



GOV. MSG. NO. 667

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

May 6, 2009

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

This is to inform you that on May 6, 2009, the following bill was signed into law:

HB1270 HD1 SD2

A BILL FOR AN ACT
RELATING TO RENEWABLE ENERGY.
ACT 050 (09)

Sincerely,



LINDA LINGLE

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

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

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

17 "(c) The rate payable by the public utility to the
18 producer for the nonfossil fuel generated electricity supplied

1 to the public utility shall be as agreed between the public
2 utility and the supplier and as approved by the public utilities
3 commission; provided that in the event the public utility and
4 the supplier fail to reach an agreement for a rate, the rate
5 shall be as prescribed by the public utilities commission
6 according to the powers and procedures provided in this chapter.

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

14 The commission's determination of the just and reasonable
15 rate shall be accomplished by establishing a methodology that
16 removes or significantly reduces any linkage between the price
17 of fossil fuels and the rate for the nonfossil fuel generated
18 electricity to potentially enable utility customers to share in
19 the benefits of fuel cost savings resulting from the use of
20 nonfossil fuel generated electricity. As the commission deems
21 appropriate, the just and reasonable rate for nonfossil fuel
22 generated electricity supplied to the public utility by the

1 producer may include mechanisms for reasonable and appropriate
2 incremental adjustments, such as adjustments linked to consumer
3 price indices for inflation or other acceptable adjustment
4 mechanisms."

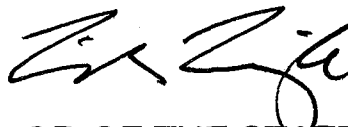
5 SECTION 3. Section 269-91, Hawaii Revised Statutes, is
6 amended by amending the definition of "cost-effective" to read
7 as follows:

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

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

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

APPROVED this 6 day of MAY, 2009



GOVERNOR OF THE STATE OF HAWAII