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COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Chris Lee, Chair

Rep. Nicole E. Lowen, Vice Chair

DATE: Tuesday, February 09, 2016

TIME: 8:00 a.m.

PLACE: Conference Room 325

Re: HB 2571 Relating To Electric Public Utility Transformation **SUPPORT**

Aloha Chair Lee, Vice Chair Lowen, and Members of the Committee

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 45 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Several years ago the Legislature wisely noted the conflict that a utility has in making money selling electricity and promoting energy efficiency. The Legislature authorized the Public Utilities Commission to investigate an alternative approach. The Commission removed non-load energy efficiency programs from the electric utilities and transferred those functions to Hawaii Energy under contract with the Commission.

The other conflict that exists is when the utility owns the grid and some but not all of the generation. Then there are conditions that exist that can favor promotion of one's own generation. New York State's "Reforming the Energy Vision" (REV) strategy is moving their utilities towards becoming Distributed System **Platform** Providers (DSPPs).

This bill would allow the Commission to move forward with requiring a new utility 2.0 business model to promote and advance the State's renewable energy interests.

Mahalo

Henry Curtis
Executive Director

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 10:01 AM
To: EEPtestimony
Cc: lisamarten@hawaii.rr.com
Subject: Submitted testimony for HB2571 on Feb 9, 2016 08:00AM

HB2571

Submitted on: 2/8/2016

Testimony for EEP on Feb 9, 2016 08:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Marten	Individual	Support	No

Comments: Aloha Chair and Committee Members. I strongly support HB 2571. Despite rapid changes in technology and our State policy goals, HECO has not made significant progress in changing the way they do business. HB 2571 will force HECO to make future plans and investments in line with the need changes so that they can maintain a viable distribution business, while allowing for renewable production to flourish in our State. This law will be even more important should NextEra acquire HECO as it divorces profits from energy production with utility shareholder interests. Thank you, Lisa Marten

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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**Testimony before the
House Committee on Energy & Environmental Protection**

H.B. 2571 – Relating to Electric Public Utility Transformation

**Tuesday, February 9, 2016
8 AM, Conference Room 325**

**By Robert Isler
Manager, Generation Project Development
Hawaiian Electric Company**

Chair Lee, Vice-Chair Lowen, and Members of the Committee:

My name is Robert Isler, Manager of Generation Project Development at Hawaiian Electric. I am testifying on behalf of Hawaiian Electric, Maui Electric, and Hawai'i Electric Light (collectively the "Hawaiian Electric Companies").

The Hawaiian Electric Companies are in strong opposition to H.B. 2571. The bill presupposes without any substantiating analysis that the current investor-owned utility model and utility ownership of generating assets are not in the best interest of Hawaii. The bill supports this notion based on the ideas that Hawaii electricity customers "endure the highest electricity prices in the country" and that the current investor-owned utility business model impedes modernizing the electricity generation, transmission, and distribution system to integrate clean energy resources. This is in direct contradiction to conclusions in the recent "Analysis of Alternative Forms of Ownership and Alternative Business Models for Maui County's Electric Utility Company" and the fact that the only non-investor-owned utility in Hawaii (Kauai Island Utility Cooperative) has one of the highest electric rates in the state even without the inclusion of additional surcharges for public benefits that are included in the Hawaiian Electric Companies' rates. Additionally, under the existing investor-owned utility model, the Hawaiian Electric Companies are a national clean energy leader, including integrating twenty times

more solar per customer than the national average, and generating electricity using almost 50 percent renewable energy on Hawai'i Island and 35 percent renewable energy on Maui.

Any credible analysis of alternative utility ownership models or market structures must recognize that such efforts are complex, time consuming and costly and such alternatives may in fact increase rates for electric customers with no guarantees of improvements in reliability or integration of renewable energy. With this bill, the Legislature is jumping the gun. There are open dockets currently going through the regulatory process with the Hawaii Public Utilities Commission (PUC) that touch upon the question of utility ownership models for Hawaii, not the least of which is Docket 2015-0022 dealing with the proposed merger between the Hawaiian Electric Companies and NextEra. The PUC should be allowed to lay the groundwork for this topic prior to mandated actions that could have serious unintended consequences for electricity customers. This bill is also contradictory to the PUC's Decision and Order 33178 dated September 29, 2015 in Docket No. 20174-0113 in which the Commission approved Hawaiian Electric's request to build, own, and operate a new 50MW biofueled generating station located on Army property at Schofield.

