



SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2014, 9:15 A.M.  
(*Testimony is 2 pages long*)



TESTIMONY IN SUPPORT OF SB 1943 HD2 SD1

Aloha Chair Ige and Members of the Committee:

The Sierra Club of Hawai'i, with over 12,000 dues paying members and supporters statewide, **supports** HB 1943 HD2 SD1. This measure prioritizes the development of a grid modernization plan so that residents have the right to choose clean, renewable energy.

The Sierra Club participated in the working group process commenced by Senators Baker and Gabbard, and support the recommendations made therein.

*I. Addressing Customer Need*

This measure would help protect customer's right to choose rooftop solar. Hawaii's electrical rates are currently 2 to 3 times the national average. Average electrical rates have increased by 50% since 2009. Our electrical distribution system should be designed to service all customers, even those that may choose to generate their own electricity, and in a manner that results in a net cost savings for all ratepayers.

*II. The Need to Integrate More Rooftop Solar*

Hawai'i continues to be one of the most fossil fuel dependent states in the nation. Every year, the state imports approximately 45 million barrels of oil. This dependence results in the outflow of the State's financial resources and creates a tenuous reliance on an unsustainable and unstable resource.

Distributed solar is a shining success story in Hawai'i's efforts to adopt clean energy. As reported by DBEDT, solar energy provided 15% of Hawaii's renewable energy generation in 2012 and 26% of all construction expenditures.<sup>1</sup> That bears repeating. 26% of all construction expenditures or approximately a quarter of all construction jobs created in Hawaii came out of the solar industry. Failing to allow customers to choose rooftop solar puts this growth in serious jeopardy.

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<sup>1</sup> [http://energy.hawaii.gov/wp-content/uploads/2011/10/FF\\_June2013\\_R2.pdf](http://energy.hawaii.gov/wp-content/uploads/2011/10/FF_June2013_R2.pdf)

Even HECO acknowledges we need to achieve “uniform, timely, and unfettered access for all customers to interconnect on a given circuit.”<sup>2</sup>

### *III. Benefits of a Modern, Efficient Grid*

The benefits of transforming from a 19th century oil-based grid, to a modern, efficient grid are numerous. Consider:

- **Reliability and consistency.** Improved power quality resulting in economic and productivity gains.
- **Efficiency.** Effective asset utilization and resource management.
- **Flexibility.** Enables new load management, distributed generation, and demand-response options.
- **Environmentally friendly.** Directly increases the amount of renewable energy and energy efficiency options available, and allows a drastic reduction in fossil fuel consumption.

### *IV. PUC Has Discretion to Address Broader Technical and Economic Issues*

Importantly, this measure does not pre-determine how solar can or should interconnect. It expressly ensures that the PUC has control over reliability and safety issues and allocates resources so that the PUC can develop a grid modernization plan that supports the public interest of allowing customers to interconnect rooftop solar in a timely and reasonable manner.

Mahalo for the opportunity to testify.

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<sup>2</sup> 2013 Integrated Resources Planning Report, June 28, 2013, page ES-6. Available online at: [http://www.hawaiianelectric.com/vcmcontent/IntegratedResource/IRP/PDF/IRP\\_2013\\_Report-Executive-Summary-Transmittal-Letter.pdf](http://www.hawaiianelectric.com/vcmcontent/IntegratedResource/IRP/PDF/IRP_2013_Report-Executive-Summary-Transmittal-Letter.pdf)



**SENATE COMMITTEE ON WAYS AND MEANS**

March 28, 2014, 9:15 A.M.

Room 211

**(Testimony is 3 pages long)**

**TESTIMONY IN SUPPORT OF HB 1943 HD2 SD1**

Aloha Chair Ige and Committee members,

Blue Planet Foundation supports a robust electrical grid that can connect clean and affordable energy to Hawai'i's citizens and ratepayers. House Bill 1943 can help to ensure that everyone can have access to such a grid, in a timely and reasonable manner. The bill directs the Public Utilities Commission to open a proceeding by July 1, 2014 to balance technical, economic, environmental, and cultural barriers to allowing more residential and commercial customers to interconnect to the grid with clean energy.

