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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Friday, February 5, 2021
3:00 PM
State Capitol, Conference Room 224

Comments in consideration of
SB 930
RELATING TO RENEWABLE ENERGY.

Chair Wakai, Vice Chair Misalucha, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on SB 930, which is “intended to facilitate the timely interconnection of utility-scale renewable energy projects.”

HSEO has heard frustration expressed by developers of both large and small projects regarding the amount of time it takes for both approvals and interconnection.

HSEO is also aware of several improvements to the various processes, and appreciates the urgency of the situation, especially with the impending retirements of the coal plant on Oahu in 2022 and of the Kahului power plant on Maui in 2024.

It is HSEO’s understanding that the Hawaii Electricity Reliability Administrator (HERA) statute, which was enacted in 2012, was intended to allow the Public Utilities Commission to establish an independent third-party entity similar to independent system operators or regional transmission operators¹ that manage interconnections and power flows on the large interstate power grids of the North American continent.² Also, since Hawaii is exempt from the Federal Energy Regulatory Commission (FERC) / North American Electric Reliability Corporation (NERC) mandatory electric reliability standards governing the forty-eight contiguous U.S. states, the HERA would also take on those responsibilities.³

HSEO appreciates the importance of system stability and reliability, as well as the urgency of interconnection approvals, and the necessity, especially at this time of impacts from COVID-19, of cost control, and that these sometimes competing objectives need to be balanced.

Although it may be possible to do so through the HERA mechanism, HSEO is concerned that the cost and complexity of developing a framework for, obtaining input on, contracting for, establishing, and managing a new HERA entity at this time may actually divert the time, attention, and resources of the PUC, utility, and energy experts from the other high-priority ongoing efforts, including those listed in the bill. This could result in additional delays to contract reviews, regulatory approvals, interconnection studies, and the significant and potentially highly effective regulatory developments being pursued through distributed energy resource and performance based ratemaking dockets which established incentives and penalties based on utility performance outcomes, rather than highly technical, complex, and prescriptive measures that would be required of a new HERA entity under HRS Sections 269-141 through 269-149.

HSEO appreciates the discussion sparked by SB 930 and looks forward to hearing from the various stakeholders involved in this process, including the PUC, electric utilities, consumer advocate, and the renewable energy industry regarding other potential solutions to the stated problem.

Thank you for the opportunity to testify.

¹ <https://www.ferc.gov/industries-data/market-assessments/electric-power-markets>

² https://www.capitol.hawaii.gov/session2012/bills/GM1269_.PDF “The legislature finds that electric system planning, operations, and interconnections on the mainland United States are governed by a well-coordinated effort headed by the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation, with help from a Of subordinate regional oversight entities.”

³ The Federal Power Act, Section 215, established mandatory reliability standards for the continental United States bulk power system, but exempted Alaska and Hawaii.
<https://www.law.cornell.edu/uscode/text/16/824o>

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
SENATE COMMITTEE ON
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

February 5, 2021
3:00 p.m.

Chair Wakai and Members of the Committee:

MEASURE: S.B. No. 930

TITLE: RELATING TO RENEWABLE ENERGY.

DESCRIPTION: Facilitates the timely interconnection and transmission lines for renewable energy projects.

POSITION:

The Public Utilities Commission (“Commission”) offers the following comments for consideration.

COMMENTS:

The Commission is committed to improving the interconnection process in order to avoid delays and bring about new renewable energy generation in the most efficient manner possible.

The Commission has closely monitored interconnection timelines and has prioritized this matter in its decision-making in several interrelated dockets, including its proceedings in performance-based regulation (PBR), distributed energy resources (DER), and community-based renewable energy (CBRE).

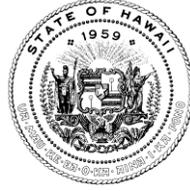
Through its efforts in the DER docket (Docket No. 2019-0323), the Commission has worked with stakeholders to reform the utilities’ interconnection process for small-scale systems, reducing interconnection timelines by up to 50%. In its recent PBR order (Docket No. 2018-0088), issued on December 23, 2020, the Commission also established a

performance incentive mechanism that will use both penalties and incentives to encourage the timely interconnection of DER resources by electric utilities.

The Commission is also reviewing interconnection issues in its CBRE docket (2015-0389), as well as in the context of large-scale projects, given the Hawaiian Electric Companies' proposal to delay several Phase 1 PPA projects. The Commission intends to take action to reform the utilities' interconnection process, and is currently considering additional incentives and penalties to improve the utilities' performance in this area.

