
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. The legislature finds that Hawaii's energy
2 sector is undergoing a transition to one hundred per cent
3 renewable energy that is strengthening the State's economy,
4 environment, and security. To complete this transition
5 successfully, and to ensure maximum benefits for Hawaii's
6 residents and businesses, it is important that all relevant
7 entities are aligned in the goal of rapid decarbonization to
8 avoid the worst impacts of climate change. The legislature is
9 concerned that requiring electric utilities, but not gas
10 utilities, to increase their reliance on renewable energy
11 creates an unfair playing field that may unintentionally harm
12 consumers by promoting suboptimal long-lived investments in
13 fossil fuels through gas-fired distributed electrical
14 generation. These effects may also have near- and long-term
15 impacts on the viability of the State's electric utilities, and
16 near- and long-term impacts on the viability of the State's gas
17 utilities.



1 The legislature further finds that, globally, natural gas,
2 also known as "fossil gas", is the fastest-growing source of
3 climate change emissions, according to a 2019 study published in
4 Environmental Research Letters, a peer-reviewed open-access
5 scientific journal. Although gas only represents approximately
6 two per cent of energy expenditures in Hawaii, the legislature
7 believes it is important to continue to strive toward achieving
8 the State's renewable energy and climate mitigation goals, and
9 additional information regarding costs, reliable quantities, and
10 impacts - including economic and environmental costs associated
11 with continuing to rely on fossil gas - is needed to assist the
12 legislature in setting renewable energy standards for gas
13 utility companies.

14 The purpose of this Act is to:

- 15 (1) Establish a renewable portfolio standard for gas;
- 16 (2) Require the public utilities commission to conduct a
17 study regarding the availability, feasibility, and
18 costs of the use of renewable gas in Hawaii by gas
19 utility companies; and
- 20 (3) Appropriate funds for the study.



1 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
2 amended by adding three new sections to part V to be
3 appropriately designated and to read as follows:

4 "§269-A Gas renewable portfolio standards. (a) Each gas
5 utility company that sells gas for consumption in the State
6 shall establish a renewable portfolio standard of one hundred
7 per cent of its total sales by December 31, 2045.

8 For the purposes of this section, "total sales" means the
9 sale of all gas in the State by a gas utility, by its corporate
10 parent, and by its corporate parent's subsidiary entities,
11 partners, joint venturers, and affiliate entities.

12 (b) The public utilities commission may establish
13 standards for each gas utility that prescribe what portion of
14 the renewable portfolio standards shall be met by specific types
15 of renewable energy resources; provided that where gas is
16 composed of co-mingled fossil and renewable fuels, the renewable
17 energy component of such gas shall be considered to be in direct
18 proportion to the percentage of the total heat output value
19 represented by the heat output value of the fuels derived from
20 renewable energy.



1 (c) If the public utilities commission determines that a
2 gas utility company failed to meet the renewable portfolio
3 standard, after a hearing in accordance with chapter 91, the
4 utility shall be subject to penalties to be established by the
5 public utilities commission; provided that if the commission
6 determines that the gas utility company is unable to meet the
7 renewable portfolio standards due to reasons beyond the
8 reasonable control of a gas utility, as set forth in subsection
9 (d), the commission, in its discretion, may waive in whole or in
10 part any otherwise applicable penalties.

11 (d) Events or circumstances that are beyond a gas utility
12 company's reasonable control may include, to the extent the
13 event or circumstance could not be reasonably foreseen and
14 ameliorated:

- 15 (1) Weather-related damage;
16 (2) Natural disasters;
17 (3) Mechanical or resource failure;
18 (4) Failure of renewable gas producers or suppliers to
19 meet contractual obligations to the gas utility
20 company;
21 (5) Labor strikes or lockouts;



- 1 (6) Actions of governmental authorities that adversely
- 2 affect the procurement of renewable gas energy under
- 3 contract to a gas utility company;
- 4 (7) Inability to obtain permits or land use approvals for
- 5 renewable gas projects;
- 6 (8) Inability to acquire sufficient renewable gas to meet
- 7 the renewable portfolio standard goal in a manner that
- 8 is cost-effective or beneficial to Hawaii's economy in
- 9 relation to comparable fossil fuel resources;
- 10 (9) Substantial limitations, restrictions, or prohibitions
- 11 on utility renewable gas projects; and
- 12 (10) Other events and circumstances of a similar nature
- 13 that could not be reasonably foreseen and ameliorated.

