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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Energy & Environmental Protection
Tuesday, March 12, 2024
9:00 a.m.
Conference Room 325

On the following measure:
S.B. 2505, S.D. 2, RELATING TO THE PUBLIC UTILITIES COMMISSION

Chair Lowen and Members of the Committee:

My name is Michael Angelo, and I am the Executive Director of the Department of Commerce and Consumer Affairs (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to establish system resilience as a metric that is monitored and considered by the Public Utilities Commission (Commission) and allow the Hawaii Electricity Reliability Surcharge to be transferred to the Commission.

The Department appreciates and supports the bill's intent for the Commission to prioritize system reliability, resilience, and interconnection. The Department offers that reliability, resilience, and interconnection are system-wide considerations that are interrelated and affect the planning and design of the grid which in turn impacts all customers. As such, the Department supports these issues being addressed within on-going regulatory efforts. In addition, the Department appreciate the amendments

adopted by prior committees to maintain the Commission's discretionary authority to, among other things, hire a reliability administrator and impose a reliability surcharge.

Thank you for the opportunity to testify on this bill.

TESTIMONY OF
LEODOLOFF R. ASUNCION, JR.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION
Tuesday, March 12, 2024
9:00 a.m.

Chair Lowen, Vice Chair Cochran, and Members of the Committee:

MEASURE: S.B. 2505 SD2

TITLE: RELATING TO THE PUBLIC UTILITIES COMMISSION.

DESCRIPTION: Establishes system resilience as a metric that is monitored and considered by the Public Utilities Commission. Allows the Hawai'i electricity reliability surcharge to be transferred to the Commission. Takes effect 7/1/2040. (SD2)

POSITION:

The Public Utilities Commission ("Commission") supports this measure and offers the following comments for consideration.

COMMENTS:

The Commission supports this measure and its intent to support the Commission in improving the reliability and resilience of Hawaii's electricity grid. The Commission recognizes that grid reliability and resilience are more important than ever, particularly after the wildfires in August 2023, in Lahaina, Maui, and given the growing natural disaster risks posed by climate change that Hawaii's electric grid faces. There are trade-offs between a more resilient grid and a more reliable one, making balancing the two priorities increasingly difficult.

The Commission provides the following comments for the Committee's consideration.

The amended bill, S.B. 2505 SD2, no longer requires the Commission to (1) establish reliability standards and interconnection requirements (Section 269-142 [a] and [b]) and (2) contract a Hawaii Electric Reliability Administrator ("HERA") (Section 269-147 [a]), language contained in the initial version of S.B. 2505. These amendments in S.B. 2505 should be re-inserted for several reasons.

First, creating a requirement to establish the HERA demonstrates the State's understanding of the complexity behind balancing reliability and resilience in the changing energy landscape, as well as its commitment to solving these challenges. The

Commission has sought in to accomplish the goals of a HERA, such as by working to reduce interconnection costs for new generation, and by deploying an independent engineer to support timely interconnection of renewable energy, among other actions. However, the need for this work is only increasing as we reach higher levels of renewable energy penetration.

Second, given that the Commission believes we should be required to establish a HERA, it is important that the Legislature also require the Commission to adopt reliability standards and interconnection requirements. Recommending reliability standards for the Commission's approval would be a core objective of any new HERA. The Commission previously led a technical working group on reliability standards with several stakeholders. A HERA would be able to support this important work and take it forward with additional resources.

Finally, the Commission agrees that a Hawaii electricity reliability surcharge should be used to fund a HERA. S.B. 2505 SD2 no longer requires the Commission establish a HERA. By adding back in the requirement that the Commission establish a HERA, the imposition of the Hawaii electric reliability surcharge should also be mandatory. The Commission appreciates the clarifying amendment in SD2 that allows the surcharge to be transferred to the Commission.

The Commission underscores that a dedicated entity focused strictly on reliability and resilience is well-suited to address the issues outlined by the Legislature, and a requirement to employ a HERA ensures that this is an ongoing State priority with dedicated and sustainable funding.

The Commission suggests removal of 2040 effective date and believes this bill should become effective on passage.

Thank you for the opportunity to testify on this measure.



Testimony to Committee on Energy, Environmental Protection

March 12, 2024, 9:00 AM

**Conference Room 325 & Via Videoconference
SB 2505 SD2**

Chair Lowen, Vice Chair Cochran, and Members of the Committee,

Hawaii Clean Power Alliance (HCPA) **supports SB 2505 SD2 with comments**, which establishes system resilience as a metric that is monitored and considered by the Public Utilities Commission. Allows the Hawai'i Electricity Reliability Surcharge to be transferred to the Commission.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance and sustain the development of clean energy in Hawaii. Our goal is to support the state's policy goal of 100 percent renewable energy by 2045. We advocate for utility-scale renewable energy, which is critical to meeting the state's clean energy and carbon reduction goals.

The Public Utilities Commission is provided authority to regulate the public utilities. Given the critical nature of energy infrastructure to the health and safety of our residents and businesses, as well as the impact to national security, it is highly appropriate for the Commission to establish and monitor reliability standards and resiliency measures including timely and cost-effective interconnection requirements as provided in HRS§269-141 through HRS§269-149.

The recent weather-related events have seriously impacted the reliability of every island's electric grid, resulting in rolling blackouts. Natural and man-made disasters have highlighted the critical and timely transformation of how Hawaii manages a resilient grid. Appropriately, after two years of study by the Public Utilities Commission on interconnection standards, costs, issues, and opportunities for improvement, the Commission can take the results of their studies and create reliability, resiliency and interconnection requirements that will benefit the ratepayer. The current SD2 version of the bill no longer requires the Commission to establish reliability standards and interconnection requirements.

We ask for this committee to consider reinserting the sections deleted from the original version of SB2505 (Section 269-142 (a) and (b) and Section 269-147 (a)) so the Commission will make this a priority for grid reliability and resilience and save ratepayers from bearing costs that are not formally examined. More oversight of interconnection by the Commission may have helped mitigate some of the \$120 million in costs borne by the ratepayers caused by continued oil consumption from delayed or terminated low-cost RFP Phase 1 renewable

projects. Oversight by the Hawaii Electric Reliability Administer can help to expedite more renewable projects integrated into the grid at a cost-effective rate. The surcharges established in this legislation will more than offset the cost of administering and result in public benefits and cost savings to ratepayers.

Thank you for your consideration.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION**

**SB 2505, SD 2
Relating to the Public Utilities Commission**

Tuesday, March 12, 2024
9:00 AM
State Capitol, Conference Room 325

Greg Shimokawa
Director, Renewable Acquisition
Hawaiian Electric

Dear Chair Lowen, Vice Chair Cochran, and Members of the Committee,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric with comments regarding SB 2505, SD 2, Relating to the Public Utilities Commission. Hawaiian Electric appreciates the amendments retained in SD 2 that grant the Public Utilities Commission (“Commission”) the authority to oversee resilience of the electrical grid while preserving the Commission’s discretionary authority to establish the Hawaii Electricity Reliability Administrator (“HERA”) and Hawaii electricity reliability surcharge.

Hawaiian Electric understands the significance of the issues raised in SB 2505 relating to resilience of the electrical grid and is implementing solutions for improving reliability and resiliency through the proceedings currently before the Commission. The mandatory establishment of the Hawaii electricity reliability surcharge and the HERA would result in additional costs to Hawaiian Electric customers and is not the most cost-effective way to achieve the goals stated in this bill, as the intended functions of the HERA are already being pursued by the Commission.

Thank you for this opportunity to comment on SB 2505, SD 2.