

TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
ENERGY & ENVIRONMENTAL PROTECTION
MARCH 17, 2009

Bill No. 1675

Support Y N

Date 3/16/09

Time 1145

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MEASURE: S.B. No. 1675 S.D. 2
TITLE: Relating to Renewable Energy

Chair Morita and Members of the Committee:

DESCRIPTION:

This bill includes amendments related to net energy metering, by permitting existing net metered customers to remain with the program if a feed-in tariff or other tariff structures are implemented. This bill also prohibits an electric utility from unreasonably denying, burdening, or delaying net energy metering contracts.

POSITION:

The Commission has no objections to this measure.

Thank you for the opportunity to testify.

**Testimony before the
House Committee on
Energy & Environmental Protection
S.B. 1675 SD2 -- Relating to Renewable Energy**

**Tuesday, March 17, 2009
8:30 am, Conference Room 325**

**By Arthur Seki
Director, Technology
Hawaiian Electric Company, Inc.**

Bill No. 1675
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Chair Morita, Vice-Chair Coffman and Members of the Committee:

My name is Arthur Seki. I am the Director of Technology for Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO). We recognize the Legislature's strong interest in seeing more renewable energy development in the State and are committed not only to supporting renewable energy development but also to conservation and energy efficiency practices to reduce the State's dependence on oil.

We have previously testified in support of a net energy metering (NEM) bills that resulted in:

- Act 272, 2001--led to the state's first NEM law;
- Act 99, 2004--increased the cap from 10 kW to 50 kW
- Act 69, 2005—allowed PUC review and
- Act 104, 2005--allowed the PUC to increase the qualifying system size or enrollment limit by rule or order.

We support S.B. 1675 SD2 language and agree with last committee report that the PUC can make modifications to the NEM tariff, by rule or order.

The PUC approved changes to NEM in 2008 (Docket No. 2006-0084):

- Increased the maximum size of the eligible customer-generator that can qualify for a NEM agreement from 50 kW to 100 kW;
- Increased the total rated generating capacity produced by eligible customer-generators from 0.5% to 1.0% of the utility's system peak demand;
- Reserved 40%, 50%, and 50% of the total rated generating capacity produced by eligible customer-generators for HECO, HELCO, and MECO, respectively, for residential and smaller commercial NEM customers (system sizes of 10 kW or less);
- Utilized the Integrated Resource Planning (IRP) process to evaluate impact to the utilities' systems and determine further adjustments to the NEM system size and cap limits (limits are re-examined on an annual basis).

With the tremendous growth in NEM activity which was approaching the system cap, the PUC has recently approved:

- Increasing the total rated generating capacity produced by eligible customer-generators from 1.0% to 3.0% of the utility's system peak demand for HELCO and MECO;
- Updating the percentage to 40%, and 40% of the total rated generating capacity produced by eligible customer-generators for HELCO, and MECO, respectively, for residential and smaller commercial NEM customers (system sizes of 10 kW or less).

Thus the PUC can make modifications to the NEM tariff, by rule or order, and has done so in recent dockets or proceedings.

Thank you for the opportunity to testify.

Testimony Submitted to the Energy & Environmental Protection Committee
in **Strong Opposition to SB 1675**
Relating to Net Energy Metering

Hearing: Tuesday, March 17, 2009, 8:30 am, House conference room 325

Bill No. 1675

Support Y N

Date 3/15/09

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March 15, 2009

Aloha Chair Morita, Vice-Chair Coffman and Committee Members,

I strongly urge you to reject SB 1675.

Net metering is a very bad concept. It is irrational to pay an independent power producer - regardless of whether it be the owner of a large coal-fired power plant or a homeowner with a small wind or solar energy system - the electric utility's retail rate rather than a rate that is capped by the utility's avoided cost.

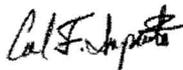
The net metering concept is a rate scheme that simply forces one class of utility customers to subsidize another class of customers. It is the wrong concept to implement, both because it is inequitable and because it is economically inefficient.

In furtherance of distributed generation, real time pricing and the "smart grid," the goal of utility ratemaking should be economically-efficient pricing in which all utility customers are exposed to the marginal cost of energy so that they will be incited to make the correct decisions about using electricity and about installing self-generation. It is a major step in the wrong direction to carve out a special class of customers (i.e., those who would qualify for "net metering" under SB 1675) who would be grossly overpaid for the excess energy they generate, at the expense of the other customers of the utility.

Yet, SB 1675 mandates the expansion of the net metering concept. And even worse, it would create a permanent class of over-subsidized customers, locking in the exorbitant payments that are being made to existing net metering customers by giving them the option of continuing to receive the highly-subsidized over-payments they currently receive under existing net metering contracts.

Today, it seems to be trendy to simply be in favor of any and all "renewable energy," regardless of the cost. But I ask that you exercise the discipline of bucking this trend, because it is far more important to our long-term energy future to get the rates right. That means neither underpaying nor overpaying for distributed generation and demand-side management. It means not voting for a bill that would create a new bucket of cross-subsidies. It means not voting for a bill that would extend warped pricing incentives that will encourage the wrong investment decisions by customers. It means voting NO on SB 1675.

Thank you for this opportunity to testify.



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