Finally, the Commission notes that this measure would require, rather than authorize, the Commission to impose a surcharge on all customers and other users of the electric system, in order to contract with a third-party "Hawaii electricity reliability administrator." The Commission currently possesses the authority to impose such a surcharge, but has refrained from doing so, in order to avoid increasing customers' electricity bills. However, should this measure move forward, Commission will establish an appropriate surcharge on customer bills to fund the reliability administrator.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Energy, Economic Development, and Tourism
Friday, February 5, 2021
3:00 p.m.
Via Videoconference**

**On the following measure:
S.B. 930, RELATING TO RENEWABLE ENERGY**

Chair Wakai and Members of the Committee:

My name is Dean Nishina, 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 facilitate the timely interconnection and transmission lines for renewable energy projects. This bill requires the Public Utilities Commission (Commission) to adopt reliability standards and interconnection requirements. It imposes a time limit of 270 days for a utility to complete design, negotiations, and submission of an application for interconnection before the Commission, and a time limit of 120 days for the Commission to decide on interconnection applications for renewable energy projects.

These strict time limitations could result in unintended consequences. Past interconnection agreements have taken time to complete for various reasons, such as the independent power producer requesting modifications after the initial review had started, and disagreements over certain interconnection requirements. Interconnecting

utility scale projects to the electric grid require appropriate care to avoid reliability issues. Imposing time limits on the interconnection design and agreement between the utility and independent power producer could result in the utility agreeing to interconnection terms that jeopardize system reliability so that the utility does not forfeit incentives or face penalties.

To expedite the interconnection process, the utilities have alternatively proposed a standard interconnection agreement that would not be subject to modifications requested by the independent power producer. If a strict time limit is imposed and there is regulatory acceptance of a standard interconnection agreement that developers do not like, this could discourage developers from submitting proposed projects.

Thank you for the opportunity to testify on this bill.



**TESTIMONY BEFORE THE SENATE COMMITTEE
ON ENERGY, ECONOMIC DEVELOPMENT, AND
TOURISM**

S.B. 930

Relating to Renewable Energy

Friday, February 5, 2021
3:00 p.m., Agenda Item #2
State Capitol, Conference Room 224

Greg Shimokawa
Acting Director, Renewable Acquisition Division
Hawaiian Electric Company, Inc.

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

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric Company, Inc. (“Hawaiian Electric” or the “Company”) respectfully in **opposition** to S.B 930, Relating to Renewable Energy.

S.B. 930 proposes to amend the Hawai'i Electricity Reliability Administrator (HERA) law requiring, among other things, that the Public Utilities Commission (PUC) develop reliability standards and interconnection requirements and contract with a third party to serve as the Hawaii electricity reliability administrator.

While we understand the significance of the issues raised in S.B. 930, Hawaiian Electric has concerns that the changes proposed by this bill could add time and cost to the interconnection process. Hawaiian Electric understands the deep economic and environmental importance of streamlining the interconnection process to accelerate renewable energy projects and is currently doing everything possible within its control to accelerate renewable energy in the State. In general, subsequent to awarding projects to developers and negotiating and signing a Power Purchase Agreement

(PPA) following a Request for Proposal (RFP), there are several steps leading up to the filing of the Interconnection Requirements Amendment and request for approval of an overhead line.

Hawaiian Electric has already taken steps toward improving this process, and improvements have been shown with the 2019-20 Stage 2 RFP projects in comparison to the Stage 1 projects in 2018. One of these improvements, providing developers with detailed documentation upfront so that they can develop and submit quality facility models, has shortened this process by five months for the Stage 2 projects. Hawaiian Electric is constantly working to find ways to further improve and speed up this process and is open to feedback from stakeholders. One such possibility the Company has considered is taking on the responsibility of the design, construction, and cost of interconnection. Another is the introduction in future RFPs of baseline costs for interconnection scenarios that can be used by developers to more accurately estimate and account for their project interconnection costs.

Timely completion and successful development of renewable projects is critically important to Hawaiian Electric for several reasons, including meeting the State's Renewable Portfolio Standards (RPS) requirements, reducing reliance on imported fossil fuels, stabilizing and reducing volatility of our customers' bills, reducing greenhouse gas emissions, and assisting with post-pandemic economic recovery. However, we must all work together toward achieving the State's RPS goals and implementing such change requires cooperation between many stakeholders, including Hawaiian Electric, developers, the community, government agencies, and regulators. The timely and successful interconnection of a project depends on all these stakeholders working together. The interconnection process must have the flexibility to adjust for changes due to permitting requirements, financing restrictions, community

feedback and comments, and other impacts that could impact the fundamental design of an interconnection and change the scope and timing of the interconnection process.

While Hawaiian Electric is working hard to keep renewable energy projects on schedule and put them into service as quickly as possible, there are risks to setting rigid deadlines. A potential, unintended consequence of the bill is that Hawaiian Electric would have to drop projects that do not meet deadlines so as not to potentially cause delays to other projects.

