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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Energy and Intergovernmental Affairs
Tuesday, January 28, 2025
3:15 p.m.
Conference Room 016

On the following measure:
S.B. 996, RELATING TO RENEWABLE ENERGY

Chair Wakai 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.

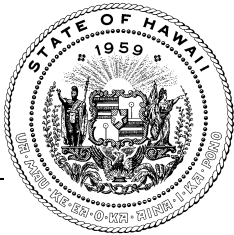
The purpose of this bill is to: (1) clarify that adjustments linked to premium interest rates for high yield credit are just and reasonable; and (2) authorize the Public Utilities Commission (Commission) to include these incremental adjustments to the rate for electricity generated from non-fossil fuels.

The Department supports this bill's intent to facilitate the procurement of renewable energy facilities within the State. The Department also recognizes that Hawaiian Electric's current credit rating has decreased its near-term ability to procure renewable energy because some renewable energy project developers that were selected through Hawaiian Electric's competitive bidding process are indicating that they are not able to continue with developing their projects representing that they are unable to obtain

reasonable financing terms due to their lenders' concerns over Hawaiian Electric's credit rating as the energy off-taker of the renewable projects.

However, the Department has concerns that customers will be paying inflated prices for renewable energy on an ongoing basis if these amendments are adopted and premium interest rates are allowed to be found just and reasonable and included within rates. Allowing the cost of premium interest rates to be included within rates would allow the Commission to find that the costs of developers/independent power producers including premium interest rates in power purchased agreement pricing could result in higher prices than what is achievable from the competitive bidding process. This could unintentionally adversely impact the competitive procurement process for renewable resources on an ongoing basis resulting in higher electricity rates for utility customers. Additionally, there is no finite duration for how long customers would be paying interest premiums in the PPA price. Independent power producers/project developers with strong financials are best positioned to provide clean and renewable energy at competitive pricing and effectively procure and build the most cost-effective facilities. These producers should be able to obtain project financing that is not adversely impacted or only marginally impacted by the credit worthiness of the utility off-taker in future requests for proposals.

Thank you for the opportunity to testify on this bill.



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Testimony of
MARK B. GLICK, Chief Energy Officer

LATE

before the
SENATE COMMITTEE ON ENERGY AND INTERGOVERNMENTAL AFFAIRS

Tuesday, January 28, 2025
3:15 PM
State Capitol, Conference Room 016 and Videoconference

In Support of
SB 996

RELATING TO RENEWABLE ENERGY.

Chair Wakai, Vice Chair Chang, and Members of the Committee, the Hawai'i State Energy Office (HSEO) supports SB 996, that would authorize the Public Utilities Commission (PUC) to allow for adjustments due to interest rates in certain circumstances. HSEO defers to the PUC on the implementation of the measure.

Hawai'i's energy project developers are facing a dynamic situation regarding interest rates, exacerbated by the 2023 wildfires. The relatively long project development, approval, and construction timelines of energy projects also contribute to difficulty in maintaining static terms for financing. This bill expressly states that the PUC is allowed, but not required, to consider this factor when appropriate. Investors may view this legislation as a statement of support for energy project investment, potentially relieving some concerns from financiers and allowing for greater competition, lower prices, and fewer project delays and cancellations.

HSEO's support of this bill is consistent with section 196-71, Hawai'i Revised Statutes, to promote renewable energy to help achieve a resilient clean energy economy.

Thank you for the opportunity to testify.

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Testimony of the Public Utilities Commission

To the
Senate Committee on
Energy and Intergovernmental Affairs

January 28, 2025
3:15 p.m.

Chair Wakai, Vice Chair Chang, and Members of the Committee:

Measure: S.B. 996
Title: RELATING TO RENEWABLE ENERGY.

Position:

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

Comments:

The Commission appreciates the intent of this measure to improve the renewable clean energy procurement process by permitting the Commission to authorize the inclusion of incremental adjustments that are linked to premium interest rates for high yield credit to the rate for electricity generated from non-fossil fuels.

The Commission recognizes the many challenges that Hawaii's electric utilities and independent power producers face in trying to achieve a clean, renewable power system. The achievement of the state's renewable portfolio standards will hinge in no small part on the ability of independent power producers to finance their projects, as well as successfully execute agreements with Hawaii's electric utilities. The Commission believes that S.B. 996 will support the ability of independent power producers to successfully finance their projects and enter into agreements with Hawaii's electric utilities to provide clean, renewable power. The Commission, however, is cognizant of the additional burden S.B. 996 may place on the Hawaii's ratepayers and remains committed to ensuring that any rates arising from such agreements are just and reasonable, and in the public interest.

Thank you for the opportunity to testify on this measure.



**TESTIMONY BEFORE THE SENATE COMMITTEE ON
ENERGY AND INTERGOVERNMENTAL AFFAIRS**

**SB 996
Relating to Renewable Energy**

Tuesday, January 28, 2025
3:15PM
State Capitol, Conference Room 016

Rebecca Dayhuff Matsushima
Vice President, Resource
Procurement Hawaiian Electric

Dear Chair Wakai, Vice Chair Chang, and Members of the Committee,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of Hawaiian Electric in **opposition** to SB 996, Relating to Renewable Energy, **unless amended**. SB 996 is based on the premise that Hawaiian Electric's credit rating increases the cost to finance renewable energy projects. The bill would authorize the Public Utilities Commission ("Commission") to increase the price paid to independent power producers to reflect "premium interest rates for high yield credit."