Regardless of the utility ownership model, complete ownership of generating assets by independent power producers (IPP) in a small, isolated market could have negative consequences. If all generation is managed by contracts, customers will likely continue paying full-rate for the assets even after they are fully depreciated, the fleet as a whole may not have the flexibility desired to integrate large amounts of intermittent renewable energy, and the possibility is open for owners of generating assets to walk away from Hawaii if the contract becomes uneconomic or unattractive to the IPP. As 25 year PPAs approach their termination dates, IPPs are seeking to extend their contracts at similar rates when the underlying assets were already paid for by electric ratepayers over the life of the

contract. This would result in customers paying for the plant twice. If these generating assets were owned by the utility, electric customers would only have to continue paying for the ongoing maintenance, capital upgrades and fuel costs as opposed to paying for the capital assets a second time. Additionally, IPPs that are in financial distress have recently approached the Hawaiian Electric Companies to renegotiate terms of their power purchase agreements. Without the generation assets the utilities currently own, the utility would be in a disadvantaged negotiating position, which ultimately would not be in the best interest of electric customers. Finally utilities, whether investor-owned or otherwise, have a legal obligation to serve the public, whereas unregulated, independent power producers (IPPs) have no such obligation and can focus exclusively on maximizing profitability for their shareholders. This is all in addition to the fact that the investor-owned utility may be able to provide generating assets at a lower cost than IPPs under certain circumstances.

For these reasons, the Companies respectfully request that this measure be held. Thank you for the opportunity to provide testimony.



LATE

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 9, 2016
(*Testimony is 1 page long*)

TESTIMONY IN SUPPORT OF HB 2571

Chair Lee and Members of the Committee:

The Alliance for Solar Choice (TASC) appreciates the opportunity to support HB 2571, relating to Electric Public Utility Transformation. TASC respectfully supports this measure.

TASC advocates for maintaining successful distributed solar energy policies and markets throughout the United States. Collectively, TASC members serve a significant portion of solar customers in Hawaii.

TASC sees this measure as furthering the Hawaii Public Utilities Commission's inclinations, and a necessary step to ensure ratepayers can get more reliable and cost-effective forms of electricity. Currently, a vertically-integrated utility has every incentive to use its generated electricity even if more expensive and less reliable. Maui is a great example of this problem, where the PUC chastised MECO for prioritizing its sources of electricity over using cheaper and readily-available sources of electricity from third-party providers (wind). Instead, MECO greatly curtailed this cheap electricity resource to the detriment of ratepayers.

The California energy division recently analyzed changes needed to get the electric utilities to prioritize distributed energy resources (including rooftop solar). After numerous recommended changes and improvements, the energy division concluded that, at best, these changes would make the electrical utility neutral to distributed energy resources. There would be no motivation to be more aggressive or "better" at incorporating distributed energy resources without more significant changes. Hawaii faces a similar situation, which is the reason why this measure is necessary.

Mahalo for considering our comments.



Directors

Jody Allione
Project Development
Consultant

Joe Boivin
Hawaii Gas

Kelly King
Pacific Biodiesel

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

HB2571, RELATING TO TAXATION

February 9, 2016 8:00 am

Chair Lee, Vice-Chair Lowen and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of this Act is to begin transitioning towards an electric utility of the future by requiring investor-owned electric utilities to phase out their acquisition, ownership, and use of new and existing generation resources.

HREA **strongly supports** this measure with the following comments:

- 1) Meeting Our Clean Energy. This measure supports our clean energy goals by encouraging business opportunities and competition in the production of renewable energy Hawaii, which will help to drive long term energy prices down by competitive bidding.
- 2) Creating a Sustainable Electric Utility of the Future. This measure helps to have the investor-owned utility transition to a sustainable business model of a utility of the future.

Recommendation: We recommend passing the measure out “as is.”

Mahalo for this opportunity to testify.

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2016 3:52 PM
To: EEPtestimony
Cc: dylanarm@hawaii.edu
Subject: *Submitted testimony for HB2571 on Feb 9, 2016 08:00AM*

LATE

HB2571

Submitted on: 2/8/2016

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

Comments:

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