
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 reliable and
2 affordable energy is in the public interest. The procurement
3 and successful deployment of renewable clean energy is necessary
4 to ensure that energy in the State is provided at a low cost and
5 will be available when existing electricity generating units are
6 retired or converted due to obsolescence and permitting
7 challenges.

8 The legislature also finds that the renewable energy from
9 independent power producers and community-based renewable
10 producers will also help to achieve the State's goals of one
11 hundred per cent renewable energy portfolio standards, energy
12 resilience through resource diversification, decarbonization,
13 and energy equity.

14 The procurement, contracting, and delivery of an
15 operational renewable energy facility has faced challenges with
16 a certain investor-owned electric utility's stage 2 and stage 3
17 requests for proposals and in its next integrated grid planning



1 request for proposals. The community-based renewable energy
2 (CBRE) projects procured by this investor-owned electric utility
3 also face the same challenges.

4 The legislature further finds that the procurement and
5 successful delivery of these renewable energy facilities are now
6 jeopardized by the sudden sub-investment-grade status of this
7 investor-owned electric utility and its subsidiaries. The power
8 producers would need to finance their renewable utility or CBRE
9 projects. These set price bids include the cost of financing
10 based on the investor-owned electric utility's former
11 investment-grade financial strength. The ability of power
12 producers to obtain a loan to finance these projects is now in
13 question, which impacts the reliability and affordability of
14 electricity for consumers. If a loan is even possible, a
15 premium or higher-than-average interest rate will be required to
16 finance these projects. The high-yield credit, or
17 higher-than-average interest rate, threatens to cancel projects
18 due to the inability of a power producer to increase their bid
19 price to reflect the increased interest rate.

20 The ability of a power producer to obtain a loan may be
21 mitigated through a proposed state step-in agreement. However,



1 the inability for power producers to increase the prices of the
2 renewable energy generated by these projects to reflect the
3 increased costs from a premium interest rate for high-yield
4 credit remains.

5 Accordingly, the purpose of this Act is to clarify that
6 incremental adjustments that are linked to premium interest
7 rates for high yield credit are just and reasonable and to
8 authorize the public utilities commission to include these
9 incremental adjustments to the rate for electricity generated
10 from nonfossil fuels.

11 SECTION 2. Section 269-27.2, Hawaii Revised Statutes, is
12 amended by amending subsection (c) to read as follows:

13 "(c) The rate payable by the public utility to the
14 producer for the nonfossil fuel generated electricity supplied
15 to the public utility shall be as agreed between the public
16 utility and the supplier and as approved by the public utilities
17 commission; provided that in the event the public utility and
18 the supplier fail to reach an agreement for a rate, the rate
19 shall be as prescribed by the public utilities commission
20 according to the powers and procedures provided in this chapter.



1 The commission's determination of the just and reasonable
2 rate shall be accomplished by establishing a methodology that
3 removes or significantly reduces any linkage between the price
4 of fossil fuels and the rate for the nonfossil fuel generated
5 electricity to potentially enable utility customers to share in
6 the benefits of fuel cost savings resulting from the use of
7 nonfossil fuel generated electricity. As the commission deems
8 appropriate, the just and reasonable rate for nonfossil fuel
9 generated electricity supplied to the public utility by the
10 producer may include mechanisms for reasonable and appropriate
11 incremental adjustments, such as adjustments linked to consumer
12 price indices for inflation, adjustments linked to premium
13 interest rates for high yield credit, or other acceptable
14 adjustment mechanisms."

15 SECTION 3. New statutory material is underscored.

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



Report Title:

PUC; Renewable Energy; Rate for Electricity Generated from
Nonfossil Fuels; Adjustment Mechanisms

Description:

Clarifies that adjustments linked to premium interest rates for high yield credit are just and reasonable. Authorizes the Public Utilities Commission to include these incremental adjustments to the rate for electricity generated from nonfossil fuels. (SD1)

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