



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone: (808) 587-3807
Fax: (808) 586-2536
Web: energy.hawaii.gov

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Friday, February 5, 2021
3:00 PM
State Capitol, Conference Room #224

Comments in consideration of
SB 929
RELATING TO RENEWABLE ENERGY.

Chair Wakai, Vice Chair Misalucha, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on SB 929 that has as its stated objective “to facilitate the timely approval of renewable energy matters” by imposing a 180-day (6 month) power purchase agreement (PPA) approval deadline on the Hawaii Public Utilities Commission (PUC), and a 270-day (9 month) transmission line filing deadline on electric utilities.

HSEO appreciates the value to developers and utilities of having predictable timing of key decisions and approvals. Confidence in timelines can enable financing and reduce project costs. However, although the 180-day time period required under SB 929 sounds reasonable, the time needed for each PPA docket varies by project, issues raised, the stakeholders involved in each docket, and the number and complexity of other matters simultaneously before the PUC. One concern that has been expressed about establishing mandatory deadlines for reviewing agencies is that if the questions or concerns of the approving agency are not satisfactorily addressed within the allotted time period, the agency may find itself required to deny the application, and the applicant may need to re-file, which may not contribute to efficiency or expediency of the process. Conversely, if applications are automatically approved and later found not

to have been in the public interest, the automatic approval provision of SB 929 may not be in the best interests of the State of Hawaii and its residents.

Regarding the interconnection process requirements starting on page 9, HSEO defers to the PUC regarding the adequacy of the current statutes empowering the PUC to impose requirements or take other regulatory actions to maintain the appropriate balance between analytical rigor, cost control, and speed in the actions and filings of the regulated utilities.

We look forward to hearing the perspectives of the various stakeholders involved in this process, including the PUC, consumer advocate, electric utilities, and renewable energy developers.

Thank you for the opportunity to testify.

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
SENATE COMMITTEE ON
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

February 5, 2021
3:00 p.m.

Chair Wakai and Members of the Committee:

MEASURE: S.B. No. 929

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Provides for timely review by the public utilities commission in its decision-making process regarding proposed renewable energy projects. Requires timely completion of the interconnection process by electric public utilities.

POSITION:

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

COMMENTS:

The Commission shares the concerns expressed in this measure with regard to interconnection processes. The Commission also appreciates the urgency and importance of creating new renewable energy generation, in order to meet grid needs and meet the renewable portfolio standards goals established by the Legislature.

The Commission has convened two status conferences to review the delays to renewable energy projects, and will be implementing reforms to the interconnection process in the next round of projects, including incentives and penalties that may be implemented to improve performance and expedite the process.

With regard to the proposed requirements surrounding decision-making on power purchase agreements (PPAs), the Commission emphasizes that it has devoted substantial resources to expeditiously review proposed PPAs once they are filed by

utilities. However, 180 days is not, in all cases, a sufficient timeframe for conducting this complex and thorough review, which informs Commission decisions that impact ratepayers, utilities, developers, and the general public for the multi-decade term of a PPA.

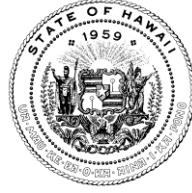
The Commission has historically required six to twelve months to complete review of PPAs for large energy projects, but has reworked its internal processes in order to more expeditiously review such PPAs. This has allowed the Commission to complete its review in three to four months in many cases. Despite these improvements, the overall process can take substantially longer depending on the circumstances for specific PPAs, as a result of requests for public participation, hearings, and other procedural requirements.

For example, in the Commission's review of the Phase 1 PPAs, several PPAs were able to be reviewed relatively quickly after the Commission prioritized this review and dedicated its resources accordingly. Review was more lengthy in cases where stakeholders or members of the public requested to participate in the process, including requests for hearings and other steps that were necessary to ensure meaningful opportunity to contribute to the review.

The Committee should also understand that many of the key provisions in a PPA refer to a "Non-appealable PUC Approval Order." Therefore, the Commission is concerned that requiring review within 180 days for all PPAs may actually increase developer uncertainty for complex and controversial projects. If the Commission is unable to complete its review within the specified timeframe, the Commission may be forced to either deny the application, or else approve the application without completing the necessary review, which will likely increase the risk of appeal and involve lengthy litigation that could significantly extend the process and leave the project in limbo for several years.

