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**TO THE SENATE COMMITTEES ON EDUCATION AND
TRANSPORTATION AND ENERGY**

**THE TWENTY-EIGHTH LEGISLATURE
REGULAR SESSION OF 2016**

**TUESDAY, FEBRUARY 9, 2016
3:00 P.M.**

**TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE MICHELLE N. KIDANI AND
LORRAINE R INOUE, CHAIRS, AND MEMBERS OF THE COMMITTEE**

**SENATE BILL NO. 2536 - RELATING TO WHEELING FOR
EDUCATIONAL INSTITUTIONS**

DESCRIPTION:

This measure proposes to authorize state educational institutions to utilize wheeling to transmit renewable energy generated electricity to themselves at other locations, and requires the Public Utilities Commission ("Commission") and electric utilities to adopt rules and tariffs consistent with the wheeling mandate.

POSITION:

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

COMMENTS:

For purposes of this bill, "wheeling" would involve the storage and transfer of energy, generated at one educational institution location, to another location, utilizing the utilities' transmission and distribution system.

The Consumer Advocate supports the intent of this bill and the Department of Education's ("DOE") efforts to conserve electricity, while also installing air-conditioning at many schools that have recently proven too hot to be conducive to education during certain times of the year.

The Consumer Advocate, however, has concerns with this measure. Wheeling raises challenging issues. The Consumer Advocate emphasizes that any proposed wheeling tariff cannot be predetermined and must require significant scrutiny by the Commission to avoid the following possible scenarios: 1) under-compensating the utility for the costs associated with the transmission/distribution infrastructure used to wheel the energy because such under-compensation would shift costs to other customers; and 2) over-charging the DOE, creating a disincentive for distributed generation.

The proposed statutory language specifically provides that "... such policies, rules, and tariffs shall not result in making state educational institution wheeling cost-prohibitive or infeasible." This language does not appear to prohibit related wheeling costs from being shifted to other customers in order to avoid such "cost-prohibitive or infeasible" impacts for state educational institutions.

In addition, high levels of energy coming onto and off of the transmission system, can affect power quality, thus, applicable rules for wheeling must provide grid system operators sufficient notice and ultimate control over generation coming onto and off of the system.

Thank you for this opportunity to testify.



February 9, 2016

Senator Michelle N. Kidani, Chair
Senator Breene Harimoto, Vice Chair
Senate Committee on Education

Senator Lorraine R. Inouye, Chair
Senator Mike Gabbard, Vice Chair
Senate Committee on Education

Testimony in Opposition to SB 2356 Relating to Wheeling for Educational Institutions. (Authorizes state educational institutions to utilize wheeling to transmit renewable energy generated electricity to themselves at other locations, and requires the public utilities commission and electric utilities to adopt rules and tariffs consistent with the wheeling mandate.)

EDU/TRE Hearing: Tuesday, February 9, 2016, 3:00 p.m., in Conf. Rm. 229

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 and its members strongly support educational institutions such as the Department of Education (DOE) and the University of Hawaii (UH). LURF and its members helped draft and supported the DOE Impact Fee law, which requires all builders of new homes to pay their fair share of the costs of new or renovated DOE facilities; provide funding for numerous educational scholarships and projects, provide the use of lands, and also maintain numerous working partnerships with the University of Hawaii system and campuses on all islands.

While LURF believes that this bill as introduced with good intentions, and despite the fact that LURF and its members have proven to be strong supporters of the DOE and UH, it must regrettably **OPPOSE the current version of SB 2356**, and LURF respectfully recommends that the bill be **held in your Committees** until the key stakeholders can confirm the facts, work out the details, and determine whether this is a fair and prudent proposal for all parties – a win-win-win, or, if it is a win-lose proposition - then another alternative should be researched and agreed-to by the key stakeholders.

SB 2356. This bill authorizes state educational institutions to utilize wheeling to transmit renewable energy generated electricity to themselves at other locations, and requires the public utilities commission and electric utilities to adopt rules and tariffs consistent with the wheeling mandate. In English, this means that DOE and UH want lower electricity rates and to use 100% renewable energy or be “net-zero,” however, they don’t want to spend the money to build the electrical infrastructure to do so. So DOE and UH will hire a third-party power “seller” to help generate the electricity, “use” Hawaiian Electric’s infrastructure, and sell the power to DOE and UH!

Another egregious provision in this measure is DOE, UH and its the *third party “seller” do not need to pay fair compensation to Hawaiian Electric* - SB 2536 provides: “tariffs shall not result in making state educational institution wheeling cost prohibitive or infeasible.”

LURF’s Position. LURF opposes SB 2536, because it creates Winners (DOE, UH and its third-party “seller” and

SB 2536 will solely benefit one side – “the Winners:”

- **Only benefits DOE and UH**, (likely lower electricity costs)
- **Only benefits the third-party power “seller”** hired by DOE and UH (more profits).
- **No guarantee that payments to Hawaiian Electric (tariffs) will be fair, reasonable and cover its costs** (SB 2536 provides: “tariffs shall not result in making state educational institution wheeling cost prohibitive or infeasible.”)

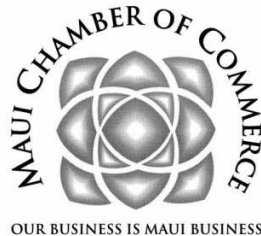
Meanwhile, SB 2536 would have negative impacts on the other side – “The Losers:”

- **Increase costs of repair, maintenance and development costs of Hawaiian Electric Company** with increased costs (more usage, more wear and tear, maintenance and replacement of infrastructure, etc.)
- **No guarantee that Hawaiian Electric will be fairly reimbursed by DOE, UH or the third-party power “Seller”** (SB 2536 provides: “tariffs shall not result in making state educational institution wheeling cost prohibitive or infeasible.”)
- **Increase electricity rates of regular customers of Hawaiian Electric.**

For the reasons stated above, LURF **must strongly oppose SB 2536** and respectfully requests that this bill be **held in your Committees** until the key stakeholders can confirm the facts, work out the details, and determine whether this is a fair and prudent proposal for all parties, or, if not, then another alternative should be researched and agreed-to by the key stakeholders.

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

LATE



**TESTIMONY IN OPPOSITION TO SB 2536
RELATING TO WHEELING FOR EDUCATIONAL INSTITUTIONS**

TO THE SENATE COMMITTEES ON EDUCATION AND
TRANSPORTATION AND ENERGY

Hawaii State Capitol, Conference room 229

February 9, 2016

3:00 p.m.

Dear Chairs Kidani and Inouye, Vice Chairs Harimoto and Gabbard, and
Members of the Education and Transportation and Energy Committees:

Thank you for the opportunity to testify in strong opposition of SB2536 to allow wheeling for educational institutions.

While we support the state's energy efficiency goals and want to see energy costs come down for all in our state, including state supported educational institutions, we are concerned that this concept has not been fully vetted and could have negative, unintended impacts on residents and businesses.

The bill does not adequately address whether directly affected parties such as the utility company and PUC have been consulted before putting this measure forward; demonstrate that the deadlines provided in this mandate are reasonable or even achievable; include any analysis on the anticipated benefits/savings to the university to illustrate that the means justify the end; and does not provide any economic analysis on the impact or potential harm to the utility company or its existing and future non-wheeling customers, including residents and businesses that may end up subsidizing this effort.

Therefore, we recommend that a thorough economic impact analysis be done before this legislation moves forward and oppose SB 2536 at this time.

Sincerely,

A handwritten signature in cursive script, reading "Pamela Tumpap".

Pamela Tumpap
President