14 **§269-B Achieving the gas portfolio standard; aggregation;**
 15 **recovery of costs.** (a) A gas utility company and its

16 affiliates may aggregate their renewable portfolios to achieve
 17 the renewable portfolio standard.

18 (b) If a gas utility company and its affiliates aggregate
 19 their renewable portfolios to achieve the renewable portfolio
 20 standard, the public utilities commission may distribute,
 21 apportion, or allocate the costs and expenses of all or any



1 portion of the respective renewable portfolios among the gas
2 utility company, its gas utility affiliates, and their
3 respective ratepayers, as is reasonable under the circumstances.

4 (c) A gas company may recover, through an automatic rate
5 adjustment clause, the gas company's revenue requirement
6 resulting from the distribution, apportionment, or allocation of
7 the costs and expenses of the renewable portfolios of the gas
8 utility company and its gas utility affiliates.

9 (d) To provide for timely recovery of the revenue
10 requirement under subsection (c), the commission may establish a
11 separate automatic rate adjustment clause, or approve the use of
12 a previously approved automatic rate adjustment clause, without
13 a rate case filing. The use of the automatic rate adjustment
14 clause to recover the revenue requirement shall be allowed to
15 continue until the revenue requirement is incorporated in rates
16 in the respective gas utility company's rate case.

17 §269-C Waivers, extensions, and incentives. Any gas
18 utility company not meeting the renewable portfolio standard
19 shall report to the public utilities commission within ninety
20 days following the goal dates established in section 269-A, and
21 provide an explanation for not meeting the renewable portfolio



1 standard. The public utilities commission, after allowing an
2 appropriate period of public comment, shall have the option to
3 either grant, or not, a waiver from the renewable portfolio
4 standard or an extension for meeting the prescribed standard.
5 The public utilities commission may provide incentives to
6 encourage gas utility companies to exceed their renewable
7 portfolio standards or to meet their renewable portfolio
8 standards ahead of time, or both."

9 SECTION 3. Section 269-91, Hawaii Revised Statutes, is
10 amended as follows:

11 1. By adding a new definition to be appropriately inserted
12 and to read:

13 "Gas utility company" means a public utility as defined
14 under section 269-1, for the production, conveyance,
15 transmission, delivery, or furnishing of gas or oil, or of
16 light, power, heat, or cold produced from gas or oil."

17 2. By amending the definition of "cost-effective" to read:

18 "Cost-effective" means the ability to produce or purchase
19 [electric] energy [~~or firm capacity, or both,~~] from renewable
20 energy resources at or below avoided costs or as the commission
21 otherwise determines to be just and reasonable consistent with



1 the methodology set by the public utilities commission in
2 accordance with section 269-27.2."

3 3. By amending the definition of "renewable portfolio
4 standard" to read:

5 "Renewable portfolio standard" in the context of an
6 electric utility company means the percentage of electrical
7 energy sales that is represented by renewable electrical energy.
8 "Renewable portfolio standard" in the context of a gas utility
9 company means the percentage of gas sales that is represented by
10 fuels derived from renewable energy."

11 SECTION 4. (a) For the purposes of this section:

12 "Biogas" means gas that is generated from organic waste or
13 other organic materials through anaerobic digestion,
14 gasification, pyrolysis, or other technology that converts
15 organic waste to gas.

16 "Gas utility company" means a public utility as defined
17 under section 269-1, Hawaii Revised Statutes, for the
18 production, conveyance, transmission, delivery, or furnishing of
19 gas, light, power, heat, or cold produced from gas.

20 "Renewable gas" means any of the following products
21 processed or upgraded to be interchangeable with conventional



1 natural gas for the purpose of meeting pipeline quality
2 standards, end use requirements, or transportation fuel grade
3 requirements:

4 (1) Biogas;

5 (2) Hydrogen gas derived from renewable energy sources; or

6 (3) Carbon dioxide from waste.

7 (b) The public utilities commission shall contract with
8 the Hawaii natural energy institute of the University of Hawaii
9 to conduct an independent renewable gas study to be reviewed by
10 a panel of experts in the field of gas and energy, including
11 representatives from the American Gas Association and Gas
12 Technology Institute. The Hawaii natural energy institute of
13 the University shall work with gas utility companies to confirm
14 and verify all data, assumptions, projections and other
15 information and analysis used in conducting the study required
16 by this section.

