THE SENATE
TWENTY-SEVENTH LEGISLATURE, 2013
STATE OF HAWAII

S.C.R. NO. 28 S.D. 1

SENATE CONCURRENT RESOLUTION

REQUESTING THE PUBLIC UTILITIES COMMISSION TO REPORT TO THE LEGISLATURE ON THE PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS OF THE RELIABILITY STANDARDS WORKING GROUP.

WHEREAS, in October 2008, the Governor, Department of Business, Economic Development, and Tourism, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, Hawaiian Electric Company, Hawaii Electric Light Company, and Maui Electric Company signed the Hawaii Clean Energy Agreement; and

WHEREAS, the energy agreement stated that the future of Hawaii requires the State to move decisively and irreversibly away from imported fossil fuel for electricity and transportation and toward locally produced renewable energy and an ethic of energy efficiency; and

WHEREAS, in order to reduce the demand for electricity and increase energy efficiency, a system of utility regulation is necessary to assure that Hawaii preserves a stable electric grid and a financially sound electric utility; and

WHEREAS, the energy agreement parties agreed that utility regulation should not allow system-wide caps on net energy metering at any of the Hawaiian Electric utilities; and

WHEREAS, net energy metering is one way to lessen Hawaii's dependence on imported oil by encouraging greater use of eligible renewable energy sources like solar (photovoltaic), wind, biomass, or hydroelectric power for electrical generation by residential and commercial customers; and

WHEREAS, photovoltaic energy systems are renewable energy sources that capture sunlight through solar panels mounted on roof tops and convert the sun's energy into electricity; and

WHEREAS, all residential and commercial utility customers who own and operate an eligible renewable energy generation system, such as a photovoltaic system, and intend to connect to a utility electric grid must register their systems with the utility by executing a net energy metering standard interconnection or other agreement; and

WHEREAS, the net energy metering agreement allows customers to connect their photovoltaic systems to the utility electric grid to export surplus electricity and provide customers credits that can be used to offset electricity purchases over a twelve-month period; and

WHEREAS, the net energy metering agreement is necessary for safety reasons and in some cases, the electric utility company may require a technical review in order to ensure that installation of the photovoltaic system meets all safety requirements and that the system will not adversely impact the utility company's electric distribution system; and

WHEREAS, under the energy agreement, the parties agreed that distributed generation interconnection will be limited on a per-circuit basis where generation, including photovoltaic energy generation, feeding into the circuit be limited to no more than fifteen percent of peak circuit demand for all distribution-level circuits of twelve kilovolts or lower; and

WHEREAS, furthermore, for those circuits where interconnection requests, particularly for photovoltaic systems, approach or exceed the fifteen percent threshold, the electric utility will perform and complete a study on its own initiative to determine whether the threshold can be increased; and

WHEREAS, in response to the energy agreement, the Hawaiian Electric utilities each filed an application with the Public Utilities Commission for approval to modify their respective company's *Tariff Rule No. 14H - Interconnection of Distributed Generating Facilities Operating In Parallel With The Company's Electric System*; and

WHEREAS, one of the amendments proposed increasing the percentage of peak annual kilovolt-ampere load into the distribution system from ten to fifteen percent; and

WHEREAS, this fifteen percent distributed generation penetration threshold would trigger an interconnection supplemental review; and

WHEREAS, additionally, this proposed amendment was consistent with the energy industry rule-of-thumb used to determine whether a proposed distributed generation should trigger additional review of the potential impact associated with the interconnection; and

WHEREAS, lastly, the proposed amendment would raise the penetration threshold and thereby allow the Hawaiian Electric utilities to accept more distributed renewable generation into a circuit before additional studies are required and in turn, encourage more renewable generation interconnections such as photovoltaic systems; and

WHEREAS, in May 2010, the Public Utilities Commission issued a Decision and Order approving the increase in the peak distributed generation penetration threshold to fifteen percent along with other amendments to Tariff Rule No. 14H; and

WHEREAS, in November 2011, the Public Utilities Commission issued a second Decision and Order approving additional amendments to Tariff Rule No. 14H, including streamlining the interconnection supplemental review process for utility customers who exceed the fifteen percent distributed generation penetration threshold, setting timeframes for the interconnection process, and establishing a supplemental review threshold of fifty percent of minimum load, which by the industrial rule-of-thumb is roughly equivalent to fifteen percent of peak, to enable customers to interconnect without a full interconnection requirements study; and

WHEREAS, the interest in and demand for household photovoltaic systems is growing in Hawaii, especially as oil prices and electricity rates have steadily increased in the past couple of years; and

WHEREAS, however, despite efforts by the State and the Hawaiian Electric utilities to facilitate more distributed renewable generation into the circuit as well as more renewable generation interconnections, interested customers in Hawaii are unable to install photovoltaic panels because their homes are

located in areas that exceed the fifteen percent of peak and fifty percent of minimum distributed generation penetration threshold; and

WHEREAS, the fifteen percent distributed generation penetration threshold is criticized as being too conservative and an obstacle to producing renewable energy in order to decrease the State's dependence on imported fossil fuel for electricity; and

WHEREAS, furthermore, interconnection studies as a result of exceeding the fifteen percent of peak and fifty percent of minimum penetration threshold are often time-consuming, expensive, and onerous because the customer is responsible for paying for these studies and does not know whether they will result in more costs or denial of interconnection; and

WHEREAS, thus, these reviews frequently create a situation in which the proposed net energy metering application for the installation of a photovoltaic system is withdrawn by the customer; and

WHEREAS, in June 2011, the Public Utilities Commission convened the Reliability Standards Working Group, consisting of utility, clean energy, and state government representatives, to address how to maximize interconnection of renewable generation while preserving grid reliability; and

WHEREAS, through a collaborative process, the Reliability Standards Working Group has developed and submitted to the Public Utilities Commission an array of recommendations, including recommendations for further improving and facilitating the distributed generation interconnection process, all of which are pending before the Commission; and

WHEREAS, these recommendations regarding distributed generation interconnection include:

(1) Further revisions to Tariff Rule No. 14H, such as raising the penetration threshold to one hundred percent of minimum load, roughly equivalent to thirty percent of peak, for circuits with twelve month data on minimum load, and providing for more realistic

calculations of aggregate distributed generation and minimum load;

(2) Establishment of a comprehensive and transparent queue for all interconnection requests; and

(3) Implementation of a new "Proactive Approach" to distributed generation interconnection and planning, under which the utility will take the initiative to determine distribution system penetration capabilities and the upgrades necessary to increase them, with the goal of moving past the current arbitrary thresholds and resulting barriers and bottlenecks; and

WHEREAS, in light of the State and the Hawaiian Electric utilities agreeing that there should be no system-wide caps on net energy metering in the energy agreement and the State's efforts pursuant to section 196-41, Hawaii Revised Statutes, in achieving its renewable portfolio standards under section 269-92, Hawaii Revised Statutes, it is imperative that mechanisms are in place and processes are streamlined to enable the State to meet and maintain its renewable energy demands and portfolio standards while ensuring safety of the electric grid and fiscal responsibility; now, therefore,

BE IT RESOLVED by the Senate of the Twenty-seventh Legislature of the State of Hawaii, Regular Session of 2013, the House of Representatives concurring, that the Public Utilities Commission is requested to report to the Legislature no later than twenty days prior to the convening of the Regular Session of 2014 on the progress by the Public Utilities Commission and the electric utilities in implementing the recommendations of the Reliability Standards Working Group; and

BE IT FURTHER RESOLVED that a certified copy of this Concurrent Resolution be transmitted to the Chairperson of the Public Utilities Commission.