

JAN 16 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 in 2024, numerous
2 unscheduled electric outages were caused by aging transmission
3 and distribution lines, aging fossil fuel generation facilities,
4 and, in certain circumstances, the insufficient generation of
5 weather-dependent renewable resources. These unanticipated
6 outages had significant impacts on the economic security and
7 physical safety of the State's residents and businesses.

8 The legislature also finds that in 2024, the State's
9 largest investor-owned utility was forecasted to achieve a
10 consolidated thirty-six per cent renewable portfolio standard.
11 A significant portion of the utility's renewables consist of
12 renewable electrical energy, including rooftop solar, and
13 renewable energy sources, including new facilities and the
14 conversion of existing facilities. As more of these cleaner and
15 more affordable resources are added to the grid, the logical and
16 reasonable expectation is that a commensurate amount of the



1 costs related to fossil fuel resources will be removed from the
2 rate base.

3 However, the legislature recognizes that, in practice,
4 despite the addition of large amounts of new electric renewable
5 resources paid for by ratepayers, there has been little
6 reduction in costs related to fossil fuels. Ratepayers are
7 being forced to pay for both the new and old resources,
8 including fossil fuel resources that were expected to be
9 replaced. This can have devastating financial impacts,
10 especially for lower-income residents.

11 In addition, the legislature notes that, while the public
12 utilities commission is authorized to oversee and regulate the
13 achievement of the State's renewable portfolio standards, the
14 State does not currently require electric utility companies to
15 make rates more affordable for ratepayers by reducing the costs
16 for fossil fuel-related resources when adding or converting
17 renewable energy resources.

18 Accordingly, the purpose of this Act is to require and
19 appropriate moneys for the public utilities commission to
20 establish standards for each electric utility company that
21 require the company to remove from the rate base a commensurate



1 amount of costs related to fossil fuel resources when adding new
2 or converted renewable electrical energy and renewable energy
3 resources.

4 SECTION 2. Section 269-92, Hawaii Revised Statutes, is
5 amended to read as follows:

6 **"§269-92 Renewable portfolio standards.** (a) Each
7 electric utility company that sells electricity for consumption
8 in the State shall establish a renewable portfolio standard of:

- 9 (1) Ten per cent of its net electricity sales by December
10 31, 2010;
- 11 (2) Fifteen per cent of its net electricity sales by
12 December 31, 2015;
- 13 (3) Thirty per cent of its net electricity sales by
14 December 31, 2020;
- 15 (4) Forty per cent of its net electricity generation by
16 December 31, 2030;
- 17 (5) Seventy per cent of its net electricity generation by
18 December 31, 2040; and
- 19 (6) One hundred per cent of its net electricity generation
20 by December 31, 2045.



1 (b) The public utilities commission may establish
2 standards for each electric utility company that prescribe the
3 portion of the renewable portfolio standards that shall be met
4 by specific types of renewable energy resources; provided that:

5 (1) Before January 1, 2015, at least fifty per cent of the
6 renewable portfolio standards shall be met by
7 electrical energy generated using renewable energy as
8 the source, and after December 31, 2014, the entire
9 renewable portfolio standard shall be met by
10 electrical generation from renewable energy sources;

11 (2) Beginning January 1, 2015, electrical energy savings
12 shall not count toward renewable energy portfolio
13 standards;

14 (3) Where electrical energy is generated or displaced by a
15 combination of renewable and nonrenewable means, the
16 proportion attributable to the renewable means shall
17 be credited as renewable energy; and

18 (4) Where fossil and renewable fuels are co-fired in the
19 same generating unit, the unit shall be considered to
20 generate renewable electrical energy (electricity) in
21 direct proportion to the percentage of the total heat



1 input value represented by the heat input value of the
2 renewable fuels.

3 (c) The public utilities commission shall establish
4 standards that require each electric utility company to remove
5 from the rate base a commensurate amount of costs related to
6 fossil fuel resources when adding new or converted renewable
7 electrical energy and renewable energy resources, as defined in
8 section 269-91.

9 ~~[(e)]~~ (d) If the public utilities commission determines
10 that an electric utility company failed to meet the renewable
11 portfolio standard, after a hearing in accordance with chapter
12 91, the utility shall be subject to penalties to be established
13 by the public utilities commission; provided that if the
14 commission determines that the electric utility company is
15 unable to meet the renewable portfolio standards because of
16 reasons beyond the reasonable control of the electric utility
17 company, as set forth in subsection (d), the commission, in its
18 discretion, may waive in whole or in part any otherwise
19 applicable penalties.