17 (c) The study shall include but not be limited to:

18 (1) The potential quantity and cost of renewable gas that
19 could be produced in the State and delivered for use,
20 and, if necessary, could be produced out of the State
21 and delivered to the State for use:



- 1 (A) By residential, commercial, and industrial
- 2 consumers; and
- 3 (B) As a transportation fuel;
- 4 (2) The identification and inventory of feedstock and
- 5 acreage for renewable gas production currently
- 6 available in the State;
- 7 (3) The identification of commercial conversion
- 8 technologies for renewable gas production and economic
- 9 scalability of capacity;
- 10 (4) The identification of incentives that are currently
- 11 available to develop renewable gas resources and the
- 12 identification of incentives available to develop
- 13 renewable gas resources in other jurisdictions;
- 14 (5) The potential for the use of renewable gas in the
- 15 State to measurably reduce greenhouse gas emissions;
- 16 (6) The potential for renewable gas in the State to
- 17 measurably improve air quality;
- 18 (7) The technical, market, policy, and regulatory barriers
- 19 to developing and utilizing renewable gas in the
- 20 State, produced in the State and delivered for use,
- 21 and produced out of the State and delivered to the



1 State for use, and possible solutions to overcoming
2 such barriers;

3 (8) The identification of available renewable
4 alternatives, such as the procurement and importation
5 of renewable gas;

6 (9) Whether renewable gas projects should have access to
7 the same incentives other renewable energy projects
8 are provided, such as gas utility company incentives,
9 investment and production tax credits, land and water
10 policy incentives to facilitate and encourage the use
11 of public and private lands and other resources for
12 renewable gas production by farmers and landowners,
13 and other incentives;

14 (10) The ability to use renewable gas at reasonable costs,
15 including an assessment of factors such as:

16 (A) The impact on consumer rates;

17 (B) Gas utility company system reliability and
18 stability;

19 (C) Availability and reliability of renewable gas
20 supply;



- 1 (D) Costs and availability of appropriate renewable
2 gas resources and technologies, including the
3 impact of renewable gas requirements on the gas
4 prices offered by renewable energy suppliers or
5 developers;
- 6 (E) Permitting requirements and necessary approvals
7 for renewable gas projects;
- 8 (F) Effects on the economy;
- 9 (G) Balance of trade, culture, community,
10 environment, land, and water;
- 11 (H) Climate change policies;
- 12 (I) Demographics;
- 13 (J) Gas price volatility;
- 14 (K) Effects on existing gas production, supply chain,
15 and gas utility company suppliers;
- 16 (L) Required gas utility company infrastructure
17 improvements and additions;
- 18 (M) Gas quality and safety;
- 19 (N) Risks associated with the use of renewable gas;



1 (O) The availability of land, water, labor, and other
2 resources needed for the development of renewable
3 gas resources;

4 (P) Lifecycle greenhouse gas emissions for existing
5 and renewable gas supply; and

6 (Q) Other factors deemed appropriate by the public
7 utilities commission; and

8 (11) A renewable gas policy framework and regulatory
9 mechanism to ensure timely recovery of renewable gas
10 costs for gas utility companies and to encourage
11 investment in renewable gas infrastructure by gas
12 utility companies.

13 (d) The public utilities commission shall submit a report
14 of its findings and recommendations resulting from the study,
15 including any proposed legislation, to the legislature no later
16 than twenty days prior to the convening of the regular session
17 of 2022.

18 SECTION 5. There is appropriated out of the public
19 utilities commission special fund the sum of \$ or so
20 much thereof as may be necessary for fiscal year 2020-2021 to
21 conduct the study required by section 4 of this Act.



1 The sum appropriated shall be expended by the public
2 utilities commission for the purposes of this Act.

3 SECTION 6. In codifying the new sections added by
4 section 2 of this act, the revisor of statutes shall substitute
5 appropriate section numbers for the letters used in designating
6 the new sections in this Act.

7 SECTION 7. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 8. This Act shall take effect on July 1, 2050.



Report Title:

Renewable Energy; Gas; Renewable Portfolio Standard

Description:

Establishes renewable portfolio standards for gas. Provides means for gas utility companies to achieve the renewable portfolio standards for gas. Requires the public utilities commission (PUC) to conduct a study of the renewable portfolio standards. Appropriates funds to PUC to contract with the University of Hawaii to perform the study. Effective 7/1/2050. (HD1)

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