

STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN HOME LANDS

April 15-16, 2019

To: Chairman and Members, Hawaiian Homes Commission  
Thru: Andrew Choy, Acting Planning Program Manager  
From: Julie-Ann Cachola, Planner  
Subject: G-2 Acceptance of the Beneficiary Consultation Report  
for the Kalaeloa Solar Energy Project Proposed by  
Innergex Renewables USA LLC, at Kalaeloa, Oahu

RECOMMENDED ACTION

That the Hawaiian Homes Commission (HHC) accept this report as the official record of the information disseminated on the Kalaeloa Solar Energy Project and beneficiary questions and comments raised in response.

DISCUSSION

Introduction

In December 2018, DHHL issued a solicitation for renewable energy projects at Kalaeloa, O`ahu. In January 2019, four competitive proposals were submitted for Kalaeloa. One proposal was disqualified because the developer did not meet the definition of a renewable energy producer. The three remaining proposals were evaluated and scored. The top ranked project was a solar energy project proposed by Innergex Renewables USA LLC.

Following the selection of a renewable energy developer, the Planning Office conducted a Beneficiary Consultation meeting at the Kapolei Middle School on March 21, 2019. The DHHL and Innergex presented background information about renewable energy and Innergex's proposed solar energy project at Kalaeloa. Beneficiaries shared their concerns and raised questions which were answered by Innergex or DHHL. This submittal provides a record of that beneficiary consultation meeting.

Notification

On March 4, 2019 DHHL mailed invitation letters (**Exhibit A**) to 1,453 Lessees and Applicants that reside in the Kapolei (96707) area, which is the area where the proposed project is located. The letter invited beneficiaries to attend a beneficiary consultation meeting at the Kapolei Middle School on Thursday, March 21, 2019 from 6:00 p.m. to 8:00 p.m. to get information and provide comments on Innergex's Proposed Solar Energy Project at Kalaeloa.

Beneficiary Consultation Meeting

Ten(10) beneficiaries participated in the consultation meeting and one (1) beneficiary emailed written comments (**Exhibit B**). Two (2) Innergex representatives and four (4) DHHL staff from the Chairman's Office, the Land Management Division, and the Planning Office were also present. All attendees received a handout containing all presentation slides(**Exhibit C**), an informational brochure about Innergex (**Exhibit D**) and a blank sheet for comments.

Purpose of  
the  
Meeting

The Department's presenter, Julie-Ann Cachola, from DHHL's Planning Office made introductions and explained that the purpose of the beneficiary consultation meeting, was to provide beneficiaries with information on the proposed project, to answer their questions and to record their concerns. More specifically, the meeting was to:

1. Provide background information about Kalaeloa and renewable energy
  - Why was a solar energy project being proposed at Kalaeloa?
  - Why was DHHL getting involved in renewable energy at this time?
2. Provide Innergex the opportunity to present their proposed solar project to beneficiaries who reside in the area.
3. Provide beneficiaries the opportunity to ask questions and articulate their concerns directly to Innergex.
4. Explain upcoming activities and next steps related to the project.

About  
Kalaeloa

Relevant background information on Kalaeloa was presented:

1. DHHL has 555 acres in Kalaeloa.
2. The lands are designated for Industrial uses.
3. The current focus is on the Eastern parcels.
4. There are large concrete bunkers and revetments that reduces the area that can be used to generate electricity from solar panels.

*The Demand  
for  
Renewable  
Energy*

Relevant background information on renewable energy was also presented:

1. The State Legislature establishes Renewable Portfolio Standards (RPS) which requires a specified percentage of the electricity that utilities sell that must come from renewable energy resources. By the year 2020, the utility needs to produce at least 30% of its electricity from renewable energy resources.
2. In its 2017-2018 Sustainability Report, the Hawaiian Electric Company reported that they were on-track to meet the 2020 RPS as they are already producing 26.8% of its electricity with renewable energy resources.
3. In 2015, the State Legislature established the Renewable Portfolio Standard of 100% by the year 2045. This means that by the year 2045, 100% of the electricity the utilities sell must be produced using renewable energy resources. This was a game-changing, landmark decision that created a huge demand for renewable energy projects across the State.

*Complex  
Processes*

In spite of these compelling reasons to support renewable energy, the presenter cautioned that in reality, engaging in renewable energy development involves complex and independent processes, including:

1. HECO's Request for Proposals (RFP) requirements
2. DHHL's requirements to lease land for renewable energy
3. DHHL's long-term land disposition requirements
4. Developer financing
5. Government tax credits

*Major  
Players*

To further illustrate the complexity involved in developing renewable energy, the presenter identified three (3) entities and their respective interests.

