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TO THE HOUSE COMMITTEE
ON CONSUMER PROTECTION AND COMMERCE

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013

MONDAY, FEBRUARY 11, 2013
3:30 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ANGUS L. K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 461 - RELATING TO NET ENERGY METERING

DESCRIPTION:

This measure proposes to allow an eligible customer-generator in a net energy metering ("NEM") agreement to donate credits for excess electricity that remain unused after each twelve-month reconciliation period to any charitable organization (as defined in section 467B-1, Hawaii Revised Statutes).

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports the intent of HB No. 461 with comments.

COMMENTS:

The Consumer Advocate has been participating in the Public Utilities Commission's ("Commission") Reliability Standards Working Group ("RSWG"), which

was comprised of various entities, such as the electric utilities, several independent power producers, renewable energy associations, environmental advocates, and the Consumer Advocate. The work efforts by the individual entities recently concluded and the next step in the RSWG process includes reviews by the Commission and its technical review committee.

As a result of the RSWG efforts, measures and steps were identified to improve the processes for the various renewable energy procurement mechanisms, including NEM. Next steps include an assessment of whether these measures and steps do not increase the electricity bills for those Hawaii ratepayers who are not participating in such programs as NEM.

This bill has the potential of encouraging consumers to over-size renewable energy systems, in particular solar photovoltaic ("solar pv") systems, which may result in unintended consequences that need to be considered. If a number of consumers on a circuit over-size their systems, this may effectively preclude additional customers from installing solar pv systems on their rooftops. Furthermore, over-sized systems could ultimately affect the reliability of the electric utility's grid.

The Consumer Advocate suggests that the Legislature's concerns and issues associated with NEM and other procurement programs be addressed in the form of a resolution, rather than legislative mandate, as proposed in HB No. 461, to allow the RSWG process to be completed.

Thank you for this opportunity to testify.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

FEBRUARY 11, 2013
3:30 p.m.

MEASURE: H.B. No. 461

TITLE: Relating to Net Energy Metering

Chair McKelvey and Members of the Committee:

DESCRIPTION:

H.B. No. 461 allows an eligible customer-generator participating in the State's net energy metering ("NEM") program under Chapter 269, Hawaii Revised Statutes ("HRS"), to donate excess NEM-related credits remaining at the end of the customer-generator's twelve-month reconciliation period to charitable organizations, as defined under HRS § 467B-1.

POSITION:

The Commission believes this measure is premature as it begins its evaluation of renewable energy procurement methods, which includes the NEM program.

COMMENTS:

While the concept of sharing renewable energy benefits described in this bill is laudable, the Commission is concerned that this measure does not reflect an accurate understanding of NEM.

The Commission was recently awarded a grant from the National Association of Regulatory Utility Commissioners to evaluate Hawaii's various renewable energy procurement methods ("NARUC Grant"). This fully-funded review is scheduled to be completed by September of this year. The NARUC Grant review will examine Hawaii's renewable energy procurement methods – including NEM, Hawaii's feed-in tariff

program, and the existing competitive bidding framework – to evaluate how various energy acquisition programs function independently and comprehensively in meeting Hawaii’s clean energy mandates through the most efficient processes to 1) achieve the highest level of renewable energy penetration at the lowest cost, 2) ensure that all ratepayers can share in the benefits of clean energy fairly and equitably, and 3) ensure and improve the reliability of the system.

The Commission’s NARUC Grant Request for Qualifications, dated January 17, 2013, is attached for the Committee’s perusal.

Thank you for the opportunity to testify on this measure.

Attachment



N A R U C
National Association of Regulatory Utility Commissioners

Request for Qualifications, HAWAII January 17, 2013

The National Association of Regulatory Utility Commissioners (NARUC) is in need of the services of an expert consultant or consultants to support the Hawaii Public Utilities Commission (“Commission”) as it seeks a review, evaluation, & recommendation for improvements to the current variety of renewable energy procurement (“REP”) methods used by electric utilities to procure utility-scale & customer-sited generation.