For these reasons, should the measure move forward, the Commission recommends that the Committee remove the language beginning on page 8, line 11, and ending on page 9, line 5, which would mandate a specific timeframe for PPA approval by the Commission.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Energy, Economic Development, and Tourism
Friday, February 5, 2021
3:00 p.m.
Via Videoconference**

**On the following measure:
S.B. 929, RELATING TO RENEWABLE ENERGY**

Chair Wakai and Members of the Committee:

My name is Dean Nishina, 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 purposes of this bill are to: (1) provide for timely review by the Public Utilities Commission (Commission) in its decision-making process regarding proposed renewable energy projects; and (2) require timely completion of the interconnection process by electric public utilities.

This bill imposes strict time limitations¹ that could result in unintended consequences. Past interconnection agreements have taken time to complete for various reasons, such as the independent power producer requesting modifications

¹ The Commission must decide on renewable energy power purchase agreements within 180 days; the electric public utility must complete the interconnection design, reach agreement with the independent power producer, and file an application for approval within 270 days of the filing of the power purchase agreement application with the Commission; and the Commission must decide on interconnection applications for renewable energy projects within 120 days.

after the initial review had started, and disagreements over certain interconnection requirements. Interconnecting utility scale projects to the electric grid require appropriate care to avoid reliability issues. Imposing time limits on the interconnection design and agreement between the utility and independent power producer could result in the utility agreeing to interconnection terms that jeopardize system reliability so that the utility does not forfeit incentives or face penalties.

To expedite the interconnection process, the utilities have alternatively proposed a standard interconnection agreement that would not be subject to modifications requested by the independent power producer. If a strict time limit is imposed and there is regulatory acceptance of a standard interconnection agreement that developers do not like, this could discourage developers from submitting proposed projects.

The Commission has already acted on expediting its review process of both power purchase agreements and interconnection agreements. In fact, the Commission reviewed the Phase 1 projects pursuant to very aggressive procedural schedules that taxed the Department's resources to prioritize review of these applications. The Department generally defers to the Commission on whether the proposed 180 days for action on power purchase agreements is reasonable, especially when those reviews must include a thorough analysis of greenhouse gases. However, the Department believes exceptions should be allowed to permit due consideration of customer and community concerns.

Thank you for the opportunity to testify on this bill.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEE
ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM**

S.B. 929

Relating to Renewable Energy

Friday, February 5, 2021
3:00 p.m., Agenda Item #1
State Capitol, Conference Room 224

Greg Shimokawa
Acting Director, Renewable Acquisition Division
Hawaiian Electric Company, Inc.

Chair Wakai, Vice Chair Misalucha, and Members of the Committee,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric Company, Inc. (“Hawaiian Electric” or the “Company”) respectfully in **opposition** to S.B. 929, Relating to Renewable Energy.

While we understand the significance of the issues raised in S.B. 929, Hawaiian Electric has concerns that the changes proposed by this bill could add time and cost to the interconnection process. Hawaiian Electric understands the deep economic and environmental importance of streamlining the interconnection process to accelerate renewable energy projects and is currently doing everything possible within its control to accelerate renewable energy in the State. In general, subsequent to awarding projects to developers and negotiating and signing a Power Purchase Agreement (PPA) following a Request for Proposal (RFP), there are several steps leading up to the filing of the Interconnection Requirements Amendment and request for approval of an overhead line.

Hawaiian Electric has already taken steps toward improving this process, and

improvements have been shown with the 2019-20 Stage 2 RFP projects in comparison to the Stage 1 projects in 2018. One of these improvements, providing developers with detailed documentation upfront so that they can develop and submit quality facility models, has shortened this process by five months for the Stage 2 projects. Hawaiian Electric is constantly working to find ways to further improve and speed up this process and is open to feedback from stakeholders. One such possibility the Company has considered is taking on the responsibility of the design, construction, and cost of interconnection. Another is the introduction in future RFPs of baseline costs for interconnection scenarios that can be used by developers to more accurately estimate and account for their project interconnection costs.