Fortunately, customer-sited clean energy is proving to be a solution that can balance all of these considerations. A few days ago, former U.S. Energy Secretary and Nobel Prize Winner Dr. Steven Chu was quoted by Forbes, commenting on the rooftop solar situation in Hawaii in very frank terms.<sup>1</sup> He noted that some oft-raised concerns are not the true focal point of Hawaii's problem. Instead, problems will arise if we don't innovate away from the traditional model employed the past. He proposed a model that will use customer-sited clean energy as a long-term solution to support the grid and support utility scale renewable energy. We agree with Dr. Chu. While Blue Planet does not object to the language apparently reached via consensus in a working group on this bill, we also believe that strong legislative policy guidance is necessary to ensure that ratepayers do not suffer from a bias toward the status quo.

While Hawaii certainly leads the nation in terms of customer demand for rooftop energy (in part because of the high cost of importing fossil fuels), we risk rapidly falling behind in terms of a vision for accommodating that customer demand in the future. For example, Minnesota has *already* moved ahead with an innovative method of valuing solar energy, and is *already* implementing solutions such as community solar that can make solar power more accessible. Blue Planet is hopeful that the regulatory proceeding described in HB 1943, along with solutions such as Community Solar (as proposed in early draft language of SB 2934), can help to spur similar progress in Hawaii.

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<sup>1</sup> FORBES.COM, *Steven Chu Solves Utility Companies' Death Spiral*,  
<http://www.forbes.com/sites/jeffmcmahon/2014/03/21/steven-chu-solves-utility-companies-death-spiral/>

## 1. Modern Grid Interconnection is Urgently Needed.

This solution cannot wait. At the end of 2013, Hawaii saw a sharp drop in the growth of solar interconnection:

- In October 2013, 1187 fewer ratepayers were issued solar building permits compared to October 2012, a drop of 49%.
- In November 2013, 956 fewer ratepayers interconnected, a drop of 48%.
- In December 2013, 785 fewer ratepayers interconnected, a drop of 41%.

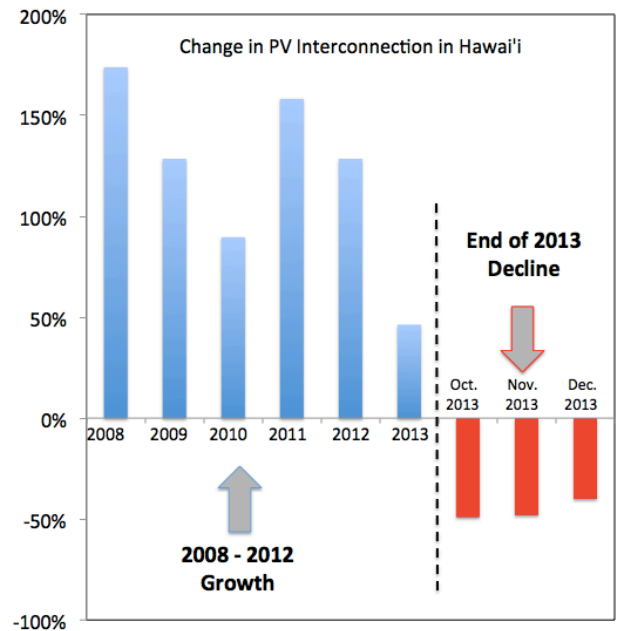
This worrisome stagnation illustrates a sharp change in direction for Hawai'i. Previously, solar installations were essentially doubling each year – an exponential trend that could drive Hawai'i's clean energy transformation. That growth boosted the economy, it created jobs, and it promoted the use of clean energy that does not rely on imported fossil fuels. The current stagnation, if left unaddressed, will do the opposite. Solar stagnation is already resulting in local layoffs. It will robbing Hawai'i of potential energy savings. It will prolong our dependence on dirty fossil fuels.