This request for qualifications (“RFQ”) invites consultants to submit their qualifications in order to be considered for performing this work under contract to NARUC. It is one of several RFQs being issued under NARUC’s Recovery Act-funded State Electricity Regulators’ Capacity Assistance and Training (“SERCAT”) program. (More information at www.naruc.org/sercat).

Background

Electricity generation in the State of Hawaii (“Hawaii” or “State”) is highly dependent on imported oil, and, consequently, the State has the highest average electricity rates in the country. Hawaii’s utilities are actively procuring renewable-sourced generation in an effort to meet aggressive Renewable Portfolio Standards (“RPS”) and to stabilize the high cost of electricity. As a result of these efforts, Hawaii is experiencing exponential growth in solar photovoltaic (“PV”) systems (cumulative solar PV additions of approximately 200 megawatts (“MW”) installed) and significant wind resource additions (over 200 MW installed) on a collective statewide grid just 1,600 MW in size. These progressive policies have resulted in the State’s electric utilities, under the oversight of the Commission, employing a wide variety of renewable energy procurement (“REP”) methods and programs to achieve state-mandated requirements. The Commission now seeks assistance to complete a full, comprehensive review of the effectiveness of existing procurement methods. This review will consider the effectiveness of existing programs in terms of purchased power costs, progress toward meeting renewable energy goals, administrative costs and ease of process, and fairness and equity across ratepayer classes.

Specifically, the Commission seeks the assistance of a consultant(s) to review, evaluate, and recommend improvements to the current variety of REP methods used by the State’s electric utilities to procure utility-scale and customer-sited generation (“Project”). These utility-scale mechanisms include a feed-in tariff (“FIT”) program, acquisitions under a Commission-established competitive bidding framework, and bilateral negotiations between independent power producers (“IPP”) and the utilities. Customer-sited renewable energy programs include net energy metering (“NEM”), standard interconnection agreements, and the “Schedule Q” tariff that pays for customer-sited generation based on avoided costs. The consultant(s), having expertise in REP and standard regulatory practices, will assist the Commission in determining the overall effectiveness of the above mentioned procurement methods.

The REP programs identified have all been quickly and almost simultaneously deployed, and the Commission believes now is the right time to evaluate the general effectiveness of these methods

and programs both individually and in concert. Hawaii's customer-side renewable energy procurement mechanisms have been in operation for several years without yet having comprehensive program effectiveness reviews performed. Utility-scale procurement programs have likewise been developing and operating in varying degrees, and now programs like FIT have reached a point where the Commission believes comprehensive review and evaluation is necessary to move the program forward. Additionally, renewable energy procurement projects in the State under a Commission-created competitive bidding framework have begun to significantly increase in terms of both proposed project size and the frequency of applications.¹

Funding

Up to \$72,800 is available for the consultant or consultants to support this effort.

Deliverables

This project is envisioned as being a two-phase process. Phase 1 involves the research, review, evaluation, and recommendation steps discussed in the Background section above. The selected consultant(s) would examine the effectiveness of current Hawaii REP methods and programs both individually and collectively, evaluate such methods and programs in relation to similar mechanisms in other jurisdictions, and offer recommendations based on consultant(s) evaluation. In the anticipated Phase 2 of this Project, the consultant or consultants performing the initial review and evaluation will further assist the Commission in an advisory capacity in related proceedings to amend, revoke, or create new procurement methods as a result of the deliverable (i.e. Commission proceedings to examine the existing FIT or NEM programs).

The intended deliverables are an Interim Report during the research/evaluation process and Final Report at the conclusion of Phase 1 including all findings and recommendations from the review and evaluation of Hawaii's REP methods and programs. The submitted reports should include on an interim or final basis, where applicable, 1) a review of existing Hawaii procurement mechanisms, 2) a survey and description of similar programs implemented in different states, 3) an evaluation of the effectiveness of the reviewed procurement mechanisms, and 4) recommendations for improving the effectiveness of the reviewed procurement mechanisms. In addition, the report should include a summation of lessons learned from the State's various renewable energy procurement methods and programs, as well as a comparative matrix of the effectiveness of the various renewable energy procurement methods being reviewed and evaluated. In the course of completing the required report, the consultant(s) will likely need to conduct interviews and meetings with the Commission.