Timely completion and successful development of renewable projects is critically important to Hawaiian Electric for several reasons, including meeting the State's Renewable Portfolio Standards (RPS) requirements, reducing reliance on imported fossil fuels, stabilizing and reducing volatility of our customers' bills, reducing greenhouse gas emissions, and assisting with post-pandemic economic recovery. However, we must all work together toward achieving the State's RPS goals and implementing such change requires cooperation between many stakeholders, including Hawaiian Electric, developers, the community, government agencies, and regulators. The timely and successful interconnection of a project depends on all these stakeholders working together. The interconnection process must have the flexibility to adjust for changes due to permitting requirements, financing restrictions, community feedback and comments, and other impacts that could impact the fundamental design of an interconnection and change the scope and timing of the interconnection process.

While Hawaiian Electric is working hard to keep renewable energy projects on schedule and put them into service as quickly as possible, there are risks to setting rigid

deadlines. A potential, unintended consequence of the bill is that Hawaiian Electric would have to drop projects that do not meet deadlines so as not to potentially cause delays to other projects.

Developers can further help accelerate the process through various means including bidding firm projects with minimal changes and timely providing functional software models. However, some changes are good, such as developers making design modifications due to community feedback, but this can cause delays. Setting deadlines by statute could create a deterrent to implementing these desirable changes. For instance, in response to community feedback, a developer proposed a re-configuration of their project. The changes included moving the location of the interconnection facilities to optimize land use by decreasing the project's total physical footprint and increasing the project's distance from a visible roadway. While the reconfiguration caused a delay in executing the Interconnection Requirements Amendment and filing the overhead line approval request, this reconfiguration will ultimately save a considerable amount of time in the engineering and design phase and permitting process, and potentially achieve an earlier Guaranteed Commercial Operations Date than would have been achieved with the prior configuration.

Given the importance of renewable development for the State, Hawaiian Electric recognizes the concern over timely project completion. However, the PUC already has broad supervisory statutory oversight over the utility and the ability to set timelines and penalties. There are overview mechanisms already in place, such as the recently instituted Performance Based Ratemaking (PBR) scorecards, which will be a mechanism for reporting various milestones throughout the interconnection process. Moreover, the performance incentive mechanism established in PBR for the adjusted calculation of RPS, called RPS-A, already substantially incentivizes Hawaiian Electric

to have projects on-line sooner. Finally, the PUC has asked for, and Hawaiian Electric has provided, status updates on numerous occasions making a change of law unnecessary for the utility to provide updates.

Thank you for this opportunity to comment on S.B. 929.



Email: communications@ulupono.com

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, & TOURISM
Friday, February 5, 2021 — 3:00 p.m.

Ulupono Initiative offers comments on SB 929, Relating to Renewable Energy.

Dear Chair Wakai and Members of the Committee:

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 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; and better management of freshwater and waste.

Ulupono offers comments on SB 929, which provides for the timely review by the Public Utilities Commission (PUC) in its decision-making process regarding proposed renewable energy projects and requires the timely completion of the interconnection process by the electric public utilities.

Ulupono supports the State's efficient path toward renewable energy adoption as we move toward meeting our 100% RPS goal by 2045. While streamlining the interconnection and approval process through both the PUC and the electric utility could help get us to our goals, the PUC has taken rapid strides forward, particularly during the pandemic, such as the timely Decision and Order for Performance-Based Regulation pursuant to Act 5, SLH 2018, and expedited approvals of three of the recently submitted Phase 2 renewable energy power purchase agreements (PPAs) that give us confidence in the agency's effectiveness and efficiency.

Since 2014, Ulupono believes the PUC has remained committed to the State's aggressive clean energy goals, prioritizing high impact regulatory activities that support the long-term transformation of the energy system in Hawai'i. As noted in HB 506, in the first renewable energy procurement (Phase 1), which took place over an 18-month timeframe, the PUC approved seven of eight PPAs in three months. For the Phase 2 renewable energy procurement, the PUC created a novel regulatory review process that will expedite the review and approvals of the recently submitted projects. In addition to these self-directed achievements, the PUC has also proactively initiated the electric utilities' procurement process to ensure the State will have enough renewable generation to meet the electric system's needs following the retirement of the AES coal plant on O'ahu in 2022 and the Kahului Power Plant on Maui in 2024.

