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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016

MONDAY, FEBRUARY 22, 2016
2:30 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ANGUS L.K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE BILL NO. HB 1730, HD1 - RELATING TO ENERGY TARIFFS

DESCRIPTION:

This measure requires electric utilities that use a time-of-use feature in its rate structure to include a credit to the eligible customer-generator for any net electricity produced during peak hours of usage.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") offers comments on this bill.

COMMENTS:

The Public Utilities Commission ("PUC") and dozens of stakeholders have been immersed in the PUC's Distributed Energy Resources ("DER") docket for months, and the relevant preceding dockets for years before that. Last October, the PUC issued a decision and order in Phase I of the DER docket addressing immediate issues involving time-of-use ("TOU") rates by ordering the utilities to propose a TOU tariff for consideration and review.

In Phase II of the DER docket, the proposed TOU tariff is playing a key role in helping the PUC determine the value of the energy that customer-generators produce for themselves and for the grid. High peak pricing under the proposed TOU tariff increases the implicit value of any energy a customer-generator can avoid buying from the grid, and it may persuade the PUC that the value of any energy exported to the grid by customer-generators during peak hours should be more valuable than at other times of day. Amendments to this bill to let the PUC effectuate the requirements therein notwithstanding, the PUC's continuing investigatory proceedings in Phase II of the DER docket, reviewing the proposed TOU tariff and determining the value of exported energy, may still make this bill unnecessary.

Thank you for this opportunity to testify.



COLLEGE OF SOCIAL SCIENCES

HAWAII ENERGY POLICY FORUM

UNIVERSITY OF HAWAI'I AT MĀNOA

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, Hawaii Inst. for Public Affairs
Karlie Asato, Hawaii Government Employees Assn
Joseph Boivin, Hawaii Gas
Warren Bollmeier, Hawaii Renewable Energy Alliance
Michael Brittain, IBEW, Local Union 1260
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Kyle Datta, Uluopono Initiative
Mitch Ewan, UH Hawaii Natural Energy Institute
Jay Fidell, ThinkTech Hawaii
Carl Freedman, Haiku Design & Analysis
Matthias Fripp, REIS at University of Hawaii
Ford Fuchigami, Hawaii Dept of Transportation
Mark Glick, Hawaii State Energy Office, DBEDT
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Senator Brian Schatz
Michael Hamnett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
Randy Iwase, Public Utilities Commission
Ashley Kaono, Ofc of US Representative Tulsi Gabbard
Jim Kelly, Kauai Island Utility Cooperative
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Office
Representative Chris Lee, Hawaii State Legislature
Gladys Marrone, Building Industry Assn of Hawaii
Stephen Meder, UH Facilities and Planning
Hermima Morita, Energy Dynamics
Sharon Moriaki, UH Public Policy Center
Tim O'Connell, US Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Stan Osserman, HCATT
Darren Pai, Hawaiian Electric Companies
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Pereira, Hawaii Government Employees Assn
Rick Reed, Hawaii Solar Energy Assn
Cynthia Rezentes, Ofc of US Representative Mark Takai
Rick Rocheleau, UH Hawaii Natural Energy Institute
Will Rolston, Hawaii County, Research & Development
Riley Saito, SunPower Systems
Scott Seu, Hawaiian Electric Companies
Joelle Simonpietri, US Pacific Command Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kauai County
Lance Tanaka, Par Hawaii, Inc.
Maria Tome, Public Utilities Commission
Alan Yamamoto, Ofc of US Senator Mazie Hirono

Testimony of the Hawaii Energy Policy Forum Before the

House Committee on Consumer Protection and Commerce
February 22, 2016 at 2:30 pm in Conference Room 325

COMMENTS ON HB 1730 HD1 Relating to Energy Tariffs

Chair McKelvey, Vice-Chair Woodson, and Members of the Committee,

The Hawaii Energy Policy Forum ("HEPF"), created in 2002, is comprised of over 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision, mission and comprehensive "10 Point Action Plan" guide us in moving Hawaii toward its preferred energy goals and our comments on this bill.