Hawaiian Electric respectfully submits that SB 1501 and HB 974 are better solutions to the concern that SB 996 is meant to address. SB 1501 and HB 974 provide for the department of budget and finance to enter into a "step-in" agreement with certain independent power producers who contract with Hawaiian Electric to build new renewable energy facilities. We believe that the step-in agreements would remove the credit risk that SB 996 mentions.

SB 996 recites that the step-in agreements may not be sufficient and that the project developers may still face increased financing costs. Hawaiian Electric respectfully questions this assertion. We are concerned that SB 996 will allow

independent power producers to increase their pricing unnecessarily, which would harm customers. We note that SB 996 includes no standards for the Commission to evaluate whether a price adjustment based on financing costs is necessary.

Hawaiian Electric would not oppose the bill if it were amended. Specifically, we propose to amend page 4, lines 12-13 to read:

“adjustments required to compensate for unavoidable increases in financing costs resulting from the utility’s credit status if proven by the producer by clear and convincing evidence”.

This amendment would clarify that the Commission may approve a price adjustment only if the project developer can demonstrate that such an adjustment is required.

Thank you for this opportunity to testify.



TESTIMONY TO THE COMMITTEE ON ENERGY & INTERGOVERNMENTAL AFFAIRS

3:15 PM, January 28, 2025

Conference Room 016 & Via Videoconference

SB 996

Chair Wakai, Vice Chair Chang and Members of the Committee,

Hawaii Clean Power Alliance (HCPA) strongly supports SB 996, which clarifies that adjustments linked to premium interest rates for high yield credit are just and reasonable. Authorizes the Public Utilities Commission to include these incremental adjustments to the rate for electricity generated from nonfossil fuels.

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 legislature has recognized that reliable and affordable energy is fundamental to the public interest. SB 996 acknowledges the challenges facing renewable energy producers, particularly in light of the recent financial instability of Hawaii's investor-owned electric utility. Multiple recently awarded independent renewable projects have terminated for this reason. When a renewable energy producer's bid is submitted (before the utility's financial status changed), those rates are not able to be adjusted to account for unique risks such as higher interest rates and costs. Without these adjustments, the increased cost of financing could lead to project cancellations, jeopardizing Hawaii's energy resilience and long-term sustainability. These challenges directly threaten the State's ability to meet its commitment to 100% renewable energy, energy equity, and decarbonization while ensuring the affordability and reliability of electricity for consumers.

This Bill provides a clear path forward by allowing the Public Utilities Commission to implement just and reasonable adjustments to rates for nonfossil fuel electricity generation. By inserting "adjustments linked to premium interest rates for high yield credit" it provides the Commission explicit authority to do so, in case there is any doubt that this situation is applicable. SB 996 along with proposed SB 1501, allowing the State to enter into step-in agreements for payment obligations arising under certain power purchase agreements, represents a proactive, pragmatic and forward-looking approach to overcoming the financial barriers hindering renewable energy development.

We urge the Committee to pass SB 996 to achieve the State's clean energy goals while protecting the interests of its residents.

Thank you for the opportunity to testify.

LATE

**Senate Bill 996 – Relating to Renewable Energy
TESTIMONY**

Hawai'i State Senate
Senate Committee on Energy and Intergovernmental Affairs
Tuesday, January 28, 2025
3:15 p.m.

Aloha Chair Wakai, Vice Chair Chang and Members of the Senate Committee on Energy and Intergovernmental Affairs,

Mahalo for the opportunity to provide testimony for SB 996. AES Hawai'i shares our state's vision for a 100% renewable energy future. We are committed to accelerating and supporting Hawai'i's transition toward a carbon-free energy future with renewable projects across the Hawaiian Islands totaling over 405 MW of solar, solar plus storage, and wind resources in operation or under contract, with 102.5 MW of Stage 1 projects, 37 MW of Stage 2 projects, and 126 MW of Stage 3 projects.

SB 996 supports Hawai'i's goals of achieving 100% renewable energy, enhancing energy resilience, decarbonization, and promoting energy equity by addressing the project financing challenges faced by Independent Power Producers (IPP) due to Hawaiian Electric Company's current investment-grade status. The bill proposes to amend the Hawai'i Revised Statutes to allow the Public Utilities Commission (PUC) to establish a methodology for determining just and reasonable rates for non-fossil fuel-generated electricity, potentially including adjustments for inflation and premium interest rates. Without this assurance, IPPs may be forced to cancel or delay renewable energy projects due to high-yield credit, high interest rates, and the overall unavailability of project financing. Accordingly, AES Hawai'i supports the intent of this measure, to ensure the financial viability of our renewable energy projects and to ensure Hawai'i can achieve ambitious renewable energy goals embedded in our state energy policy.

Mahalo for your consideration.



Sandra Larsen
President
AES Hawai'i