

JAN 23 2015

A BILL FOR AN ACT

RELATING TO RENEWABLE STANDARDS.

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

1 SECTION 1. The legislature finds that Hawaii's dependency
2 on imported fuel drains our economy of billions of dollars each
3 year. A stronger local economy depends on a transition away
4 from imported fuels and toward renewable local resources that
5 provide a secure source of affordable energy.

6 The legislature further finds that alternative energy
7 technologies have advanced significantly in recent years,
8 leading to an explosion of new markets, jobs, and local energy
9 sources. Due to these and other advances, Hawaii is currently
10 ahead of its timeline in reaching its goal of becoming 40 per
11 cent renewable by 2030.

12 The legislature also finds that Hawaii is in a period of
13 energy transition, with many long-term agreements soon to be
14 executed for new forms of imported fuels that may act as
15 temporary "bridge" fuels until local sources of renewable energy
16 can be developed.



1 The purpose of this Act is to update and extend Hawaii's
2 clean energy initiative and renewable portfolio standards to
3 ensure maximum long-term benefit to Hawaii's economy by setting
4 a goal of 100 per cent renewable by 2040; provided that
5 extending the renewable portfolio standard goals and transition
6 to energy independence beyond 2030 shall be undertaken in a
7 manner that benefits Hawaii's economy and all electric
8 customers, maintains customer affordability, and does not induce
9 renewable energy developers to artificially increase the price
10 of renewable energy in Hawaii. This target will ensure that
11 Hawaii moves beyond its dependence on imported fuels and
12 continues to grow a local renewable energy industry. In
13 addition, this Act ensures that electricity from on-site
14 generation not purchased from an electric utility, both on-grid
15 and off-grid, is subject to the same renewable standards as
16 electricity generated by electric utilities.

17 SECTION 2. Section 269-91, Hawaii Revised Statutes, is
18 amended by adding a new definition to be appropriately inserted
19 and to read as follows:



1 "Large self-generator" means any person or entity who owns
2 or operates on-grid or off-grid electricity-generating equipment
3 with a generating capacity of 500 kilowatts or more, except for
4 equipment owned or operated by an electric utility or an
5 independent power producer for the purpose of generating
6 electricity for sale to an electric utility."

7 SECTION 3. Section 269-92, Hawaii Revised Statutes, is
8 amended to read as follows:

9 **"§269-92 Renewable portfolio standards[-] for electric**
10 **utilities; renewable standards for large self-generators. (a)**

11 Each electric utility company that sells electricity for
12 consumption in the State shall establish a renewable portfolio
13 standard of:

- 14 (1) [~~Ten~~] 10 per cent of its net electricity sales by
15 December 31, 2010;
- 16 (2) [~~Fifteen~~] 15 per cent of its net electricity sales by
17 December 31, 2015;
- 18 (3) [~~Twenty-five~~] 25 per cent of its net electricity sales
19 by December 31, 2020; [~~and~~]
- 20 (4) [~~Forty~~] 40 per cent of its net electricity sales by
21 December 31, 2030 [-] ;



1 (5) 70 per cent of its net electricity sales by
2 December 31, 2035; and

3 (6) 100 per cent of its net electricity sales by
4 December 31, 2040.

5 (b) Every large self-generator shall ensure that, on an
6 annual basis, its on-site generation is comprised of:

7 (1) 25 per cent renewable energy by December 31, 2020;

8 (2) 40 per cent renewable energy by December 31, 2030;

9 (3) 70 per cent renewable energy by December 31, 2035; and

10 (4) 100 per cent renewable energy by December 31, 2040.

11 If electricity is generated by a combination of renewable and
12 nonrenewable means, the proportion attributable to the renewable
13 means shall be credited as renewable energy. If fossil and
14 renewable fuels are co-fired in the same generating unit, the
15 unit shall be considered to generate renewable electricity in
16 direct proportion to the percentage of the total heat input
17 value represented by the heat input value of the renewable
18 fuels.

