

STAND. COM. REP. NO.

769

Honolulu, Hawaii

FEB 14 , 2025

RE: H.B. No. 974

H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Energy & Environmental Protection, to which
was referred H.B. No. 974 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize the State to enter into step-in agreements for payment obligations arising under certain power purchase agreements;
- (2) Establish the Power Purchase Costs Trust Fund;
- (3) Establish that revenues from on-bill charges for power purchase agreements and accompanying reserves shall be held in trust by the State, and that independent power producers shall hold a beneficial interest in the revenue and reserve to the extent of the amounts owed under the covered power purchase agreements; and
- (4) Permit the Department of Budget and Finance to contract with an electric utility to serve as an agent of the Department for the purposes of billing, collection, and management in the service of performing step-in agreements.



Your Committee received testimony in support of this measure from the Public Utilities Commission; Ulupono Initiative; Ameresco; Hawaiian Electric; Plus Power; Hawaii Clean Power Alliance; AES Hawai'i; Clearway Energy Group LLC; and Longroad Energy. Your Committee received comments on this measure from the Department of the Attorney General; Department of Commerce and Consumer Affairs; and Department of Budget and Finance.

Your Committee finds that this measure addresses the challenge of ensuring reliable, affordable clean energy by securing payments to independent power producers even if an electric utility faces financial difficulties. By requiring the Department of Budget and Finance to enter into step-in agreements, the measure guarantees that renewable energy projects continue without disruption, safeguarding energy reliability.

Your Committee has amended this measure by:

- (1) Adding definitions for "reserve fees" and "revenue";
- (2) Clarifying that the Department of Budget and Finance, not the State, will enter into step-in agreements;
- (3) Clarifying that the Department of Budget and Finance's payment obligation under a step-in agreement is limited to revenues from power purchase charges and reserve fees collected in connection with covered power purchase agreements;
- (4) Clarifying that step-in agreements do not pledge the full faith and credit of the State or any other monies of the State;
- (5) Clarifying that upon termination of a step-in agreement, the Department of Budget and Finance has no obligation to the electric utility or obligee upon a default by the electric utility;
- (6) Allowing the electric utility, following a default of a covered power purchase agreement and any payment by the Department of Budget and Finance, to resume payments for power purchase costs owed by it through agreement with



all obligees of its covered power purchase agreements, rather than in its sole discretion;

- (7) Allowing the electric utility to file monthly rate adjustments with the Public Utilities Commission to establish or adjust power purchase charges to recover applicable taxes, government fees, and administrative costs of the Department of Budget and Finance;
- (8) Establishing the Power Purchase Costs Trust Fund outside, rather than within, the state treasury;
- (9) Requiring the Public Utilities Commission to authorize reserve fees proposed by an electric utility by August 1, 2025;
- (10) Requiring the Department of Budget and Finance to maintain a separate reserve account within the Power Purchase Costs Trust Fund to accept and account for revenues from reserve fees and requiring the electric utility to deposit all revenues collected from reserve fees into the account;
- (11) Requiring all monies remaining in the Power Purchase Costs Trust Fund to be returned to customers through a rate credit if the step-in agreement terminates;
- (12) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (13) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

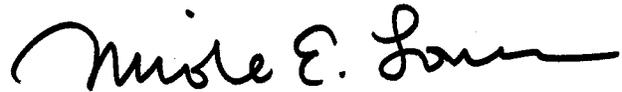
Your Committee recognizes the testimony from the Department of Commerce and Consumer Affairs, which indicates that a reserve in the amount currently specified in this measure may not be constitutionally required and notes that provisions regarding the reserve have not been removed as it is unclear whether the intended purpose of the measure would be served without inclusion of the reserve.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and



purpose of H.B. No. 974, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 974, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



NICOLE E. LOWEN, Chair



