
A BILL FOR AN ACT

RELATING TO ENERGY RATES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii residents pay
2 the highest electricity rates in the United States, which
3 greatly increases the cost of living and disproportionately
4 impacts vulnerable customers who need affordable access to basic
5 electricity usage. The legislature further finds that the
6 energy market is rapidly evolving, with innovative renewable
7 technologies displacing older fossil fuel generation. While
8 Hawaii has made progress in lowering overall costs, saving over
9 a quarter-billion dollars for consumers by becoming more
10 efficient and shifting to renewable energy that is cleaner,
11 cheaper, and less price volatile, more action is necessary to
12 ensure all Hawaii residents can benefit through this energy
13 market transformation, and to ensure lower income residents will
14 not be left behind.

15 The legislature finds that by offering lower rates to
16 consumers that save energy and increase efficiency, ratepayers
17 can be given an incentive to reduce the overall load on the



1 electric grid, which will help further lower costs for all
2 ratepayers by avoiding the need to burn additional fuel or build
3 additional grid upgrades that ratepayers will be forced to
4 finance.

5 The legislature further finds that low income households,
6 multi-family households with more people under one roof
7 requiring more electricity, as well as others who may require
8 powered medical equipment, may endure special hardship that
9 warrants additional support. Other states have established a
10 tier of lower rates for those customers who need help the most
11 to ensure they can obtain electricity at an affordable cost
12 while still encouraging energy conservation.

13 The legislature further finds that the current public
14 benefits fee of up to 2.5 per cent on all electric bills has
15 been used to fund energy efficiency programs in households and
16 businesses around the State. The investments made since the
17 program's inception are projected to save over \$1,000,000,000
18 for consumers in Hawaii over the lifetime of the investments.
19 However, the public benefits fee is a regressive mechanism, as
20 the assessment of the fee on low income households can be a
21 significantly greater share of overall income for these



1 households compared to high income households consuming the same
2 amount of power.

3 The legislature further finds that swift changes in the
4 energy market can mean equally swift changes and disruption for
5 thousands of workers in the energy industry around the State.
6 Hundreds of workers could be displaced by the replacement of a
7 single power plant, creating economic chaos and uncertainty that
8 utilities have not appropriately planned for. The legislature
9 finds that preparing for and assisting workers through this
10 transition can avoid the need for millions of dollars in future
11 emergency appropriations to address sudden massive layoffs.

12 As the energy market continues to evolve faster than the
13 ability of policymakers or regulators to keep pace, the
14 legislature finds that more can be done to lower costs for local
15 residents in Hawaii.

16 The purpose of this Act is to:

- 17 (1) Establish a tiered rate structure to encourage overall
18 energy savings;
- 19 (2) Lifting the burden on low-income households and others
20 who need the most help;
- 21 (3) Reform the public benefit fee;



1 (4) Direct the public benefits fund to prioritize the
2 needs of disadvantaged and vulnerable customers in its
3 programs; and

4 (5) Prepare to assist utility workers if a transition in
5 energy technology occurs.

6 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
7 amended by adding a new section to part I to be appropriately
8 designated and to read as follows:

9 "§269- Tiered rates for electric utilities. (a)

10 Notwithstanding section 269-16 or any other law the contrary,
11 the public utilities commission shall establish a tiered rate
12 schedule that shall apply to the rates charged by electric
13 utilities. In creating the schedule, electricity in the lower
14 tiers of consumption shall cost less per kilowatt hour than
15 those tiers for higher levels of consumption.

16 (b) The public utilities commission shall establish a
17 discounted low-income rate for electric utilities that shall
18 apply to households earning less than one hundred twenty per
19 cent of the federal poverty line as verified or approved by the
20 department of taxation, or for any other hardship as established
21 or determined by the public utilities commission.



1 (c) Nothing in this section shall prevent the utility from
2 earning a fair return as determined by the public utilities
3 commission.

4 (d) The public utilities commission and the department of
5 taxation shall each adopt rules, pursuant to chapter 91, to
6 effectuate the purposes of this section."

7 SECTION 3. Section 269-121, Hawaii Revised Statutes, is
8 amended to read as follows:

9 "**§269-121 Public benefits fee authorization.** (a) The
10 public utilities commission, by order or rule, may require that
11 all or a portion of the moneys collected by Hawaii's electric
12 utilities from its ratepayers through a demand-side management
13 surcharge be transferred to a third-party administrator
14 contracted by the public utilities commission. The moneys
15 transferred shall be known as the public benefits fee.

16 (b) The public benefits fee shall be used [~~to support~~
17 ~~clean energy technology, demand response technology, and energy~~
18 ~~use reduction, and demand side management infrastructure,~~
19 ~~programs, and services, subject to the review and approval of~~
20 ~~the public utilities commission.] for the following purposes:~~



1 (1) _____ per cent, or as otherwise determined by the
2 public utilities commission, for energy efficiency
3 advancement, with a priority given to middle- and low-
4 income ratepayers;

5 (2) _____ per cent, or as otherwise determined by the
6 public utilities commission, for emergency energy
7 workforce retraining and transition programs, as
8 approved by the commission; provided that this shall
9 not interfere with or count toward negotiated benefits
10 or programs between any employee or union subject to
11 this section and their employer; and

12 (3) _____ per cent, or as otherwise determined by the
13 public utilities commission, for the advancement and
14 adoption of clean energy technologies such as
15 distributed energy resources and energy storage, with
16 a focus on middle- and low-income ratepayers and those
17 projects that can also help lower overall costs on the
18 electrical grid.

19 These moneys shall not be available to meet any current or past
20 general obligations of the State; provided that the State may
21 participate in any clean energy technology, demand response



1 technology, or energy use reduction, and demand-side management
2 infrastructure, programs, and services on the same basis as any
3 other electric consumer.

4 For the purpose of this subsection, "clean energy
5 technology" means any commercially available technology that
6 enables the State to meet the renewable portfolio standards,
7 established pursuant to section 269-92, or the energy-efficiency
8 portfolio standards, established pursuant to section 269-96, and
9 approved by the public utilities commission by rule or order.

10 (c) The public benefits fee collected from ratepayers
11 shall be appropriately tiered to reflect the tiered rate
12 structure for electric power ratepayers, pursuant to section
13 269- . In setting these rates, the public utilities commission
14 shall consider the following goals:

- 15 (1) Providing additional relief for lower income
16 households;
17 (2) Encouraging energy savings; and
18 (3) Providing appropriate funding for the public benefits
19 fee to carry out its mission.

20 [~~e~~] (d) Nothing in this section shall create or be
21 construed to cause the public benefits fee to be considered



1 state or public moneys subject to appropriation by the
2 legislature or be required to be deposited into the state
3 treasury."

4 SECTION 4. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 5. This Act shall take effect on July 1, 2017.
7

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H.B. NO. 1574

Report Title:

Energy Rates; Public Utilities; Public Benefits Fee

Description:

Requires the public utilities commission to establish a tiered rate structure for customers of electric utilities. Requires the commission to establish discounted rates for low-income customers of electric utilities. Directs the public benefits fee to be appropriately tiered. Allows the fee to be used to benefit energy efficiency advancement for low- and middle-income ratepayers and for emergency energy workforce retraining and transition programs.

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