Phase 2 deliverables will be determined through discussions with the Commission and the potential consultant(s), although this will require consultant(s) to advise and report to the Commission on the progress of implementing the Phase 1-generated recommendations in the course of Commission proceedings. Again, the contracting, funding, and performance of Phase 2 are expected to be outside the scope of this grant process.

¹ Included among the utility-initiated requests for proposals ("RFP") for renewable energy generation capacity currently before the Commission is a RFP for 200MW of as-available intermittent renewable energy generation for delivery to the island of Oahu under Commission Docket No. 2011-0225, and an RFP for 50MW of electricity generated from geothermal energy resources for use by Hawaii Electric Light Company under Commission Docket No. 2012-0092.

Period of performance

Selected consultants will be interviewed by NARUC and the Commission by telephone, and a selection is anticipated by February 2012. The proposed consultant work would be performed between February 2013 and September 15, 2013.

Responding with your qualifications

Please send an email that includes a letter of your interest in being considered for this activity, with a project brief. This brief should identify staff who would be assigned, outline rates and estimate involvement (in total hours) for each individual proposed, include individual curriculum vitae for these individuals, and provide corporate qualifications (or links to relevant efforts) for your organization. Please provide these electronically to Miles Keogh and Ivy Wheeler at mkeogh@naruc.org and iwheeler@naruc.org by COB February 14, 2013. Consultant qualifications should demonstrate that they are able to perform the tasks described above. Further consultant selection will occur via teleconference with NARUC and the Commission Staff.

Questions should also be addressed to Miles and Ivy at the email addresses above.

Acknowledgment: "This material is based upon work supported by the Department of Energy under Award Number(s) DE-OE0000123."

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Hawaii Solar Energy Association
Serving Hawaii Since 1977

Before the House Committee on Consumer Protection & Commerce
Monday, February 11, 2013, 3:30 pm, Conference Room 325
HB 461: RELATING TO NET ENERGY METERING

Aloha Chair McKelvey, Vice-Chair Kawakami, and members of the House Committee on Consumer Protection & Commerce,

On behalf of the Hawaii Solar Energy Association (HSEA), I would like to testify **in strong support for HB 461**, which allows eligible customers to donate excess NEM credits to a charitable organization and utility customer in Hawaii. HSEA is a non-profit trade organization that has advocated for both solar hot water and photovoltaics since 1977, with an emphasis on residential distributed generation (DG) and commercial SHW and PV.

Excess NEM credits are lost at the end of the year

Right now, if a NEM customer produces more electricity than needed, those extra credits are lost at the end of the year. Ideally, a NEM system would be designed so that the system size meets but does not exceed the utility customer's use. However, there are many reasons for a system to overproduce, such as increased efficiency from the purchase of new appliances, or a change in the household, such as when kids leave for college. Rather than lose the credits at the end of the year, and it would be a win-win for the customer to be able to donate credits to a non-profit organization to reduce the charitable organization's utility bills.

Non-profits' tax exempt status does not allow them to take tax credits

Because non-profits are tax exempt, they are not able to take advantage of the current state and federal tax credits that serve as a solid incentive to install PV and enter into a NEM agreement. HB 461 would overcome that obstacle, at least in part, by allowing NEM customers to donate their excess credits to non-profit of their choice.

Thank you for the opportunity to testify.

Leslie Cole-Brooks
Executive Director
Hawaii Solar Energy Association

kawakami2 - Rise

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 09, 2013 10:03 AM
To: CPCtestimony
Cc: tabraham08@gmail.com
Subject: *Submitted testimony for HB461 on Feb 11, 2013 15:30PM*

HB461

Submitted on: 2/9/2013

Testimony for CPC on Feb 11, 2013 15:30PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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