HB 1730 HD1 requires that time-of-use ("TOU") electricity rate structures include a credit to eligible customer-generators for any net electricity produced during peak hours. The HEPF supports TOU electricity pricing and its ability to incent behavior in customers and in markets that will help drive us toward our State energy goals. This bill is unnecessary for the following reason:

In Docket No. 2014-0192, the Public Utilities Commission ("PUC") is in its second phase, with many stakeholders, of investigating how distributed energy resources should be integrated into Hawaii's electric systems in the most cost-effective and reliable manner possible. This includes the use of TOU rate structures. Furthermore, the currently running Hawaiian Electric Companies TOU pilot program already works the way this bill contemplates. Eligible customer-generators receive credit for exported energy that is equal to the rate at the time the energy is exported, whether it a peak period or otherwise. This is the way TOU pricing should work. Confusingly, this bill would apply only to peak periods and is silent on the other periods that would be part of a TOU structure.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies.



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

February 22, 2016, 2:30 PM

Room 325

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 1730 HD1

Aloha Chair McKelvey, Vice Chair Woodson, and Committee Members,

Blue Planet Foundation supports HB 1730 HD1, which would apply a smart time-of-use pricing concept to distributed energy generation (such as rooftop solar). As explained in this testimony, this solution is fair, rational, efficient, and innovative, and it can lower energy costs for consumers. We suggest a clarification at the end of this testimony.

Time-of-use (or "TOU") pricing is a system under which the price of electricity varies based on when that electricity is used or generated. This is a sensible way to match the real cost of energy with the actual price paid by energy users. At times of day when excess energy generation is available, the price can be set lower to incentivize residents and businesses to use energy at that time. At other times of day, when energy demand is high, the price can be increased to shift some of that energy demand to other times of day. This can encourage energy efficiency and generation when demand is highest, and encourage energy consumption and storage when demand is lowest.

In October 2015, the Public Utilities Commission formally expressed that it "is **disappointed with the HECO Companies' apparent ambivalence towards establishing an effective TOU option** for DER customers."¹ The testimony opposing this bill displays the same disappointing ambivalence. It is correct that the commission has already ordered the utilities to prepare time-of-use tariffs for rooftop solar customer -- but this new time-of-use feature was created over resistance and foot-dragging from the monopoly electric utilities. The resulting utility proposals were only a half-measure, applying time-of-use *only for consumption*. The time-of-use concept has *not been applied to generation*. This is asymmetrical and inefficient. HB 1730 HD1 fixes that situation and makes time-of-use a full-time solution rather than a half-time solution.

¹ Decision and Order No. 33258, filed Oct. 12, 2015 in Docket No. 2014-0192.

The consumer benefits of this bill are numerous:

- **Fair.** By making time-of-use accessible for *both* consumption and generation, this measure encourages the fair treatment of utility customers. Indeed, time-of-use pricing for generation is already found in the utility's contracts with fossil fuel power plants.
- **Rational.** Pricing electricity in closer relation to its actual cost and value is economically rational. This injects a dose of economic sense into the otherwise closed monopoly electric industry. Other industries, such as the cell phone industry, have long applied the time-of-use concept (e.g. free weekend minutes).
- **Efficient and cost-saving.** With a more dynamic approach to pricing energy consumption *and* generation, energy use will better match generation thus encouraging a system in which renewable energy is not wasted. Work by Professor Matthias Fripp at the University of Hawai'i at Mānoa College of Engineering also shows that matching consumption with generation, e.g. through a time-of-use rate structure, can lower the cost of electricity for everyone.
- **Innovative.** Time-of-use creates a much-needed mechanism for innovative new energy solutions, such as energy storage, smart thermostats, and similar technologies that will help to match energy supply and demand.

HB 1730 recognizes the power of this sensible policy solution by ensuring that some aspects of the time-of-use concept are applied to ***both energy use and energy generation***. HB 1730 ensures that energy generated during times of peak usage would be appropriately credited. This will incentivize residents and businesses, if they utilize rooftop solar and export some energy to the grid, to find ways to export that energy when energy demand is highest.

We suggest one clarification for the bill:

Presently, HB 1730 HD1 would amend H.R.S. § 269-102. This section is within the Part IV of Ch. 269, regarding net energy metering ("NEM"). The language and intent of HB 1730 is broader than NEM as it set forth in Part IV. And as the Committee is likely aware, the Public Utilities Commission recently ended the prior version of the NEM program. Thus, it may be necessary to clarify that the time-of-use structure required by this bill will be open to NEM customers (without forcing the customer to cancel their NEM participation) and it can be applied to distributed energy customers who are not NEM participants. This could be achieved in part by placing the amended language into another portion of Ch. 269. For example, H.R.S. § 269-16 covers the topic of utility ratemaking in general. In addition, Section 1 of the bill could include an additional express clarification that the bill is intended to create time-of-use options for both NEM and non-NEM utility customers.

Thank you for the opportunity to testify.

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

H.B. No. 1730 HD 1

Relating to Energy Tariffs

Monday, February 22, 2016

2:30 pm

State Capitol, Conference Room 325

Dennis Lee
Manager, Pricing Department
Hawaiian Electric Company, Inc.

Chair McKelvey, Vice Chair Woodson, and Members of the Committee:

My name is Dennis Lee and I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities Maui Electric Company and Hawai'i Electric Light Company ("Hawaiian Electric Companies" or "Companies") in **opposition** to H.B. 1730 HD 1.

This bill requires that the electric utility provide a credit to eligible customer-generators for any net electricity produced during peak hours of usage if there is a time-of-use feature in its rate structure.

The Hawaiian Electric Companies are supportive of grid supply credit rates, including time-variant, that provide fair compensation for electric grid services and other benefits provided by distributed generation customers while providing a net benefit to all customers, including those who do not have distributed generation and/or storage. The Companies believe that the best venue to determine these rates for the energy exported to the electric grid by customer-generators is the current investigative proceeding in Phase II of the DER docket before the Public Utilities Commission.

Matters related to customer-generators are currently being addressed by the Public Utilities Commission (PUC) in the Distributed Energy Resources (DER) docket

(Docket No. 2014-0192) – where the PUC is evaluating and taking action upon the various issues associated with rooftop solar and other distributed energy resources (DER). The technical, economic and policy issues being addressed by the PUC are complex and inextricably.

In Phase 1 of the DER docket, the PUC established broad reforms through a collaborative process that will support sustainable growth in the market for rooftop solar PV and other DER desired by Hawaii's residents and businesses. The reforms established by the Commission will: (1) promote rapid adoption of the next generation of solar PV and other distributed energy technologies, (2) encourage more competitive pricing of DER systems, (3) lower overall energy supply costs for all customers, and (4) help to manage each island grid's scarce capacity.

With respect to NEM, the PUC acknowledged that NEM has been an extraordinary success in Hawai'i, but also determined, after a comprehensive investigation, that a transition away from NEM is essential to ensure all customers benefit from continued growth in distributed energy, not just those who have the ability to install solar PV or other forms of DER. The Commission has approved new rooftop PV programs to replace NEM that will continue to allow customers to add rooftop solar but in a manner that is fair and sustainable.

In Phase 2 of the DER docket, the PUC will focus on further developing competitive markets for DER in Hawaii. As stated by the PUC, the PUC will closely monitor the progress of the state's electric utilities as they move towards 100% renewable energy and will take further action to ensure the state's electric utilities continue to reduce costs to customers while ensuring the safety and reliability of each island grid.

Accordingly, the Hawaiian Electric Companies oppose H.B. 1730 HD1 and request that this bill be held.

Thank you for this opportunity to testify.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO HB 1730, RELATING TO ENERGY TARIFFS
BEFORE THE
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
ON
MONDAY, FEBRUARY 22, 2016**

Chair McKelvey, Vice-Chair Woodson and members of the committee, my name is Hajime Alabanza, and I represent the Hawaii Solar Energy Association, Inc. (HSEA)

HSEA supports HB 1730 HD 1 with comments. This bill amends §269-102 to include a credit to the eligible customer-generator for any net electricity produced during peak hours of usage.

This bill is a step in the right direction as it pertains to grid modernization and valuating ancillary services of renewable energy. It is important to provide a credit for excess energy generated by a customer-generator, especially during peak hours. This creates fair valuation of energy produced and fosters the use of renewables.

Furthermore, the same credit should be given to customers who have chosen or will choose to add energy storage to their individual systems. Energy storage systems provide benefits to the grid and should be incentivized with the same credit proposed in HB 1730. Part of grid modernization is the ability of customer-owned energy storage to export excess energy to the grid when requested by the utility in both peak and non-peak hours. This export should be fairly valued and credited to the generator.

Additionally, language protecting current NEM customers from violating their own NEM agreements by modifying their solar systems with energy storage should be inserted. There would be little incentive to add energy storage to an existing system if that addition was to invalidate a preferable rate agreement.

Finally, HSEA concurs with the language inserted in HB 1730 HD1 that pertains to authorities granted to the PUC. Ultimately, it is the PUC's mandate to interpret and enforce bills of this nature. This should be explicitly stated.

Thank you for the opportunity to testify.



