

Gentlemen

Here is REACH's wrapup summary of renewable legislation that was considered by Hawaii's state legislature during its 2014 session.

1) 100% renewable energy resolution

REACH prepared and got introduced, through Representative Chris Lee (chair of the House Energy Committee), a proposed legislative resolution *asking* Hawaii's electric utilities to consider setting a planning goal of 100% renewable energy for each of the Hawaiian islands. The idea, congruent with REACH's strategy of asking Hawaii's utilities to set planning goals of 100% renewable energy, was to ask the legislature to *ask* this of the utilities by legislative resolution, not to *mandate* the utilities by legislative bill and act of law.

The resolution was not heard and, therefore, was not passed. The story behind that gives some insight into the legislative mind and process.

In the legislature, bills for acts of law are heard during the first 8 weeks or so of the legislative session, and resolutions (which are not acts of law) are heard during the following 2 weeks. During the early part of the session, a bill was heard that would have *mandated* the utilities to achieve 100% renewable generation by the year 2050. REACH did not take a position or testify on this bill. This bill eventually died in the House Consumer Protection Committee (chair Angus McKelvey). The utilities did not testify on the bill. The Public Utilities Commission (PUC) put in "comments" that effectively opposed the bill because the PUC was not keen on enforcing the 100% renewable generation mandate (called a renewable portfolio standard or "RPS") contained in the bill. I infer that the bill died because of what I call the Cardinal Rule of Energy Policymakers. The Cardinal Rule of Energy Policymakers is that energy policymakers (the legislature, the PUC) do not want

to mandate the utility to do anything that the utility has indicated it does not want to do.

After the death of the 100% renewable generation mandate bill, REACH communicated again with House Energy Committee chair Chris Lee and urged him to hear REACH's 100% renewable energy resolution. On March 7, I received a phone call from Chris Lee in which he indicated that HECO was ready to support a goal of 100% renewable energy, and that he was writing a bill to express a 100% renewable energy goal. I described our conversation in the March 8 REACH legislative update.

It turned out that the bill that Chris Lee was writing was the same as the 100% renewable generation mandate (RPS) bill that already had died in the [House Consumer Protection Committee. The new bill he wrote is called a "gut-and-replace." He took a Senate energy bill of minor importance that already had passed the Senate committees, "guttled" it (that is, removed, the contents of that Senate bill), "replaced" the contents of that Senate bill with the language of the 100% renewable generation mandate bill that already had died, and then heard the new gut-and-replace 100% renewable generation mandate bill. I did not realize it at the time, but the reason Chris Lee had called me on March 7 was to let me know, in a way courteous and respectful to an organization advocating 100% renewable energy, that he was intending to pursue the 100% renewable generation mandate bill approach in preference to the "asking" approach of REACH's proposed 100% renewable energy resolution. That is why REACH's 100% renewable energy resolution was not heard.

I attended the hearing on the gut-and-replace version of the 100% renewable generation bill. HECO supported of the "intent" of the bill, characterizing it as "aspirational," that is, something to aspire to, but not actually plan for. The PUC put in "comments" that effectively opposed the bill and indicated that the PUC did not want to have to enforce the 100% renewable generation mandate in the bill. The House Energy Committee got the message that

HECO and the PUC were not exactly crazy about the gut-and-replace version of the 100% renewable generation bill and it died again.

After the hearing on the gut-and-replace bill, I talked briefly with the HECO people that showed up to put in the HECO testimony. They expressed surprise that REACH had not supported the bill (REACH did not testify on the bill). I told them that I did not think it was fair to mandate the utilities to produce electricity 100% from renewable sources, and not require transportation fuel providers to produce 100% of their fuels from renewable sources. They brightened up when I said that, and said that was what they thought, too. Moments like that offer the opportunity to change individual minds at the utility, and eventually change the utilities' collective mind to set planning goals of 100% renewable energy.

## 2) Energy storage portfolio standard bill

REACH prepared and got introduced, through Rep. Chris Lee, a bill to create a portfolio standard requiring the utilities to acquire certain minimum quantities of energy storage contemporaneous with their acquisition of renewable generation under the 40% renewable portfolio standard. Like the 100% renewable generation mandate bill, HECO supported the aspiration of the bill to have more cost-effective storage, and left it to the PUC to put in comments effectively opposing the bill as a mandate or quota that the PUC would have to first specify and then enforce. The bill died in the House Consumer Protection Committee, inferentially because of the Cardinal Rule of Energy Policymakers. HECO indicated that it did not really want to be bound by an energy storage portfolio standard. The PUC heard that and indicated that it did not want to mandate HECO with an energy storage portfolio standard. The House Consumer Protection Committee heard those messages, and decided that it too did not want to mandate HECO with an energy storage portfolio standard, and the bill died in the House Consumer Protection Committee.

### 3) Grid modernization bill

REACH testified in support of the "grid modernization" bill that would have (1) put the utilities under a mandate to interconnect distributed PV systems, (2) directed the PUC to open a docket to investigate issues of grid modernization, including options for interconnection of more distributed PV systems, and provided a dollar budget for the proceeding. The PV interconnection mandate was quickly deleted from the bill, pursuant to the Cardinal Rule of Energy Policymakers, after HECO and the PUC testified that establishing such a mandate could have "unintended consequences," i.e., disastrous and scary consequences, for the utilities and ratepayers. REACH testified in support of the bill, primarily because PUC dockets like those provided in the bill, offer excellent opportunities for meeting and conversing with utility people, changing individual minds and asking them to consider setting a planning goal of 100% renewable energy.

