

JAN 17 2025

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 has committed
2 to achieving a one hundred per cent renewable portfolio standard
3 by December 31, 2045, pursuant to section 269-92, Hawaii Revised
4 Statutes. The transition away from imported fossil fuels toward
5 locally available renewable energy sources is critical for
6 ensuring the State's energy independence, economic
7 sustainability, and environmental resilience.

8 The legislature further finds that customer-sited
9 distributed energy resources, such as rooftop solar and energy
10 storage systems, are technologies essential to reaching the
11 State's renewable energy goals. As of September 2024, Hawaiian
12 Electric service territories achieved a renewable portfolio
13 standard of 36.7 per cent, with nearly half of that progress
14 attributable to customer-sited rooftop solar systems. Kauai
15 Island Utility Cooperative achieved an even higher renewable
16 portfolio standard of 57.9 per cent, with 23.2 per cent coming
17 from rooftop solar installations.



1 Hawaii leads the nation in the integration of solar-plus
2 storage systems, with ninety-six per cent of all residential
3 rooftop solar installation in the State now including energy
4 storage. These distributed energy resources lower customer and
5 grid electricity costs, provide energy resilience during
6 outages, and support grid reliability by balancing supply and
7 demand. Notably, programs like Hawaiian Electric's battery
8 bonus program have demonstrated the potential of distributed
9 energy resources to address critical capacity needs, enrolling
10 forty megawatts of storage on Oahu and six megawatts on Maui to
11 respond to energy adequacy and reliability emergencies.

12 The legislature acknowledges that Hawaii's electric grid is
13 confronting significant challenges, including aging fossil-fuel-
14 dependent infrastructure, heightened risks from climate-related
15 extreme weather events, and persistent utility management
16 issues. These challenges have been underscored by recent grid
17 reliability emergencies on Oahu and Hawaii island, as well as
18 the devastating 2023 Lahaina wildfires. Recognizing the urgent
19 need for decisive action, it is crucial for the legislature to
20 act promptly to secure a robust and resilient energy future.



1 The legislature finds that to ensure grid stability and
2 system resilience, Hawaii must invest in distributed energy
3 resource grid service programs, microgrids, community-based or
4 shared renewable energy programs, and retail wheeling. These
5 solutions empower customers to take decisive action to meet
6 their energy needs with low-cost, clean, and reliable energy
7 while supporting broader grid stability and community
8 resilience. Microgrids and shared renewable energy systems
9 enable localized energy generation and resilience, ensuring
10 continuity of power during emergencies or outages. Retail
11 wheeling allows customer to purchase electricity from
12 competitive suppliers expeditiously, further promoting consumer
13 choice, cost savings, and energy independence.

14 To meet these challenges, Hawaii should target the
15 deployment of fifty thousand new distributed energy resources
16 within five years, emphasizing systems that integrate solar and
17 energy storage to maximize benefits for the grid and customers
18 alike. Accelerated distributed energy resources adoption will
19 provide critical support for grid stability, reduce reliance on
20 imported fossil fuels, and ensure resilience in the face of
21 emergencies and infrastructure failures.



1 Fair compensation mechanisms are also essential to
2 incentivize the widespread adoption of distributed energy
3 resources and maximize their value to customers and the grid.
4 These mechanisms must include sufficiently valued crediting for
5 exported energy as a minimum customer protection and capacity
6 and performance payments for the provision of grid services by
7 distributed energy resources and virtual power plants. Such
8 compensation ensures equitable returns on customer investments
9 while enhancing grid reliability and resilience.

10 The purpose of this Act is to:

- 11 (1) Establish an installation goal for customer-sited
12 distributed energy resources in the State;
- 13 (2) Ensure that fair compensation is provided to
14 distributed energy resources exports as part of grid
15 service programs; and
- 16 (3) Authorize retail wheeling of renewable energy and
17 require the public utilities commission to establish
18 policies and procedures to implement retail wheeling
19 and microgrid service tariffs.



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

4 **"§269- Distributed energy resources installation goal.**

5 (a) The public utilities commission shall establish a goal of
6 installing fifty thousand new installations of customer-sited
7 distributed energy resources in the State by 2030.

8 (b) The public utilities commission shall use tariffs for
9 grid services programs, microgrids, community-based renewable
10 energy, and retail wheeling with fair compensation to achieve
11 the goal in subsection (a).

12 (c) Any tariffs or tariff amendments filed pursuant to
13 this section shall:

14 (1) Include a rider for new and existing energy storage
15 devices;

16 (2) Include provisions that allow aggregators to:

17 (A) Participate in grid service programs;

18 (B) Automatically enroll and manage their customers'
19 participation;

20 (C) Receive dispatch signals and other communications
21 from the electric utility;



1 (D) Deliver performance measurement and verification
2 data to the electric utility; and

3 (E) Receive grid service program payments directly
4 from the electric utility; and

5 (3) Provide for measurement and verification of energy
6 storage device performance directly at the device
7 without the requirement for the installation of an
8 additional meter, and such other measurement standards
9 for non-energy-storage and electric vehicle
10 technologies for approval by the commission.

11 **§269- Fair compensation for solar and energy storage**

12 **exports.** (a) Notwithstanding any law to the contrary, energy
13 exported to the electric grid past a participating customer-
14 generator's point of common coupling from photovoltaic solar
15 systems paired with energy storage as part of a grid service
16 program shall be credited at the full retail rate of electricity
17 for the relevant time period.

18 (b) The public utilities commission shall establish grid
19 service compensation values that fairly compensate system owners
20 for resiliency, capacity, and ancillary service value provided
21 by their system.



1 SECTION 3. Section 269-1, Hawaii Revised Statutes, is
2 amended by amending the definition of "public utility" to read
3 as follows:

4 ""Public utility":

5 (1) Includes every person who may own, control, operate,
6 or manage as owner, lessee, trustee, receiver, or
7 otherwise, whether under a franchise, charter,
8 license, articles of association, or otherwise, any
9 plant or equipment, or any part thereof, directly or
10 indirectly for public use for the transportation of
11 passengers or freight; for the conveyance or
12 transmission of telecommunications messages; for the
13 furnishing of facilities for the transmission of
14 intelligence by electricity within the State or
15 between points within the State by land, water, or
16 air; for the production, conveyance, transmission,
17 delivery, or furnishing of light, power, heat, cold,
18 water, gas, or oil; for the storage or warehousing of
19 goods; or for the disposal of sewage; provided that
20 the term shall include:



- 1 (A) An owner or operator of a private sewer company
- 2 or sewer facility; and
- 3 (B) A telecommunications carrier or
- 4 telecommunications common carrier; and
- 5 (2) Shall not include:
- 6 (A) An owner or operator of an aerial transportation
- 7 enterprise;
- 8 (B) An owner or operator of a taxicab as defined in
- 9 this section;
- 10 (C) Common carriers that transport only freight on
- 11 the public highways, unless operating within
- 12 localities, along routes, or between points that
- 13 the public utilities commission finds to be
- 14 inadequately serviced without regulation under
- 15 this chapter;
- 16 (D) Persons engaged in the business of warehousing or
- 17 storage unless the commission finds that
- 18 regulation is necessary in the public interest;
- 19 (E) A carrier by water to the extent that the carrier
- 20 enters into private contracts for towage,
- 21 salvage, hauling, or carriage between points



1 within the State; provided that the towing,
2 salvage, hauling, or carriage is not pursuant to
3 either an established schedule or an undertaking
4 to perform carriage services on behalf of the
5 public generally;

6 (F) A carrier by water, substantially engaged in
7 interstate or foreign commerce, that transports
8 passengers on luxury cruises between points
9 within the State or on luxury round-trip cruises
10 returning to the point of departure;

11 (G) Any user, owner, or operator of the Hawaii
12 electric system as defined under section 269-141;

13 (H) A telecommunications provider only to the extent
14 determined by the public utilities commission
15 pursuant to section 269-16.9;

16 (I) Any person who controls, operates, or manages
17 plants or facilities developed pursuant to
18 chapter 167 for conveying, distributing, and
19 transmitting water for irrigation and other
20 purposes for public use and purpose;



- 1 (J) Any person who owns, controls, operates, or
- 2 manages plants or facilities for the reclamation
- 3 of wastewater; provided that:
- 4 (i) The services of the facility are provided
- 5 pursuant to a service contract between the
- 6 person and a state or county agency and at
- 7 least ten per cent of the wastewater
- 8 processed is used directly by the state or
- 9 county agency that entered into the service
- 10 contract;
- 11 (ii) The primary function of the facility is the
- 12 processing of secondary treated wastewater
- 13 that has been produced by a municipal
- 14 wastewater treatment facility owned by a
- 15 state or county agency;
- 16 (iii) The facility does not make sales of water to
- 17 residential customers;
- 18 (iv) The facility may distribute and sell
- 19 recycled or reclaimed water to entities not
- 20 covered by a state or county service
- 21 contract; provided that, in the absence of



1 regulatory oversight and direct competition,
2 the distribution and sale of recycled or
3 reclaimed water shall be voluntary and its
4 pricing fair and reasonable. For purposes
5 of this subparagraph, "recycled water" and
6 "reclaimed water" means treated wastewater
7 that by design is intended or used for a
8 beneficial purpose; and

9 (v) The facility is not engaged, either directly
10 or indirectly, in the processing of food
11 wastes;