Developers can further help accelerate the process through various means including bidding firm projects with minimal changes and timely providing functional software models. However, some changes are good, such as developers making design modifications due to community feedback, but this can cause delays. Setting deadlines by statute could create a deterrent to implementing these desirable changes. For instance, in response to community feedback, a developer proposed a re-configuration of their project. The changes included moving the location of the interconnection facilities to optimize land use by decreasing the project's total physical footprint and increasing the project's distance from a visible roadway. While the reconfiguration caused a delay in executing the Interconnection Requirements Amendment and filing the overhead line approval request, this reconfiguration will ultimately save a considerable amount of time in the engineering and design phase and permitting process, and potentially achieve an earlier Guaranteed Commercial Operations Date than would have been achieved with the prior configuration.

Given the importance of renewable development for the State, Hawaiian Electric recognizes the concern over timely project completion. However, the PUC already has broad supervisory statutory oversight over the utility and the ability to set timelines and penalties. There are overview mechanisms already in place, such as the recently

instituted Performance Based Ratemaking (PBR) scorecards, which will be a mechanism for reporting various milestones throughout the interconnection process. Moreover, the performance incentive mechanism established in PBR for the adjusted calculation of RPS, called RPS-A, already substantially incentivizes Hawaiian Electric to have projects on-line sooner. Finally, the PUC has asked for, and Hawaiian Electric has provided, status updates on numerous occasions making a change of law unnecessary for the utility to provide updates. Requiring the PUC to implement HERA now by adopting reliability standards by rule or order and appointing a third-party reliability administrator will add time and cost to the process without improving the process.

Thank you for this opportunity to comment on S.B. 930.



Testimony to the Committee on Energy, Economic Development and Tourism

Friday, February 5, 2021

3:00 PM

VIA Video Conference

Conference Room 224, Hawaii State Capitol

SB 930

Chair Wakai, Vice Chair Misalucha, and members of the committee,

Hawaii Clean Power Alliance (HCPA) **supports** SB 930, which facilitates the timely interconnection and transmission lines for renewable energy projects.

Hawaii Clean Power Alliance is a nonprofit alliance organized to advance the development and sustainability 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.

We offer these comments in support of SB 930.

As the legislature recognizes, moving with intention and urgency is needed to meet the state's ambitious renewable energy goals, bring relief to ratepayers, and reduce carbon emissions. Independent power producers rely on a clear timeline and transparent costs to ensure their proposed projects can be completed within budget and will positively contribute to the state's renewable energy portfolio goals.

By revising this existing statute — simply changing the word “may” to “shall” — the legislature is taking a meaningful and substantive step towards meeting the ambitious renewables targets.

In addition, power supply and electric grid system reliability is essential to everyone in the state — utilities, consumers, and developers that bring new projects to market. The state's decision to force the retirement of the AES plant was based on the reasonable expectation of timely completion of new replacement renewable generation. Significant delays of these new renewable projects due to interconnection delays have heightened concerns regarding the potential for outages or the increased use of dirty fossil fuel diesel at a higher price to ratepayers.

Developers look to two markers to determine the viability of renewable projects:

(1) timeliness of decision-making and execution by the regulatory and utility entities and (2) the costs of interconnection. In Hawaii, these costs remain unknown until well into project development, after power purchase pricing has been committed to, creating uncertainty for the project's successful completion. When these costs become apparent long after the proposed price has been approved, it can



make the project no longer financially viable, setting back renewable development and leaving the developer wary of developing future Hawaii projects. Transparency resolves these concerns.

Previously, the PUC created an independent observer to oversee the RFPs of renewable energy projects. By creating the standards for electric grid reliability and the independent administrator, Hawaii Electricity Reliability Administrator (HERA), to oversee electric grid reliability, a qualified, independent entity can address the interconnection process, timeliness, transparency, equity, and reliability.

The HERA does not create an additional cost to the state or ratepayers because it is funded by the renewable developers needing to interconnect to the electric grid. The PUC is in complete control as to whether to charge the ratepayers for any utility additional costs. Currently that is covered by the developer. Today, developers currently bear the cost of uncontrolled and/or undetermined interconnection processes. It saves the ratepayers from lost advantages created when projects lag, languish, or get cancelled. This bill will help to streamline this tremendously. As added insurance to ratepayers, the current statute provides the PUC full authority as to whether any costs should or should not be borne by ratepayers.

Put simply, when risks are controlled, so are costs. The HERA puts in place tools that address and control costs, eliminating the unknowns that can derail a project. Developers know that when variables and risks are controlled, ratepayers' benefit. This bill will support the state's progress to 100 percent renewable electricity while setting standards for grid reliability, a win-win-win for all stakeholders.

We ask the committee to pass this bill.

Thank you for the opportunity to testify.

Sincerely,



Frederick Redell, PE

Executive Director

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SB-930

Submitted on: 2/3/2021 3:25:17 PM

Testimony for EET on 2/5/2021 3:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Robert B Huber	Testifying for Democratic Caucus Environmental Committee	Support	No

Comments:

I am in support of this bill SB930 to expedite HECO to ensure timely transfer of interconnecting fully scalable renewable energy connection . The time has come that no longer can we one public utility company . The state must develop standard protocol to ensure a timely transition to connecting to a renewable source of energy while it makes its full transition to year 2045.