House Bill 1943 can help to make sure that this grid modernization issue is resolved sooner, rather than later.

## 2. HB 1943 Can Help Ensure Equality for All Ratepayers.

House Bill 1943 can also help ensure that all ratepayers are treated with equal access to clean energy. It is no longer true that solar energy is limited to wealthy neighborhoods. By 2012, the introduction of innovative financing made solar increasingly accessible to all Hawaii ratepayers. For example, in 2012 the fastest growing PV neighborhoods were Wai'anae, Hau'ula, Waimanalo, La'ie, and Waialua.

If the growth of rooftop solar is allowed to stagnate, it means that these growing PV neighborhoods will be unequally and unfairly blocked from clean affordable energy. HB 1943 should direct our utilities, regulators, and customers to ensure equal access to customer-sited energy. Moreover, some parties are arguing that new solar customers – presumably including customers in these fast growing lower- and middle-income PV neighborhoods – should be singled out to pay the cost of upgrading the grid to make it work with distributed clean energy. Many ratepayers are already in a holding pattern, under the fear that interconnection will cost thousands of dollars and will take many months. This situation, if allowed to remain, is grossly



*% growth in number of PV installations for HECO, MECO, and HELCO grids, compared to previous year, and % decline compared to same month in the previous year for HECO grid. Data from HECO NEM reports and recent news reports.*

unfair. As the utility evolves into its 21<sup>st</sup> century business model, all ratepayers need a grid that is upgraded so that it can flexibly accommodate more clean affordable energy.

### **3. HB 1943 Can Help Avoid a Costly and Inefficient Fight for Ratepayers.**

Recently in Arizona, a highly public fight between the local utility and solar advocates resulted in millions of dollars wasted on publicity campaigns. After review of the facts, the Arizona PUC found that the cost of solar interconnection could be fairly apportioned by charging a small fee to solar customers based on the size of each solar system. Ultimately, this fee will cost solar households in Arizona roughly \$5 per month, to cover the fixed costs of the utility. In comparison, the Arizona utility argued that solar households should pay a grossly higher fee – \$50 per month.

In another example, Minnesota’s regulators have recently adopted innovative solutions, such as a new method of valuing solar energy, and a community solar program that broadens access to solar energy.

Hawai‘i’s ratepayers *don’t* deserve the type of wasteful fight seen in Arizona. They *do* deserve innovative and forward-thinking policy solutions such as those being implemented in Minnesota. We urge strong legislative guidance to direct the regulatory proceeding under HB 1943 toward innovative solutions for interconnecting renewable energy.

Thank you for the opportunity to testify.



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**Cc:** [mauibrad@hotmail.com](mailto:mauibrad@hotmail.com)  
**Subject:** \*Submitted testimony for HB1943 on Mar 28, 2014 09:15AM\*  
**Date:** Thursday, March 27, 2014 2:19:40 PM

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**HB1943**

Submitted on: 3/27/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brad Parsons	Individual	Oppose	No

Comments:

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**HB1943**

Submitted on: 3/28/2014

Testimony for WAM on Mar 28, 2014 09:15AM in Conference Room 211

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brodie Lockard	Individual	Support	No

Comments: The eyes of utilities, the solar industry, and consumers in California, Arizona and Colorado are on you today, and will be on the legislature in the coming weeks. If we allow HECO to throw up roadblocks and use arbitrary numbers to decide where and when PV is installed on Oahu, we'll have set a sorry precedent for distributed renewables. But if we take the balanced, thoughtful approach of HB1943, we can meet the needs of HECO as a viable 21st century utility; the needs of the local solar industry, which until this year had been growing at a record pace; and the needs of tens of thousands of your constituents. We can set a sterling example of how utilities and technology can progress harmoniously. I urge you to pass HB1943 and allow Hawaii to resume leading the country, and even the world, into the inevitable future of distributed renewable energy.

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