*The  
Utility*

1. The utility (HECO) controls the market because they are the only entity that will buy power from the renewable energy producers. Their goal is to purchase renewable energy at a low, fixed price.

*Energy Producers*

2. Renewable energy producers have the technology to produce renewable energy, but they need the energy resource and they need the utility to buy the energy they produce. They need exclusive access to an abundant renewable energy resource, which means that they need developable land in the right location. In order to utilize their technology, they need to secure a PPA from HECO.

*Landowners*

3. Large landowners can give energy producers the site control they require. Landowners are looking for a viable energy producer that will give them a high lease rent while still remaining competitively priced to ensure that it is selected by HECO for a PPA.

*Private Lands*

Private landowners can be flexible. They can render decisions and respond quickly to accommodate the needs of the renewable energy producer.

*Public Lands*

For Public landowners, like DHHL, land decisions are made by a Board or Commission, governed by statutes and rules that mandate a competitive, transparent, and public process that requires more time to complete.

In consideration of all the requirements that must be completed before DHHL issues a long-term General Lease, we decided to start our process earlier. It is DHHL's goal to complete the requirements to award a land disposition before HECO releases its Phase 2 RFP sometime in May or June 2019.

*Innergex's Next Steps*

The presenter outlined the work that Innergex needs to complete to secure a PPA from HECO. In addition, before the long-term General Lease is executed, Innergex needs to complete the Chapter 343, HRS, environmental review process.

### Summary of Beneficiary Comments and Questions

Consultation meetings with beneficiaries provide valuable insight and information on the issues that the developer and the Department should address. With conventional development projects, this kind of insight often comes too late in the planning and development process when plans have been drawn and there is no room for adjustments. By consulting with our beneficiaries early in the process, issues can be identified and addressed in due diligence studies.

This section of the report provides a summary of beneficiary concerns raised during the meeting. **Exhibit E** is a complete record of beneficiary comments, questions, and DHHL and Innergex responses to the questions.

**1. Beneficiaries are interested in direct benefits.**

Beneficiaries wanted to know if they could get solar panels through Innergex. Innergex explained that they are helping HECO to achieve their renewable energy goals. They do not provide solar panels for individual homes. Further, if they were able to secure a PPA with HECO, it would not necessarily result in the lowering of their monthly electric bill. Innergex explained that over the long-term, bills would go down and we will not experience big spikes in our electric bills as has been the case when the price of our electricity was pegged to the price of oil.

During the discussion, the option of Community-Based Renewable Energy or Community Solar received a lot of attention and interest. Beneficiaries wanted more information about this option and they wanted to know if Community Solar was better than constructing solar panels on their roofs. Innergex explained that HECO is beginning to explore Community Solar, noting that one pilot project will be on DHHL land in Kalaeloa. Community solar is for people who live in apartment buildings, who don't own a rooftop, or have rooftops that are in need of repair. If you don't have a roof, you can purchase solar panels in the Community Solar project. You receive a credit on your electric bill based on how much you invested in the community solar project.

**2. The financial offer needs to be increased.**

Beneficiaries felt that Innergex should pay more in terms of lease rent and community benefits, considering the amount of land they are requesting. One beneficiary asked if the Innergex would provide other benefits, like infrastructure. Another beneficiary wanted to know how the Innergex offer compared to what other landowners were getting from other renewable energy companies. Another beneficiary wanted to know, beside the Department and the Kapolei Heritage Center, if any other organizations or schools would benefit from the project.

**3. Give us an example of how Innergex works with communities.**

Innergex explained that with First Nations, they get to the know the community. They work out a plan on how they can work together. They may bring in volunteers to help the community with their projects. Chair Masagatani felt this

was an important question and requested that Innergex submit a written response.

Subsequent to the Beneficiary Consultation meeting, Innergex sent an email that explained that each First Nation has its own rules and process. In that way, Innergex's process for community engagement depends on the rules and process required by the Nation, and whether or not they are partnering or entering into a participation agreement. Some nations have specific mandates with steps that you need to navigate. Innergex noted that if a Nation does not have procedures in place, the process is more fluid, and relationship-based.

In their written response, Innergex provided a link to a 3-minute video that explained how renewable energy development is consistent with their cultural values. Through interviews on the video, it explained that the tribe was embracing new technology involved in renewable energy development, while also retaining their cultural values—and in this way, they looked forward to a brighter future. The video can be found at: <https://www.innergex.com/sites//kwoiek-creek/>

**4. More informational meetings.**

One beneficiary wanted more informational meetings to answer everyone's questions. He noted that he was only hearing from the people who are selling solar systems. He wanted information about what is available from someone who is not trying to sell us anything.

RECOMMENDATION:

Staff respectfully requests the Commission's approval of the Recommended Action.