12 (K) Any person who owns, controls, operates, or
13 manages any seawater air conditioning district
14 cooling project; provided that at least fifty per
15 cent of the energy required for the seawater air
16 conditioning district cooling system is provided
17 by a renewable energy resource, such as cold,
18 deep seawater;

19 (L) Any person who owns, controls, operates, or
20 manages plants or facilities primarily used to



1 charge or discharge a vehicle battery that
2 provides power for vehicle propulsion;

3 (M) Any person who:

4 (i) Owns, controls, operates, or manages a
5 renewable energy system that is located on a
6 customer's property; and

7 (ii) Provides, sells, or transmits the power
8 generated from that renewable energy system
9 to an electric utility or to the customer on
10 whose property the renewable energy system
11 is located; provided that, for purposes of
12 this subparagraph, a customer's property
13 shall include all contiguous property owned
14 or leased by the customer without regard to
15 interruptions in contiguity caused by
16 easements, public thoroughfares,
17 transportation rights-of-way, and utility
18 rights-of-way; and

19 (N) Any person who owns, controls, operates, or
20 manages a renewable energy system that is located
21 on such person's property and provides, sells, or



1 transmits the power generated from that renewable
2 energy system to an electric utility or to
3 lessees or tenants on the person's property where
4 the renewable energy system is located; provided
5 that:

6 (i) An interconnection, as defined in section
7 269-141, is maintained with an electric
8 public utility to preserve the lessees' or
9 tenants' ability to be served by an electric
10 utility;

11 (ii) Such person does not use an electric public
12 utility's transmission or distribution lines
13 to provide, sell, or transmit electricity to
14 lessees or tenants;

15 (iii) At the time that the lease agreement is
16 signed, the rate charged to the lessee or
17 tenant for the power generated by the
18 renewable energy system shall be no greater
19 than the effective rate charged per kilowatt
20 hour from the applicable electric utility



1 schedule filed with the public utilities
2 commission;

3 (iv) The rate schedule or formula shall be
4 established for the duration of the lease,
5 and the lease agreement entered into by the
6 lessee or tenant shall reflect such rate
7 schedule or formula;

8 (v) The lease agreement shall not abrogate any
9 terms or conditions of applicable tariffs
10 for termination of services for nonpayment
11 of electric utility services or rules
12 regarding health, safety, and welfare; and

13 (vi) The lease agreement shall disclose: (1) the
14 rate schedule or formula for the duration of
15 the lease agreement; (2) that, at the time
16 that the lease agreement is signed, the rate
17 charged to the lessee or tenant for the
18 power generated by the renewable energy
19 system shall be no greater than the
20 effective rate charged per kilowatt hour
21 from the applicable electric utility

1 schedule filed with the public utilities
2 commission; (3) that the lease agreement
3 shall not abrogate any terms or conditions
4 of applicable tariffs for termination of
5 services for nonpayment of electric utility
6 services or rules regarding health, safety,
7 and welfare; and (4) whether the lease is
8 contingent upon the purchase of electricity
9 from the renewable energy system; provided
10 further that any disputes concerning the
11 requirements of this provision shall be
12 resolved pursuant to the provisions of the
13 lease agreement or chapter 521, if
14 applicable[; ~~and~~

15 ~~(vii) Nothing in this section shall be construed~~
16 ~~to permit wheeling].~~

17 If the application of this chapter is ordered by the
18 commission in any case provided in paragraph (2) (C), (D), (H),
19 and (I), the business of any public utility that presents
20 evidence of bona fide operation on the date of the commencement
21 of the proceedings resulting in the order shall be presumed to

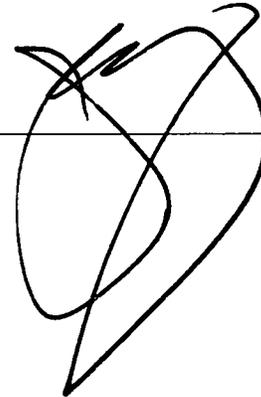


1 be necessary to the public convenience and necessity, but any
2 certificate issued under this proviso shall nevertheless be
3 subject to terms and conditions as the public utilities
4 commission may prescribe, as provided in sections 269-16.9 and
5 269-20."

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

8 SECTION 5. This Act shall take effect upon its approval.
9

INTRODUCED BY: _____

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S.B. NO. 589

Report Title:

PUC; Renewable Energy; Customer-sited Distributed Energy Resources; Installation Goal; Retail Wheeling

Description:

Establishes an installation goal for customer-sited distributed energy resources in the State. Ensures that fair compensation is provided to distributed energy resources exports as part of grid service programs. Authorizes retail wheeling of renewable energy and requires the PUC to establish policies and procedures to implement retail wheeling and microgrid service tariffs.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

