

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

MARCH 22, 2012

MEASURE: H.C.R. No. 58

TITLE: Requesting the Public Utilities Commission to Direct Electric Utilities to Examine Specific Renewable Energy Scenarios in the Integrated Planning Process

Chair Coffman, Vice Chair Kawakami, and Members of the Committee:

DESCRIPTION:

This measure requests the Commission ensure the examination of different integrated resource planning ("IRP") scenarios and resources options, and the examination of other energy-focused considerations. First, the Commission is requested to direct investor-owned electric utilities to examine as part of the upcoming IRP process 1) the replacement of existing fossil fuel-based electricity plants with renewable energy resources, and 2) the development of excess electricity to be transmitted between islands by an undersea cable or other means. The Commission is also requested to direct electric utilities to consider as part of the IRP process 1) geothermal energy, 2) hydrogen and other energy storage technologies, and 3) electricity from waste-to-energy resources. Finally, this measure requests the Commission examine a number of energy issues, including the avoided cost calculation methodology currently used and the minimization of curtailment of renewable energy resources.

POSITION:

The Commission supports this measure and would like to offer for the Committee's consideration the following comments and some suggested amendments for consistency when discussing the Revised IRP Framework.

COMMENTS:

The Commission believes that a resolution is the appropriate vehicle for the Legislature to add input into the current IRP process for the Hawaiian Electric Companies, and we thank Chair Coffman and the Committee for this consideration.

The Commission recently commenced the consolidated IRP process for Hawaiian Electric Company, Inc., Maui Electric Company, Ltd., and Hawaii Electric Light Company, which calls for the development of scenarios as part of the planning process. The use of scenario planning allows an electric utility to be adaptable and resilient to circumstances beyond the utility's control. For example, if there is a major technological breakthrough regarding the depths that could be reached in laying an electric transmission cable between Maui and Hawaii Island, the development of geothermal energy could be accelerated to meet the needs of a major load center like Honolulu. This example is just one of the possible IRP strategies that could fit into a broader IRP scenario, which the Revised IRP Framework defines generally as a set of circumstances of potential energy-related policy choices.

Unlike previous IRP processes, the Revised IRP approach will have the Commission select the members of the Advisory Group and retain the Independent Entity – the person or entity selected by the Commission to provide unbiased oversight to ensure compliance with the Revised IRP Framework. Given that the IRP process has just commenced and the Advisory Group has yet to be selected, the Commission believes this resolution can best convey the Legislature's desire to examine specific strategies to the utilities and Advisory Group.

As this measure states, the IRP process is a "key part" of determining how electric utilities will meet the State's Renewable Portfolio Standards in support of Hawaii's clean energy policies, and legislative input is very important. While the Commission supports and appreciates the Legislature's participation, the electric utilities and the Commission, along with Advisory Group participation and with technical resources and assistance, will be in a better position to ascertain the strategies identified in this measure as a result of going through the IRP process, not prior to it.

In addition, the Commission would like to note it is in favor of examining its existing methodology for calculating avoided cost. This is especially true for reexamining power purchase contracts based on avoided cost where the parties have not been able to or are reluctant to renegotiate these types of contracts. The Commission is considering

closer scrutiny or an investigation of the avoided cost calculation methodology, as this is becoming an increasingly significant issue in the face of escalating oil prices.

The Commission requests the Committee consider the amendments below to help keep the resolution's language consistent with the Commission's Decision & Order approving the Revised IRP Framework under Docket No. 2009-0108. For the Committee's information, the IRP Framework defines "scenarios" as follows:

"Scenarios" means a manageable range of possible future circumstances or set of possible circumstances reflecting potential energy-related policy choices, uncertain circumstances, and risks facing the utility and its customers, which will be the basis for the plans analyzed. A Scenario may not consist of a particular project.

With that definition in mind, please consider the following amendments:

1. Amend the title to read "Requesting the Public Utilities Commission to Direct Electric Utilities to Examine Specific Renewable Energy Strategies in the Integrated Resource Planning Process."
2. Delete "investor-owned" on page 2, line 10.
3. Delete "scenario" on page 2, line 10, and replace it with "strategy" so as to now read "...electric utilities examine a strategy that..."
4. Delete "scenario" on page 2, line 16, and replace it with "strategy" so as to also now read "...electric utilities examine a strategy that..."
5. Amend the final sentence starting on page 3, line 20, to read "BE IT FURTHER RESOLVED that certified copies of this Concurrent Resolution be transmitted to the Governor, the Chairperson of the Public Utilities Commission, Hawaiian Electric Company, Inc., Maui Electric Company, Ltd., Hawaii Electric Light Company, and Kauai Island Utility Cooperative."

Thank you for the opportunity to testify on this measure.



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TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

THURSDAY, MARCH 22, 2012
9:00 A.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE DENNY COFFMAN, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 58

DESCRIPTION:

This resolution requests the Public Utilities Commission to direct electric utilities to examine specific renewable energy scenarios in the integrated planning process.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports House Concurrent Resolution No. 58.

COMMENTS:

On March 1, 2012, the Public Utilities Commission issued its order initiating HECO Companies' Integrated Resource Planning ("IRP") Process, Order No. 30233, Docket No. 2012-0036. In this order, the Commission stated the following:

"The overall goal of this IRP is to develop an Action Plan that governs how the Hawaiian Electric Companies will meet energy objectives and customer energy needs of HECO, MECO, and HELCO. It is imperative that the Action Plan be consistent with State energy policies and goals, while providing safe and reliable utility service at reasonable costs. This will require the development of resource plans and scenarios of possible futures that provide a broader long-term perspective."

The Consumer Advocate is a party to this docket and appreciates the direction provided by the Legislature in H.C.R. No. 58. Scenarios that include geothermal, hydrogen, battery storage, and waste-to-energy facilities are all important considerations in the IRP process.

Thank you for this opportunity to testify.