19 [~~(b)~~] (c) The public utilities commission may establish
20 standards for each utility that prescribe what portion of the



1 renewable portfolio standards shall be met by specific types of
2 renewable energy resources; provided that:

- 3 (1) Prior to January 1, 2015, at least [~~fifty~~] 50 per cent
4 of the renewable portfolio standards shall be met by
5 electrical energy generated using renewable energy as
6 the source, and after December 31, 2014, the entire
7 renewable portfolio standard shall be met by
8 electrical generation from renewable energy sources;
- 9 (2) Beginning January 1, 2015, electrical energy savings
10 shall not count toward renewable energy portfolio
11 standards;
- 12 (3) Where electrical energy is generated or displaced by a
13 combination of renewable and nonrenewable means, the
14 proportion attributable to the renewable means shall
15 be credited as renewable energy; and
- 16 (4) Where fossil and renewable fuels are co-fired in the
17 same generating unit, the unit shall be considered to
18 generate renewable electrical energy (electricity) in
19 direct proportion to the percentage of the total heat
20 input value represented by the heat input value of the
21 renewable fuels.



1 ~~[(e)]~~ (d) If the public utilities commission determines
2 that an electric utility company or large self-generator failed
3 to meet the applicable renewable ~~[portfolio]~~ standard, after a
4 hearing in accordance with chapter 91, the utility or large
5 self-generator shall be subject to penalties to be established
6 by the public utilities commission; provided that if the
7 commission determines that the electric utility company or large
8 self-generator is unable to meet the renewable portfolio
9 standards due to reasons beyond the reasonable control of an
10 electric utility~~[-]~~ or large self-generator, as set forth in
11 subsection ~~[(d)-]~~ (e), the commission, in its discretion, may
12 waive in whole or in part any otherwise applicable penalties.

13 ~~[(d)]~~ (e) Events or circumstances that are outside of an
14 electric utility company's or large self-generator's reasonable
15 control may include, to the extent the event or circumstance
16 could not be reasonably foreseen and ameliorated:

- 17 (1) Weather-related damage;
18 (2) Natural disasters;
19 (3) Mechanical or resource failure;



- 1 (4) Failure of renewable electrical energy producers to
2 meet contractual obligations to the electric utility
3 company[+] or large self-generator;
- 4 (5) Labor strikes or lockouts;
- 5 (6) Actions of governmental authorities that adversely
6 affect the generation, transmission, or distribution
7 of renewable electrical energy under contract to an
8 electric utility company;
- 9 (7) [~~Inability~~] For an electric utility only, inability to
10 acquire sufficient renewable electrical energy due to
11 lapsing of tax credits related to renewable energy
12 development;
- 13 (8) [~~Inability~~] For an electric utility only, inability to
14 obtain permits or land use approvals for renewable
15 electrical energy projects;
- 16 (9) [~~Inability~~] For an electric utility only, inability to
17 acquire sufficient cost-effective renewable electrical
18 energy;
- 19 (10) For an electric utility only, inability to acquire
20 sufficient renewable electrical energy to meet the
21 2035 and 2040 renewable portfolio standard goals in a



1 manner that is beneficial to Hawaii's economy in
2 relation to comparable fossil fuel resources;
3 [~~10~~] ~~Substantial~~] (11) For an electric utility only,
4 substantial limitations, restrictions, or prohibitions
5 on utility renewable electrical energy projects; and
6 [~~11~~] (12) Other events and circumstances of a similar
7 nature."

8 SECTION 4. Section 269-94, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "[+]§269-94 **Waivers, extensions, and incentives.**[+] (a)
11 Any electric utility company not meeting the renewable portfolio
12 standard shall report to the public utilities commission within
13 ninety days following the goal dates established in section
14 [+]269-92[+], and provide an explanation for not meeting the
15 renewable portfolio standard. The public utilities commission
16 shall have the option to either grant a waiver from the
17 renewable portfolio standard or an extension for meeting the
18 prescribed standard.

