
HOUSE CONCURRENT RESOLUTION

URGING THE PUBLIC UTILITIES COMMISSION TO OPEN A DOCKET TO
CONSIDER THE APPROPRIATENESS OF AMENDING THE REGULATORY
STRUCTURE APPLICABLE TO ELECTRIC UTILITIES IN LIGHT OF
ONGOING DEVELOPMENTS IN THE DEPLOYMENT OF RENEWABLE ENERGY.

1 WHEREAS, the regulatory compact, also known as cost-of-
2 service regulation, is the traditional regulatory theory that
3 has governed electric utilities since the beginning of the
4 modern energy industry in the early Twentieth Century; and
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6 WHEREAS, the regulatory compact model recognizes an
7 electric utility as a natural monopoly and allows it to function
8 as such in return for a commitment to providing service to all
9 consumers within the utility's authorized service area; and
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11 WHEREAS, the regulatory compact model was developed in the
12 context of an emerging industrial economy that was minimally
13 concerned with environmental impacts, included seemingly
14 unlimited access to petrochemical resources, and deployed large-
15 scale, mechanized technology that was inaccessible to all but
16 the largest interests; and
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18 WHEREAS, the major advantage of the regulatory compact
19 model in its original context is that its basis in long-range,
20 fixed cost planning allowed electric utilities to make large
21 capital investments in infrastructure and distribution systems
22 and to recoup those costs through rate charges over a long
23 enough period of time from a large enough customer base that the
24 burden of recoupment on individual customers was minimal; and
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26 WHEREAS, the current energy economy is rapidly evolving in
27 light of modern concerns about environmental protection, the
28 need to mitigate the effects of climate change, looming resource
29 shortages, the end of the industrial era, and the emergence of a
30 technology-based economy; and



1 WHEREAS, developments in technology and renewable energy
2 have created opportunities for innovative energy generation and
3 distribution strategies, including decentralized generation,
4 that can drive new economic growth with a lessened impact on the
5 health of the environment; and

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7 WHEREAS, while the use of renewable energy sources carries
8 many undeniable environmental and economic advantages, including
9 allowing some customers the potential for total energy
10 independence, it creates uncertainty in both long-range planning
11 and in projecting timely service needs for large electric
12 utilities since the utilities can no longer sustain a business
13 model based on providing a stable amount of electricity to a
14 fixed customer base; and

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16 WHEREAS, although the use and availability of alternate
17 energy sources is growing exponentially, many electricity
18 customers remain wholly or partially dependent on large
19 utilities for electricity; and

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21 WHEREAS, the uncertainty created by the emerging renewable
22 energy market and dwindling electric utility customer base, if
23 not balanced by appropriate regulatory policy, increases the
24 costs of producing electricity since electric utilities cannot
25 make needed capital investments to accommodate diverse fuel
26 sources and unstable distribution patterns with confidence in
27 recouping the cost of those investments; and

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29 WHEREAS, increased costs of energy production and a
30 shrinking customer base over which to distribute investment
31 costs means that remaining electric utility customers are forced
32 to bear the burden of higher utility rates and the risk of
33 lowered quality of service, through no fault of their own and
34 with no option to avoid the costs or risks; and

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36 WHEREAS, the Public Utilities Commission has, over the past
37 several decades, had occasion to consider adjustments to its
38 system of energy regulation in light of the emergence of the
39 renewable energy sector; and

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41 WHEREAS, in 2008, the State's major energy utilities and
42 regulatory agencies entered into the Energy Agreement Among the
43 State of Hawaii, Division of Consumer Advocacy of the Department
44 of Commerce and Consumer Affairs, and Hawaiian Electric



1 Companies for the purpose of establishing a revised regulatory
2 and planning framework for a Clean Energy Scenario Planning
3 process; and
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5 WHEREAS, since that time, the Hawaiian Electric Companies,
6 which constitute the major electric utilities for the City and
7 County of Honolulu and the Counties of Hawaii and Maui, have
8 begun to move away from traditional integrated resource planning
9 based on fixed, twenty-year projections and toward a planning
10 process that incorporates flexible action plans with the ability
11 to accommodate a dynamic energy future; and
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13 WHEREAS, in light of the novel challenges and market
14 unpredictability currently faced by both energy providers and
15 utility regulators, the time has come to reassess the almost
16 century-old regulatory compact model to ensure that providers
17 and regulators are able to meet the needs of the emerging
18 renewable energy market and to ensure safe and reliable energy
19 access for energy customers; now, therefore,
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21 BE IT RESOLVED by the House of Representatives of the
22 Twenty-seventh Legislature of the State of Hawaii, Regular
23 Session of 2014, the Senate concurring, that the Public
24 Utilities Commission is urged to open a docket to consider the
25 appropriateness of amending the regulatory structure applicable
26 to electric utilities in light of ongoing developments in the
27 deployment of renewable energy; and
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29 BE IT FURTHER RESOLVED that the Public Utilities Commission
30 is encouraged to work with the Division of Consumer Advocacy of
31 the Department of Commerce and Consumer Affairs, currently
32 licensed electric utilities in the State, and representatives of
33 the renewable energy sector to consider whether amendments to
34 the current regulatory structure are necessary to respond to the
35 State's current and future needs for safe, reliable energy and
36 environmental protection; and
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38 BE IT FURTHER RESOLVED that the Chairperson of the Public
39 Utilities Commission is requested to submit a report of the
40 Commission's findings and recommendations, including any
41 proposed legislation, to the Legislature no later than twenty
42 days before the convening of the Regular Session of 2015; and



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1 BE IT FURTHER RESOLVED that certified copies of this
2 Concurrent Resolution be transmitted to the Chairperson of the
3 Public Utilities Commission, who in turn is requested to
4 transmit copies to the chief executive officers of each electric
5 utility in the State, representatives of renewable energy in the
6 State as identified by the Chairperson, and the Executive
7 Director of the Division of Consumer Advocacy of the Department
8 of Commerce and Consumer Affairs.
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