

JAN 19 2018

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# A BILL FOR AN ACT

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RELATING TO ELECTRIC UTILITIES.

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

1       SECTION 1. The legislature finds that electric utilities  
2 have historically had an inherent conflict of interest regarding  
3 energy efficiency programs. In the past, the more electricity  
4 consumers used, the more revenue the utility collected. This  
5 inherent conflict has, over time, slowed the electric utilities'  
6 ability to focus on building a modern distribution platform.

7       In response to this inherent problem, the public utilities  
8 commission has adopted the policy of sales decoupling for  
9 certain electric utilities. Decoupling is a method of setting  
10 electric rates that helps break the traditional dependence of  
11 utilities on greater electricity usage for greater revenues. In  
12 doing so, the commission stated that it expected that the  
13 transition to a third-party energy efficiency administrator  
14 would "remove the perceived inherent conflict between a  
15 utility's desire to generate revenues and income, and energy  
16 efficiency measures that serve to decrease sales and defer the  
17 need for additional plant investment."



1           However, the legislature finds that the same inherent  
2   conflict also exists between electric utilities and independent  
3   power producers. Moreover, the commission's past actions did  
4   not address electric cooperatives, which possess the same  
5   inherent conflict as other electric utilities. Accordingly, the  
6   purpose of this Act is to allow the commission to require  
7   electric cooperatives to disengage from owning any generation  
8   asset.

9           SECTION 2. Section 269-145.5, Hawaii Revised Statutes, is  
10   amended to read as follows:

11           **"§269-145.5 Advanced grid modernization technology;**  
12   **principles.** (a) The commission, in carrying out its  
13   responsibilities under this chapter, shall consider the value of  
14   improving electrical generation, transmission, and distribution  
15   systems and infrastructure within the State through the use of  
16   advanced grid modernization technology in order to improve the  
17   overall reliability and operational efficiency of the Hawaii  
18   electric system.

19           (b) In advancing the public interest, the commission shall  
20   balance technical, economic, environmental, and cultural



1 considerations associated with modernization of the electric  
2 grid, based on principles that include but are not limited to:

- 3 (1) Enabling a diverse portfolio of renewable energy  
4 resources;
- 5 (2) Expanding options for customers to manage their energy  
6 use;
- 7 (3) Maximizing interconnection of distributed generation  
8 to the State's electric grids on a cost-effective  
9 basis at non-discriminatory terms and at just and  
10 reasonable rates, while maintaining the reliability of  
11 the State's electric grids, and allowing such access  
12 and rates through applicable rules, orders, and  
13 tariffs as reviewed and approved by the commission;
- 14 (4) Determining fair compensation for electric grid  
15 services and other benefits provided to customers and  
16 for electric grid services and other benefits provided  
17 by distributed generation customers and other non-  
18 utility service providers; and
- 19 (5) Maintaining or enhancing grid reliability and safety  
20 through modernization of the State's electric grids.



1        (c) The public utilities commission may require an  
2        electric cooperative, as defined in section 269-31, to disengage  
3        from owning any generation asset; provided that the commission  
4        may establish a transition period to allow for existing utility  
5        generation units to be converted to third-party power purchase  
6        agreements."

7        SECTION 3. New statutory material is underscored.

8        SECTION 4. This Act shall take effect upon its approval.

9  
INTRODUCED BY:

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# S.B. NO. 2462

**Report Title:**

Public Utilities Commission; Sales Decoupling; Electric Cooperatives

**Description:**

Allows the Public Utilities Commission to require electric cooperatives to disengage from owning any generation asset, provided that the commission may establish a transition period to allow for existing utility generation units to be converted to third-party power purchase agreements.

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