

STAND. COM. REP. NO.

674

Honolulu, Hawaii

FEB 14 2025

RE: S.B. No. 1501
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committees on Energy and Intergovernmental Affairs and
Commerce and Consumer Protection, to which was referred S.B.
No. 1501 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Allow the State to enter into step-in agreements for payment obligations arising under certain power purchase agreements;
- (2) Establish the Power Purchasing Costs Trust Fund;
- (3) Establish that:
 - (A) Revenues from on-bill charges for power purchase agreements and accompanying reserves shall be held in trust by the State; and
 - (B) Independent power producers shall hold a beneficial interest in the revenue and reserve to the extent of the amounts owed under the covered power purchase agreements; and



- (4) Appoint, authorize, and empower an electric utility to serve as the billing, collection, payment, and managing agent of the Department of Budget and Finance in the service of performing step-in agreements.

Your Committees received testimony in support of this measure from the Public Utilities Commission, Plus Power, Ulupono Initiative, Longroad Energy, Clearway Energy Group, Hawaiian Electric, Ameresco, General Contractors Association of Hawaii, and AES Hawai'i.

Your Committees received comments on this measure from the Department of the Attorney General, Department of Budget and Finance, and Department of Commerce and Consumer Affairs.

Your Committees find that the current sub-investment-grade status of a certain investor-owned electric utility and its subsidiaries has led independent power producers and those who would finance them, to raise concerns on whether prompt and full payments for purchased power will be made. Your Committees recognize that these concerns may cause independent power producers to cancel renewable energy projects or increase the prices they would charge for deliveries, both of which are contrary to the interests of electric utility customers. This measure addresses these issues by allowing the State to provide limited credit support through step-in agreements.

Your Committees have amended this measure by:

- (1) Specifying that the definition of "purchase power costs" include termination payments payable by an electric utility in connection with the termination of a power purchase agreement as a result of a default by the electric utility;
- (2) Inserting language stating that, step-in agreements shall also obligate the Department of Budget and Finance to make payments from the Trust Fund arising from the termination of a covered power purchase agreement by an electric utility under bankruptcy law;
- (3) Inserting language stating that the Department of Budget and Finance shall not impose conditions or terms in a



step-in agreement that would adversely affect the Department's obligation to make full and prompt payments for power purchase costs owed by an electric utility to an obligee due to a default by the electric utility;

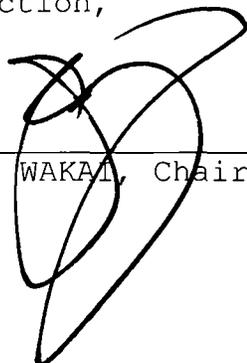
- (4) Clarifying that, if an electric utility files for bankruptcy, the ownership of or title to the revenues shall not divest from the Department of Budget and Finance and vest in the electric utility when payments are made;
- (5) Inserting language stating that the Department of Budget and Finance shall be under no obligation to make payment to any obligee if the moneys in the Power Purchasing Costs Trust Fund are depleted and shall not result in any recourse to state funds;
- (6) Inserting an effective date of May 13, 2040, to encourage further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Energy and Intergovernmental Affairs and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1501, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1501, S.D. 1, and be referred to your Committee on Ways and Means.

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



J. KEOKALOPE, Chair

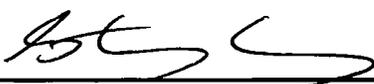


GLENN WAKAI, Chair



The Senate
 Thirty-Third Legislature
 State of Hawai'i

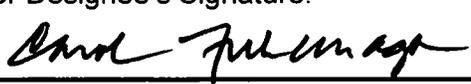
Record of Votes
Committee on Energy and Intergovernmental Affairs
EIG

Bill / Resolution No.:* SB1501	Committee Referral: EIG/CPN, WAM	Date: 2/11/25		
<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
WAKAI, Glenn (C)	✓			
CHANG, Stanley (VC)	✓			
DECOITE, Lynn	✓			
RICHARDS, III, Herbert M. "Tim"	✓			
FEVELLA, Kurt	✓			
TOTAL	5			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-size: 2em; font-family: cursive;">  </div>				
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
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB1501	Committee Referral: ELG/CPN, WAM	Date: 2/11/25		
<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
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.				✓
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton			✓	
TOTAL	3	0	1	1
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				

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