20 ~~[(d)]~~ (e) Events or circumstances that are beyond an
21 electric utility company's reasonable control may include, to



1 the extent the event or circumstance could not be reasonably
2 foreseen and ameliorated:

3 (1) Weather-related damage;

4 (2) Natural disasters;

5 (3) Mechanical or resource failure;

6 (4) Failure of renewable electrical energy producers to
7 meet contractual obligations to the electric utility
8 company;

9 (5) Labor strikes or lockouts;

10 (6) Actions of governmental authorities that adversely
11 affect the generation, transmission, or distribution
12 of renewable electrical energy under contract to an
13 electric utility company;

14 (7) Inability to acquire sufficient renewable electrical
15 energy due to lapsing of tax credits related to
16 renewable energy development;

17 (8) Inability to obtain permits or land use approvals for
18 renewable electrical energy projects;

19 (9) Inability to acquire sufficient cost-effective
20 renewable electrical energy;



(10) Inability to acquire sufficient renewable electrical energy to meet the renewable portfolio standard goals beyond 2030 in a manner that is beneficial to Hawaii's economy in relation to comparable fossil fuel resources;

(11) Substantial limitations, restrictions, or prohibitions on utility renewable electrical energy projects;

(12) Non-renewable energy generated by electric generation facilities where the electric utility company otherwise does not have direct control or ownership of independent power producers, government and non-government agencies, and any persons or entities, including merchant or co-generation facilities; and

(13) Other events and circumstances of a similar nature."

SECTION 3. Section 269-95, Hawaii Revised Statutes, is amended to read as follows:

"§269-95 Renewable portfolio standards study. The public utilities commission shall:

(1) By December 31, 2007, develop and implement a utility ratemaking structure, which may include performance-based ratemaking, to provide incentives that encourage



1 Hawaii's electric utility companies to use cost-
2 effective renewable energy resources found in Hawaii
3 to meet the renewable portfolio standards established
4 in section 269-92, while allowing for deviation from
5 the standards in the event that the standards cannot
6 be met in a cost-effective manner or as a result of
7 events or circumstances, such as described in section
8 [~~269-92(d),~~] 269-92(e), beyond the control of the
9 electric utility company that could not have been
10 reasonably anticipated or ameliorated;

11 (2) Gather, review, and analyze empirical data to:

- 12 (A) Determine the extent to which any proposed
13 utility ratemaking structure would impact
14 electric utility companies' profit margins; and
15 (B) Ensure that the electric utility companies'
16 opportunity to earn a fair rate of return is not
17 diminished;

18 (3) Use funds from the public utilities special fund to
19 contract with the Hawaii natural energy institute of
20 the University of Hawaii to conduct independent
21 studies to be reviewed by a panel of experts from



1 entities such as the United States Department of
2 Energy, National Renewable Energy Laboratory, Electric
3 Power Research Institute, Hawaii electric utility
4 companies, environmental groups, and other similar
5 institutions with the required expertise. These
6 studies shall include findings and recommendations
7 regarding:

- 8 (A) The capability of Hawaii's electric utility
9 companies to achieve renewable portfolio
10 standards in a cost-effective manner and shall
11 assess factors such as:
- 12 (i) The impact on consumer rates;
 - 13 (ii) Utility system reliability and stability;
 - 14 (iii) Costs and availability of appropriate
15 renewable energy resources and technologies,
16 including the impact of renewable portfolio
17 standards, if any, on the energy prices
18 offered by renewable energy developers;
 - 19 (iv) Permitting approvals;
 - 20 (v) Effects on the economy;



- 1 (vi) Balance of trade, culture, community,
2 environment, land, and water;
3 (vii) Climate change policies;
4 (viii) Demographics;
5 (ix) Cost of fossil fuel volatility; and
6 (x) Other factors deemed appropriate by the
7 commission; and
8 (B) Projected renewable portfolio standards to be set
9 five and ten years beyond the then current
10 standards;
11 (4) Evaluate the renewable portfolio standards every five
12 years, beginning in 2013, and may revise the standards
13 based on the best information available at the time to
14 determine if the standards established by section
15 269-92 remain effective and achievable; and
16 (5) Report its findings and revisions to the renewable
17 portfolio standards, based on its own studies and
18 other information, to the legislature no later than
19 twenty days before the convening of the regular
20 session of 2014, and every five years thereafter."



SECTION 4. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2025-2026 and the same sum or so much thereof as may be necessary for fiscal year 2026-2027 for the public utilities commission to establish standards for each electric utility company pursuant to section 2 of this Act.

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

SECTION 5. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval; provided that section 4 of this Act shall take effect on July 1, 2025.

INTRODUCED BY:

Y: Van Houten



S.B. NO. 445

Report Title:

PUC; Renewable Energy; Electric Utilities; Rate Base;
Appropriation

Description:

Requires and appropriates moneys for the Public Utilities Commission to establish standards requiring each electric utility company to remove from the rate base a commensurate amount of costs related to fossil fuel resources when adding new or converted renewable electrical energy and renewable energy resources.

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