renewable energy from projects that meet certain prevailing wage requirements 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 PUC for comment.

Thank you for the opportunity to testify.