Investing in a Sustainable Hawai'i



For these reasons, we defer to the PUC on what timelines, if any, would help to improve efficiencies in the regulatory review process.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs



Testimony to the Committee on Energy, Economic Development, & Tourism

Tuesday, February 5, 2021

3:00 PM

VIA Video Conference

Conference Room 224, Hawaii State Capitol

SB 929

Chair Wakai, Vice Chair Misalucha, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** SB 929, which provides for a timely review by the Public Utilities Commission in its decision-making process regarding proposed renewable energy matters and requires timely completion of the interconnection process by electric public utilities.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance the development and sustainability 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 renewable energy and carbon reduction goals.

We offer these comments in support of SB 929.

HCPA knows well the difficult and daunting work the PUC faces, as its dockets fill with issues that dramatically impact the lives and well-being of our residents. We also recognize that the PUC has long had the responsibility to thoroughly vet the competitive bidding of such efforts and determine the bid's financial impact on ratepayers. With these renewable energy projects, the field has shifted, moving much of that competitive bid vetting to the electric utility before it makes it to the PUC. We believe the work of the electric utility should relieve much of the pressure on the PUC, allowing them room to move with intention without having to do again the work already completed.

This bill is not unprecedented. The legislature has previously codified into law time limits for time-certain decision-making by certain state agencies – e.g., for prioritizing affordable housing for residents and broadband expansion across the state. In these difficult times, such timely action brings relief sooner to those who need it most.

The legislature also established time limits for the Commission in other matters, such as rate cases, because of the impact to utilities. This bill wisely establishes time limits and prioritizes renewable energy matters before the PUC, establishing timeframes for decisions to be rendered, ultimately benefitting the ratepayers and the environment goals of the state.

The PUC has demonstrated its capacity to issue decisions for certain renewable projects relatively quickly, within 3 to 4 months, by prioritizing resources. They have shown expediency in matters such as



the recent PAR fuel and Young Brothers docket, both critical to the state, while other renewable matters can languish for months, sometimes stretching into almost two years. Further complicating their work, intervenors and participants may request time extensions and hearings, which, if not handled expeditiously, are allowed to delay a proceeding for several months, further delaying a renewable energy project's progress.

Whether a decision is rendered in three, six or twenty months is not a factor in whether a project will be subject to appeal. Just this week, a project that underwent 20 months of delay in the PUC decision was appealed. Similar projects that were rendered decisions in three months were not appealed. It would be better for all stakeholders, including ratepayers, to know and mitigate any appeals sooner rather than later. Similarly, suggesting that the time-certainty of decisions would potentially cause the commission to deny a project or cause a project to be approved is not recognizing the fact that the PUC must still make decisions based on law. The key to expeditious decisions is setting a procedural schedule and keeping every participant and intervenor on that schedule. The PUC has the sole discretion in doing just that.

Renewable development activities and development costs such as planning, interconnection studies, and permitting must continue while the commission is deciding on the PPA application. Federal tax credits also diminish with each passing year, further impacting the feasibility of a project that is bogged down in PUC approval. PPA bid prices cannot be adjusted once the project enters the PUC process. Such delays in PUC decision-making may leave the project incurring ever-increasing costs, and in the worst case cancelled, and ultimately putting at risk potential ratepayer benefits of the project and the state's RPS goals.

Timely interconnection completion is critical to a project's success, but delays put at risk RFP1 and potentially RFP2 projects, which could immediately mitigate the retirement of the coal plant. Renewable energy project developers need to be able to rely on a predictable and timely decision-making process in order to continue investment and bring more renewable energy to the state. Specifically, developers require two key elements: a clear timeline of the decision-making process by the regulatory body and transparent interconnection process and cost.

HCPA supports this bill so the PUC can best prioritize its work and projects can move forward expeditiously in order to meet the state's renewable energy targets and bring the associated benefits to ratepayers sooner.

During this pandemic, we have learned that efficiency, innovation, resiliency, and forward thinking are needed now more than ever.

Hawaii leads the nation in its ambitious yet achievable renewable energy goals. The rest of the country is watching, learning, and following our lead as we move ahead. Passing this bill and addressing these two key elements help to set the pace nationally and will not only move Hawaii but the rest of the country in the right direction.

We ask the committee to pass this bill.

Thank you for the opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "Fred Redell". The signature is fluid and cursive, with a long horizontal stroke at the end.

Frederick Redell, PE

Executive Director

(949) 701-8249

www.hawaii-cleanpoweralliance.org