

STAND. COM. REP. NO. **3070**

Honolulu, Hawaii

MAR 21 2014

RE: H.B. No. 1943
H.D. 2
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committees on Energy and Environment and Commerce and Consumer Protection, to which was referred H.B. No. 1943, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO THE MODERNIZATION OF THE HAWAII ELECTRIC SYSTEM,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Amend the Public Utilities Commission principles regarding the modernization of the electric grid;
- (2) Require the Public Utilities Commission to initiate a proceeding no later than July 1, 2014, to discuss upgrades to the Hawaii electric system for anticipated growth of customer generation; and
- (3) Appropriate funds to the Public Utilities Commission and Department of Commerce and Consumer Affairs to cover the costs of the proceeding initiated by the Commission.

Your Committees received testimony in support of this measure from the Public Utilities Commission, Kailua Neighborhood Board, Renewable Energy Action Coalition of Hawaii, Hawaii Solar Energy Association, League of Women Voters, Hawaii PV Coalition, Blue Planet Foundation, The Pacific Resource Partnership, Life of the Land, Sierra Club of Hawai'i, Sunrun, Revolusun, Hi-Power Solar,

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Solar Inspectors Hawaii, and fifty-nine individuals. Your Committees received testimony in opposition to this measure from Hawaiian Electric Company. Your Committees received comments on this measure from the Department of Business, Economic Development and Tourism; Division of Consumer Advocacy, Department of Commerce and Consumer Affairs; Kauai Island Utility Cooperative; Inter-Island Solar Supply; and eight individuals.

Your Committees find that the increasing deployment of customer generation in Hawaii is in the public interest, lessening Hawaii's dependence on imported oil, creating thousands of jobs, fostering billions of dollars of economic activity, and giving tens of thousands of households and businesses access to reasonably priced electricity. Customer generation will play a major role in supplying the State's future electricity needs and meeting clean energy goals. Additionally, appropriate investments in energy storage and smart grid improvements are vital to achieve Hawaii's robust clean energy goals.

Your Committees further find that technical and economic barriers are preventing Hawaii customer-generators from interconnecting to the Hawaii electric system in a timely manner. If these technical and economic barriers are not addressed, a number of undesirable scenarios may result, including irreparable loss of jobs in the nascent solar industry and an ever increasing number of Hawaii residents disconnecting from the Hawaii electric system. Several technical, policy, and economic issues need to be addressed in trying to move forward in modernizing Hawaii's electricity grid.

Your Committees have amended this measure by:

- (1) Inserting findings that, among other things, explain the need for further investments in advanced grid modernization technology because of how Hawaii's island grids are reaching significant levels of variable renewable energy that can affect the overall operation of the grid at the system level and the ability of utilities to provide safe and reliable service at the point of delivery to customers;
- (2) Amending language to require the Public Utilities Commission to balance technical, economic, environmental, and cultural considerations associated



with modernization of the electric grid, based on the following principles:

- (A) Enable a diverse portfolio of renewable energy resources;
 - (B) Expand options for customers to manage their energy use;
 - (C) Maximize interconnection of distributed generation to the State's electric grid on a cost-effective basis at non-discriminatory terms and at just and reasonable rates, while maintaining the reliability of the State's electric grids, and allow such access and rates through applicable rules, orders, and tariffs as reviewed and approved by the Commission;
 - (D) Determine fair compensation for electric grid services provided to customers and for services provided to the electric grid by distributed generation customers and other non-utility service providers; and
 - (E) Maintain or enhance grid reliability and safety through modernization of the State's electric grids;
- (3) Deleting language related to requiring the Public Utilities Commission to commence a proceeding to address issues associated with the modernization of the electric grid and inserting language that:
- (A) Requires the Commission to commence regulatory actions by July 1, 2014, to address the technical, policy, and economic issues associated with the modernization of the State's electric grids; provided that the Commission may commence additional regulatory actions to resolve issues associated with grid modernization at its discretion;
 - (B) Allows regulatory actions commenced by the Commission to include forming and facilitating working groups and opening proceedings; provided



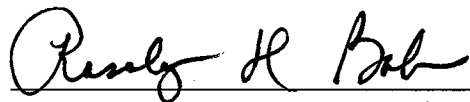
that any regulatory actions shall encompass one or more procedural timelines;

- (C) Requires the Commission to submit a final report to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016 and an interim report of progress as part of its annual report submitted in January of 2015; and
 - (D) Allows the Commission and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs to be exempt from procurement requirements in the procurement of any professional services needed to conduct any regulatory actions pursuant to this measure;
- (4) Changing the means of financing for the Public Utilities Commission to conduct regulatory actions to the Public Utilities Commission special fund and inserting an appropriation amount of \$1,000,000;
 - (5) Changing the means of financing for the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs to represent the interest of the consumers in regulatory actions to the Public Utilities Commission special fund and inserting an appropriation amount of \$750,000; and
 - (6) Changing the effective date to upon approval; provided that the appropriations shall take effect on July 1, 2014.

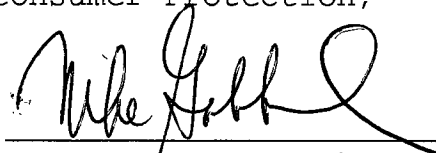
As affirmed by the records of votes of the members of your Committees on Energy and Environment and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 1943, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 1943, H.D. 2, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Energy and
Environment and Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair

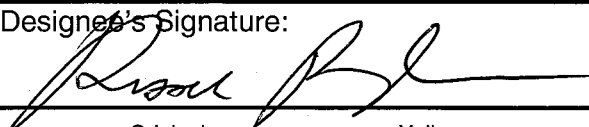


MIKE GABBARD, Chair



The Senate
 Twenty-Seventh Legislature
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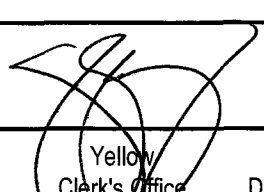
Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1943, HD2	ENE/CPN, WAM	3/20/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RUDERMAN, Russell E. (VC)	X			
CHUN OAKLAND, Suzanne				X
IHARA, Jr., Les	X			
SLOM, Sam				X
TOTAL	3			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution: Original Yellow Pink Goldenrod				
File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Twenty-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 1943 HD2	ENE/CPN, WAM	3/29/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam				✓
TOTAL	3	0	0	2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes