
A BILL FOR AN ACT

RELATING TO ENERGY.

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

1 SECTION 1. The legislature finds that the State must
2 ensure that any consideration of importing natural gas into the
3 State is conducted in a manner that protects ratepayers,
4 advances the State's clean energy goals, and safeguards Hawaii's
5 long-term economic and environmental interests.

6 The legislature further finds that proponents of natural
7 gas have asserted that its use would reduce electricity costs
8 and greenhouse gas emissions relative to imported petroleum
9 fuels; however, sufficient, transparent, and verifiable evidence
10 has not been provided to substantiate these claims. The
11 legislature additionally finds that long-term investments in
12 natural gas infrastructure may expose ratepayers to significant
13 financial risks, including stranded asset costs, fuel price
14 volatility, and long-term contractual obligations that could
15 inflate electricity costs over time and crowd out current and
16 future opportunities for real cost savings.



1 The legislature also finds that Hawaii has established a
2 statutory mandate to achieve one hundred per cent renewable
3 portfolio standards by 2045 and that substantial new investment
4 in fossil fuel infrastructure may undermine progress toward this
5 goal by diverting capital, policy focus, and market signals away
6 from the development of indigenous, renewable energy resources
7 that are cleaner, more affordable, and not subject to import
8 price fluctuations.

9 Accordingly, the purpose of this Act is to:

- 10 (1) Prohibit the public utilities commission from
11 approving costs of infrastructure, operations and
12 maintenance, fuel, or other costs relating to
13 supplying and using liquefied natural gas unless
14 certain conditions are met; and
- 15 (2) Require the public utilities commission to consider
16 the effect of fossil fuels on renewable energy,
17 stranded investment risks and costs, and costs and
18 risks of reliance on a single fuel supply or monopoly
19 supplier when making determinations of the
20 reasonableness of the costs pertaining to electric or



1 gas utility system capital improvements and
2 operations.

3 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
4 amended by adding a new section to be appropriately designated
5 and to read as follows:

6 "§269- Liquefied natural gas; cost approval. (a) In
7 considering the approval of any costs of liquefied natural gas
8 infrastructure, operations and maintenance, fuel, or other costs
9 relating to supplying and using liquefied natural gas, the
10 public utilities commission shall require the following
11 conditions:

12 (1) All liquefied natural gas infrastructure costs shall
13 be fully amortized no later than 2045, and utility
14 customers shall not be obligated to pay the costs of
15 any stranded investments;

16 (2) Any power purchase or fuel supply agreement shall not
17 include any volumetric commitments or take-or-pay
18 requirements for fuel supplies and shall include
19 provisions for supplies declining to zero no later
20 than 2045;



1 (3) Any power purchase or fuel supply agreement shall not
2 result in increased costs for customers in the
3 counties of Hawaii, Kauai, or Maui, including costs
4 arising from downstream effects of changing fuel
5 supplies or suppliers for those counties; and
6 (4) Any approval shall include protections for customers
7 from fuel price volatility, including but not limited
8 to provisions for the utility to share in fuel price
9 changes, which shall begin at no less than ten per
10 cent and shall increase over time in line with
11 declining fuel supply volumes;
12 provided that the public utilities commission shall not approve
13 any costs related to liquefied natural gas if more cost-
14 effective, non-fossil-fuel alternatives are available to a
15 utility or if approving the power purchase or fuel supply
16 agreement would commit a utility to purchasing a greater amount
17 of liquefied natural gas than necessary to accommodate the
18 maximum amount of renewable energy on the grid.

19 (b) For the purposes of this section:



1 "Liquefied natural gas" means a natural gas, consisting
2 primarily of methane, that has been cooled to a liquid state for
3 shipping and storage.

4 "Liquefied natural gas infrastructure" means any import
5 terminal, regasification facility, pipeline, or storage unit
6 used to transport, receive, regasify, liquefy, or distribute
7 liquefied natural gas."

8 SECTION 3. Section 269-6, Hawaii Revised Statutes, is
9 amended by amending subsection (b) to read as follows:

10 "(b) The public utilities commission shall consider the
11 need to reduce the State's reliance on fossil fuels through
12 energy efficiency and increased renewable energy generation in
13 exercising its authority and duties under this chapter. In
14 making determinations of the reasonableness of the costs
15 pertaining to electric or gas utility system capital
16 improvements and operations, the public utilities commission
17 shall explicitly consider, quantitatively or qualitatively, the
18 effect of the State's reliance on fossil fuels on:

- 19 (1) Price volatility;
- 20 (2) Export of funds for fuel imports;



- 1 (3) Delay or displacement of renewable energy use or
2 development;
- 3 (4) Diversion of attention and resources away from
4 maximizing present and future cost savings from
5 renewable energy sources;
- 6 (5) Stranded investment risks and costs;
- 7 (6) Costs and risks of reliance on a single fuel supply or
8 monopoly supplier under a long-term obligation;
- 9 [~~(3)~~] (7) Fuel supply reliability risk; and
- 10 [~~(4)~~] (8) Lifecycle greenhouse gas emissions; provided that
11 the public utilities commission may waive the
12 requirement for a lifecycle greenhouse gas emissions
13 assessment for energy projects that do not involve
14 combustion.

15 The public utilities commission may determine that short-term
16 costs or direct costs of renewable energy generation that are
17 higher than alternatives relying more heavily on fossil fuels
18 are reasonable, considering the impacts resulting from the use
19 of fossil fuels. The public utilities commission shall
20 determine whether such analysis is necessary for proceedings



1 involving water, wastewater, or telecommunications providers on
2 an individual basis."

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

5 SECTION 5. This Act shall take effect on July 1, 3000.



Report Title:

Liquefied Natural Gas; Cost Approval; Infrastructure; Purchase Agreements; Public Utilities Commission; Department of Health

Description:

Prohibits the Public Utilities Commission from approving costs of infrastructure, operations and maintenance, fuel, or other costs relating to supplying and using liquefied natural gas unless certain conditions are met. Requires the Public Utilities Commission to consider the effect of fossil fuels on renewable energy, stranded investment risks and costs, and costs and risks of reliance on a single fuel supply or monopoly supplier when making determinations of the reasonableness of the costs pertaining to electric or gas utility system capital improvements and operations. Effective 7/1/3000. (HD1)

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