

ACT 50

H.B. NO. 1270

A Bill for an Act Relating to Renewable Energy.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that given the alarming rise and precipitous drop of oil prices over the past year and a general lack of confidence in long-term fuel pricing forecasts, the regulatory standard of avoided cost has been difficult to define and has created barriers in the negotiations process for power purchase agreements, especially for clean energy products.

Therefore, the purpose of this Act is to refocus the regulatory standard to a methodology that is just and reasonable by significantly reducing any linkages between the volatile prices of fossil fuels and the rate for nonfossil fuel generated electricity. This Act also potentially enables utility customers to share in the benefits of price stability and fuel cost savings resulting from the use of nonfossil fuel generated electricity.

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

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

~~[In the exercise of its authority to determine the just and reasonable rate for the nonfossil fuel generated electricity supplied to the public utility by the producer, the commission shall establish that the rate for purchase of electricity by a public utility shall not be more than one hundred per cent of the cost avoided by the utility when the utility purchases the electrical energy rather than producing the electrical energy.]~~

The commission's determination of the just and reasonable rate shall be accomplished by establishing a methodology that removes or significantly reduces any linkage between the price of fossil fuels and the rate for the nonfossil

fuel generated electricity to potentially enable utility customers to share in the benefits of fuel cost savings resulting from the use of nonfossil fuel generated electricity. As the commission deems appropriate, the just and reasonable rate for nonfossil fuel generated electricity supplied to the public utility by the producer may include mechanisms for reasonable and appropriate incremental adjustments, such as adjustments linked to consumer price indices for inflation or other acceptable adjustment mechanisms.”

SECTION 3. Section 269-91, Hawaii Revised Statutes, is amended by amending the definition of “cost-effective” to read as follows:

““Cost-effective” means the ability to produce or purchase electric energy or firm capacity, or both, from renewable energy resources at or below avoided costs or as the commission otherwise determines to be just and reasonable consistent with the methodology set by the public utilities commission in accordance with section 269-27.2.”

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

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

(Approved May 6, 2009.)