19 The public utilities commission may provide incentives to
20 encourage electric utility companies to exceed their renewable



1 portfolio standards or to meet their renewable portfolio
2 standards ahead of time, or both.

3 (b) Any large self-generator not meeting the applicable
4 renewable standard over the course of a calendar year shall
5 report to the public utilities commission by March 31 of the
6 following year and provide an explanation for not meeting the
7 applicable renewable standard. The public utilities commission
8 may grant an extension for meeting the prescribed standard. Any
9 large self-generator who does not report its failure to meet the
10 applicable renewable standard shall be subject to penalties
11 established by the public utilities commission of no less than
12 \$1,000 per day of noncompliance with this reporting
13 requirement."

14 SECTION 5. Section 269-95, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§269-95 Renewable portfolio standards study.** The public
17 utilities commission shall:

18 (1) By December 31, 2007, develop and implement a utility
19 ratemaking structure, which may include performance-
20 based ratemaking, to provide incentives that encourage
21 Hawaii's electric utility companies to use cost-



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

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

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

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



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

7 (A) The capability of Hawaii's electric utility
8 companies to achieve renewable portfolio
9 standards in a cost-effective manner and shall
10 assess factors such as:

- 11 (i) The impact on consumer rates;
- 12 (ii) Utility system reliability and stability;
- 13 (iii) Costs and availability of appropriate
14 renewable energy resources and
15 technologies[+], including the impact of
16 renewable energy portfolio standards, if
17 any, on the energy prices offered by
18 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; and
- 5 (ix) Other factors deemed appropriate by the
- 6 commission; and
- 7 (B) Projected renewable portfolio standards to be set
- 8 five and ten years beyond the then current
- 9 standards;
- 10 (4) Evaluate the renewable portfolio standards every five
- 11 years, beginning in 2013, and may revise the standards
- 12 based on the best information available at the time to
- 13 determine if the standards established by section 269-
- 14 92 remain effective and achievable; and
- 15 (5) Report its findings and revisions to the renewable
- 16 portfolio standards, based on its own studies and
- 17 other information to the legislature no later than
- 18 twenty days before the convening of the regular
- 19 session of 2014, and every five years thereafter."

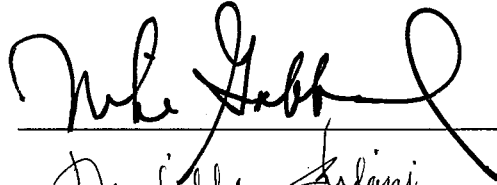
20 SECTION 6. Statutory material to be repealed is bracketed
21 and stricken. New statutory material is underscored.



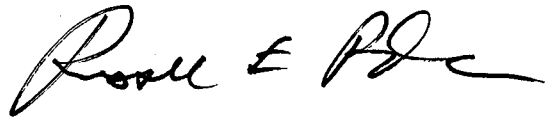
1 SECTION 7. This Act shall take effect on July 1, 2015.

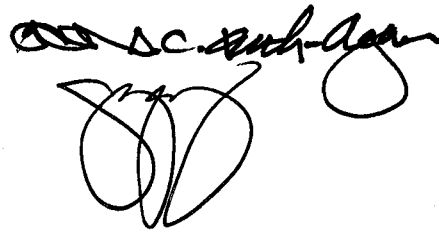
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INTRODUCED BY:



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Report Title:

Renewable Portfolio Standards; Energy Independence; Large Self-Generator; Clean Energy Initiative

Description:

Defines "large self-generator". Increases renewable portfolio standards to 70 per cent by 12/31/2035 and 100 per cent by 12/31/2040, unless the acquisition of renewable energy is not beneficial to Hawaii's economy. Establishes renewable standards for large self-generators. Subjects large self-generators to applicable renewable standards. Clarifies and establishes events or circumstances that are outside of an electric company's or large self-generator's reasonable control. Establishes large self-generator reporting requirements to the public utilities commission. Requires the public utilities commission to report on cost-effectiveness of renewable portfolio standards to address the impact on renewable energy developer energy prices.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