The bill, providing for a PUC proceeding and a dollar budget, made it into Conference Committee, where the PUC proceeding and the dollar budget were deleted. The grid modernization bill that came out of the Conference Committee consisted of a list of criteria for the PUC to consider in evaluating grid modernization options. Although the PUC proceeding got deleted from the bill, the PUC indicated, in its RSWG (Reliability Standards Working Group) Decision & Order filed on April 28, that it would be opening a really big utility planning docket, probably before the end of this year. This big planning docket appears likely to include evaluation of grid modernization options, including options for interconnection of more distributed PV systems.

### 4) Substation-upgrades-for-interconnection-of-more-PV-systems resolution

REACH prepared and got introduced, through Rep. Chris Lee, a resolution *asking* Hawaii's electric utilities to consider implementing a pilot program to do the design- and-engineering

work at the substation level to accommodate two-way flow of energy and, therefore, much higher penetration levels of PV systems on the utilities' distribution circuits. This resolution was not heard, apparently because Rep Chris Lee decided to focus the House Energy Committee's efforts on the grid modernization bill (discussed above) as the legislature's solution to the interconnection crisis that currently is crippling Hawaii's PV industry.

Going forward, the opportunity for conversing with Hawaii's utilities about options -- such as substation-upgrades-for-interconnection-of-more-PV-systems -- for achieving a planning goal of 100% renewable energy will occur in the context of the HECO utilities' preparation of the "Power Supply Improvement Plans (PSIPs)" ordered by the PUC in its April 28 RSWG Decision & Order, and the big planning docket that the PUC has said it will open after HECO files the PSIPs on September 29 of this year.

#### 5) Net energy metering bill

REACH prepared and got introduced, through Senator Russell Ruderman, a bill that would have (1) increased the net energy metering (NEM) system size limit from 100 kW to 1 MW, (2) prohibited the utility from charging NEM customers for the costs of interconnection requirements studies (IRSs) and supplemental review studies, (3) ensured that DG systems that use energy storage are eligible for NEM, and (4) eliminate the 1/2% of utility system capacity limit on aggregate NEM generation. This bill did not get heard. Senator Mike Gabbard (chair, Senate Energy Committee) sent me a courteous e-mail explaining that, in his political judgment, it was best to leave NEM alone during this session lest the bill be turned, by opponents of NEM, into a vehicle to cut back NEM.

#### 6) Renewable energy technologies income tax credit bill

REACH prepared and got introduced, through Senator Russell Ruderman, a bill that would have amended the renewable energy technologies income tax credit (RETIT Credit) by (1) getting rid of the "per system" caps on the claimable amount of RETIT Credit, and instead lowering the tax credit rate over time, to reduce the cost to the State Treasury of the RETIT Credit, (2) expanding the scope of the RETIT Credit to include geothermal, ocean wave, ocean thermal, hydroelectric and biomass generation, and (3) expanding the scope of the RETIT Credit to include energy storage property. This bill did not get heard. Senator Mike Gabbard sent me a courteous e-mail explaining that, in his political judgment, it was best to leave the RETIT Credit alone during this session lest the bill be turned, by opponents of the RETIT Credit, into a vehicle to cut back the RETIT Credit.

#### 7) Energy storage tax credit bill

REACH prepared and got introduced, through Rep. Chris Lee, a bill that would have created an energy storage tax credit. The energy storage tax credit would have been available for energy storage property that presently is not eligible for the RETIT Credit. This bill died in the Conference Committee, apparently because it did not receive "money approval" from the House Finance Committee (chair Rep. Sylvia Luke) for its projected cost to the State Treasury in foregone tax revenues. Sen Mike Gabbard sent me a courteous note saying that he would work with REACH to pass an energy storage tax credit bill during next year's legislative session.

#### 8) Renewable fuels production tax credit bill

REACH testified in support of this bill that provided a tax credit for the production in Hawaii of renewable liquid fuels, primarily biodiesel. This bill died in the Conference Committee, apparently because it did not receive approval from one or both of the money committees (the House Finance Committee, chair Rep. Sylvia Luke and the Senate Ways & Means Committee, chair Sen. David

lge) for its projected cost to the State Treasury in foregone tax revenues.

#### 9) Barrel tax extension bill

REACH testified in support of the "barrel tax" extension bill. The bill extends the barrel tax to June 30, 2030. The "barrel tax" is a state excise tax of \$1.05 per barrel of oil imported to Hawaii. \$.45 of the tax on each barrel is allocated among various energy, environmental response and food security program and planning functions of state entities such as the Hawaii State Energy Office, the Hawaii Natural Energy Institute, the Hawaii Department of Health and the Hawaii Department of Agriculture. The rest of the barrel tax revenue goes into the general fund of the State Treasury. The bill was passed by the Conference Committee and finally approved by both the House and the Senate, and has been forwarded to the Governor.

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