February 21, 2016

Representative Angus I.K. McKelvey, Chair
Representative Justin H. Woodson, Vice Chair
House Committee on Consumer Protection and Commerce

Testimony in Opposition to current form of HB 1730, HD1 Relating to Wheeling. (Requires electric utilities that use a time-of-use feature in its rate structure to include a credit to the eligible customer-generator for any net electricity produced during peak hours of usage.)

CPC Hearing: Monday, February 22, 2016, 2:30 p.m., in Conf. Rm. 325

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF supports the general intent of this bill, however, it must **oppose of HB 1730, HD1**, which requires that electric utilities provide a "time of use" credit to eligible customer-generators for any net electricity produced during peak hours of usage if there is a time-of-use feature in its rate structure. LURF's opposition is based on two facts:

- 1) The Legislature should not impose such a mandate, because it lacks the factual information, technical expertise and collaborative process to address the technical issues and complicated consequences relating to this measure; and
- 2) This subject of this bill is currently being investigated by the Public Utilities Commission (PUC). the current PUC Phase II Distributed Energy Resources (DER) Docket, the PUC will review, evaluate and take action on matters associated with rooftop solar and other DERs customer-generators, including credits for peak-hour generation. Under the circumstances, LURF respectfully recommends that the Legislature should refrain from dictating any conclusions or outcomes through legislative mandates; defer HB 1730; and allow the PUC to do its job in the Phase II DER Dockets.

HB 1730, HD1. This bill mandates that all electric utilities that use a time-of-use feature in its rate structure to include in that rate structure, a credit to the eligible customer-generator for any net electricity produced during peak hours of usage. It also requires the PUC to determine the credits; and requires the PUC to effectuate the intent of this measure.

LURF's Position. LURF's **opposition** is based on, among other things,

- **Technical energy issues are best investigated, evaluated and recommended by the PUC in a collaborative effort with utilities, power producers and other stakeholders, and not by legislative mandates.** LURF supports the idea of utilities providing reasonable “time of use” credits to eligible customer-generator for any net electricity produced during peak hours of usage. However, the technical, economic and policy issues and the impacts on other energy programs and rate payers are complex and are linked with various issues associated with rooftop solar and other *distributed energy resources* (DER). Thus, instead of legislative mandates that attempt to dictate the outcome of the PUC decisions, such technical energy issues are best investigated, evaluated and recommended by the PUC in a collaborative effort with utilities, power producers and other stakeholders.
- **HB 1730 is unnecessary, because the PUC already has a current investigative proceeding that will address the issues of concern in the bill.** LURF believes that the current investigative proceeding in Phase II of the PUC's Distributed Energy Resources docket (Docket No. 2014-0192), is the most appropriate forum to determine rates and credits for eligible customer-generators for any net electricity produced during peak hours of usage. LURF understands that the in the current PUC Phase II DER Docket, the PUC will evaluate and take action on matters associated with rooftop solar and other DERs customer-generators, including credits for peak-hour generation. LURF respectfully recommends that the Legislature should allow the PUC to do its job, and that the Legislature should refrain from dictating any conclusions or outcomes through legislative mandates.

For the reasons stated above, LURF **must oppose HB 1730, HD1** and respectfully requests that this bill be **held** in this Committee.

Thank you for the opportunity to present testimony regarding this matter.

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 20, 2016 6:17 AM
To: CPCtestimony
Cc: dylanarm@hawaii.edu
Subject: *Submitted testimony for HB1730 on Feb 22, 2016 14:30PM*

HB1730

Submitted on: 2/20/2016

Testimony for CPC on Feb 22, 2016 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Armstrong	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, February 21, 2016 2:19 PM
To: CPCtestimony
Cc: cbanni34@hawaii.edu
Subject: Submitted testimony for HB1730 on Feb 22, 2016 14:30PM

HB1730

Submitted on: 2/21/2016

Testimony for CPC on Feb 22, 2016 14:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
CRYSTAL BANNISTER	Individual	Support	No

Comments: I support HB173 in that "this will ensure fair compensation to the customer and also create an incentive for more investment in storage for distributed energy, which will move Hawaii closer to achieving its clean energy goals." I further believe it should be considered that customers should be credited for all energy, both on peak and off peak hours that they supply back to all consumers. Furthermore, Hawaii should move towards a solar energy requirement for all NEW home construction. Additionally, Hawaii Electric should be required to pay/credit FAIR rates to those who supply back to the grid and have a requirement to connect every home solar system to the grid. Currently there are too many stipulations and red tape to get connected to the grid. All homes who have solar should be connected if they so desire and not on a waiting list for approval. It is in the best interest of our environment.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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