State embracing 'shared solar' energy farms on DHHL land

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A modest amount of free electricity could begin flowing to many Hawaiian homesteaders over the next several years as part of four planned utility-scale solar farms.

Proposed for state Department of Hawaiian Home Lands property on Oahu and Hawaii island, the solar farms are among a growing number of "community-based renewable energy" projects designed to share the benefit of lower-cost power mainly with households that don't have rooftop solar because of how much they earn or where they live.

Hawaiian Electric, the largest utility in Hawaii, is trying to add 235 megawatts of community solar projects on Oahu, Maui, Molokai, Lanai and Hawaii island under a plan awaiting state Public Utilities Commission consideration, following approval for 8 megawatts.

DHHL, a major landowner with a mission to provide homesteads to Native Hawaiians meeting a minimum 50% blood quantum, has embraced community solar as something that helps its beneficiaries in two ways.

For one, the agency receives lease revenue from companies it picks to produce renewable energy on land that DHHL can't reasonably use for homesteads. This revenue helps DHHL fund homestead development.

The other benefit is a subsidy to beneficiaries for the duration of a project's long-term land lease.

"A (community-based renewable energy) project would give DHHL an opportunity to not only lease our revenue-generating lands but also provide a direct benefit to eligible beneficiaries in the form of a discount on their monthly electricity costs," Tyler Iokepa Gomes, the agency's deputy director, said in a statement.

The first community solar farm on DHHL land is expected to be built just beyond the end of a runway at Kalaeloa Airport, and would discount electricity to many or possibly most of the agency's roughly 4,000 homesteaders on Oahu for 25 years.

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An initial 1.7-megawatt phase is projected to begin operating in late 2022, followed by another 7 megawatts within three to five years, though the second phase is subject to a competitive award by Hawaiian Electric if the PUC approves the utility's community solar expansion plan.

The Kalaeloa project's developer, Arion Energy, has not specified how much of a discount it will provide DHHL beneficiaries or how many beneficiaries might participate.

Based on other community solar plans, the discount could be around 10%, 15% or as much as 20%. At 15% someone would save $30 on a $200 bill or $75 on a $500 bill.

Arion's project would produce enough electricity to power 340 homes in its initial phase and about 3,000 homes at full development.

All the electricity from the solar farm would flow into Hawaiian Electric's grid for general distribution. Bill discounts would be provided to select beneficiaries who sign up.

Initially, the community solar model involved community members paying a project's developer either a one-time or monthly fee that would help finance the project and earn the investor a bigger return in the form of electricity bill discounts.

Now the model is to provide the electricity bill discount at no cost to community members who simply enroll to receive the benefit.

Developers and utilities often describe the concept as "shared solar," with the idea being that some solar panels in a utility-scale project — as well as less expensive electricity — are being shared with community members.

Hawaiian Electric's aim for community solar is to allow households with low and moderate incomes to receive the discounts. However, developers of specific projects can propose their own preferences.

In the case of projects on DHHL land, the agency is arranging to give preference to beneficiaries who live on the same island as a community solar project. The preference might also apply without regard to income or whether a beneficiary already has rooftop solar and a minimal electricity bill.

"You don't have to pay anything, you don't have to qualify — just sign up," Julie-Ann Cachola, a DHHL planner, explained during a July beneficiary consultation meeting for a planned community solar project on Hawaii island.

This 6-megawatt project on 40 acres of DHHL land in Kalaoa is planned by Nexamp Solar LLC. DHHL selected the developer in March following a request for proposals in 2020 — though development is dependent on a competitive bid award by Hawaiian Electric, if the PUC approves the utility's community solar expansion plan.

Julie Beauchemin, a Nexamp representative, told meeting participants that the discount from the Kalaoa project likely would be 10% to 15%.

Another community solar plan DHHL selected in March is a 15-megawatt project on up to 88 acres in Nanakuli to be developed by the nonprofit International Center for Appropriate and Sustainable Energy.

DHHL also has plans for a 15-megawatt community solar project on about 100 acres in Kalaeloa on the east side of the airport runways. This project, proposed by the firm Innergex, could be ready for operation at the end of 2023.

Some DHHL beneficiaries have criticized the agency, which has yet to provide homesteads to roughly 28,000 people on a wait list, for making commercial use of its lands.

In March a group held a roadside rally in Nanakuli to protest the planned project there, in part arguing that it should be used for homesteading. DHHL said the low-quality farmland slated for the project is in a flood plain that should not be used for housing.

In Kalaeloa, DHHL already has two traditional solar farms on land near the airport runways. The planned Arion project is within a Federal Aviation Administration runway protection zone permitting only low-profile uses with nonfrequent occupation.

Of DHHL's four planned community solar projects, Arion's is the furthest along in part because of a long history with a prior, failed plan to develop a traditional solar farm on the 30-acre site.

A little over a decade ago, AES Solar Power LLC anticipated producing electricity from this project in 2013.

Another developer, SunEdison, took over the plans after delays and pursued community solar instead.

Then SunEdison ran into financial trouble and filed bankruptcy in 2016, which led to the project's transfer to Arion in 2017.

Because the price for solar energy has come down a lot over the past decade and the shift to community solar, DHHL agreed to lower annual lease rent from original terms that began at about $300,000 and rose to about $425,000.

Arion's annual lease rent is $125,000 plus 1% of gross income.

Nick Azari, Arion CEO, called the project's history somewhat tragic but said the end result is a triumph that benefits DHHL with income while also saving money for agency beneficiaries.

"It's a really good synergy," he said.