RELATING TO RENEWABLE ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The legislature finds that Hawaii's energy sector is undergoing a transition to one hundred per cent renewable energy that is strengthening the State's economy, environment, and security. To complete this transition successfully, and to ensure maximum benefits for Hawaii's residents and businesses, it is important that all relevant entities are aligned in the goal of rapid decarbonization to avoid the worst impacts of climate change. The legislature is concerned that requiring electric utilities, but not gas utilities, to increase their reliance on renewable energy creates an unfair playing field that may unintentionally harm consumers by promoting suboptimal long-lived investments in fossil fuels through gas-fired distributed electrical generation. These effects may also have near- and long-term impacts on the viability of the State's electric utilities, and near- and long-term impacts on the viability of the State's gas utilities.
The legislature further finds that, globally, natural gas, also known as "fossil gas", is the fastest-growing source of climate change emissions, according to a 2019 study published in Environmental Research Letters, a peer-reviewed open-access scientific journal. Although gas only represents approximately two per cent of energy expenditures in Hawaii, the legislature believes it is important to continue to strive toward achieving the State's renewable energy and climate mitigation goals, and additional information regarding costs, reliable quantities, and impacts - including economic and environmental costs associated with continuing to rely on fossil gas - is needed to assist the legislature in setting renewable energy standards for gas utility companies.

The purpose of this Act is to:

(1) Establish a renewable portfolio standard for gas;
(2) Require the public utilities commission to conduct a study regarding the availability, feasibility, and costs of the use of renewable gas in Hawaii by gas utility companies; and
(3) Appropriate funds for the study.
SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding three new sections to part V to be appropriately designated and to read as follows:

§269-A Gas renewable portfolio standards. (a) Each gas utility company that sells gas for consumption in the State shall establish a renewable portfolio standard of one hundred per cent of its total sales by December 31, 2045.

For the purposes of this section, "total sales" means the sale of all gas in the State by a gas utility, by its corporate parent, and by its corporate parent's subsidiary entities, partners, joint venturers, and affiliate entities.

(b) The public utilities commission may establish standards for each gas utility that prescribe what portion of the renewable portfolio standards shall be met by specific types of renewable energy resources; provided that where gas is composed of co-mingled fossil and renewable fuels, the renewable energy component of such gas shall be considered to be in direct proportion to the percentage of the total heat output value represented by the heat output value of the fuels derived from renewable energy.
(c) If the public utilities commission determines that a gas utility company failed to meet the renewable portfolio standard, after a hearing in accordance with chapter 91, the utility shall be subject to penalties to be established by the public utilities commission; provided that if the commission determines that the gas utility company is unable to meet the renewable portfolio standards due to reasons beyond the reasonable control of a gas utility, as set forth in subsection (d), the commission, in its discretion, may waive in whole or in part any otherwise applicable penalties.

(d) Events or circumstances that are beyond a gas utility company's reasonable control may include, to the extent the event or circumstance could not be reasonably foreseen and ameliorated:

(1) Weather-related damage;

(2) Natural disasters;

(3) Mechanical or resource failure;

(4) Failure of renewable gas producers or suppliers to meet contractual obligations to the gas utility company;

(5) Labor strikes or lockouts;
(6) Actions of governmental authorities that adversely affect the procurement of renewable gas energy under contract to a gas utility company;

(7) Inability to obtain permits or land use approvals for renewable gas projects;

(8) Inability to acquire sufficient renewable gas to meet the renewable portfolio standard goal in a manner that is cost-effective or beneficial to Hawaii's economy in relation to comparable fossil fuel resources;

(9) Substantial limitations, restrictions, or prohibitions on utility renewable gas projects; and

(10) Other events and circumstances of a similar nature that could not be reasonably foreseen and ameliorated.

§269-B Achieving the gas portfolio standard; aggregation; recovery of costs. (a) A gas utility company and its affiliates may aggregate their renewable portfolios to achieve the renewable portfolio standard.

(b) If a gas utility company and its affiliates aggregate their renewable portfolios to achieve the renewable portfolio standard, the public utilities commission may distribute, apportion, or allocate the costs and expenses of all or any
portion of the respective renewable portfolios among the gas
utility company, its gas utility affiliates, and their
respective ratepayers, as is reasonable under the circumstances.

(c) A gas company may recover, through an automatic rate
adjustment clause, the gas company's revenue requirement
resulting from the distribution, apportionment, or allocation of
the costs and expenses of the renewable portfolios of the gas
utility company and its gas utility affiliates.

(d) To provide for timely recovery of the revenue
requirement under subsection (c), the commission may establish a
separate automatic rate adjustment clause, or approve the use of
a previously approved automatic rate adjustment clause, without
a rate case filing. The use of the automatic rate adjustment
clause to recover the revenue requirement shall be allowed to
continue until the revenue requirement is incorporated in rates
in the respective gas utility company's rate case.

§269-C Waivers, extensions, and incentives. Any gas
utility company not meeting the renewable portfolio standard
shall report to the public utilities commission within ninety
days following the goal dates established in section 269-A, and
provide an explanation for not meeting the renewable portfolio
standard. The public utilities commission, after allowing an
appropriate period of public comment, shall have the option to
either grant, or not, a waiver from the renewable portfolio
standard or an extension for meeting the prescribed standard.
The public utilities commission may provide incentives to
encourage gas utility companies to exceed their renewable
portfolio standards or to meet their renewable portfolio
standards ahead of time, or both."

SECTION 3. Section 269-91, Hawaii Revised Statutes, is
amended as follows:

1. By adding a new definition to be appropriately inserted

   "Gas utility company" means a public utility as defined

under section 269-1, for the production, conveyance,
transmission, delivery, or furnishing of gas or oil, or of
light, power, heat, or cold produced from gas or oil."

2. By amending the definition of "cost-effective" to read:

   "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."

3. By amending the definition of "renewable portfolio standard" to read:

"Renewable portfolio standard" in the context of an electric utility company means the percentage of electrical energy sales that is represented by renewable electrical energy. "Renewable portfolio standard" in the context of a gas utility company means the percentage of gas sales that is represented by fuels derived from renewable energy."

SECTION 4. (a) For the purposes of this section:

"Biogas" means gas that is generated from organic waste or other organic materials through anaerobic digestion, gasification, pyrolysis, or other technology that converts organic waste to gas.

"Gas utility company" means a public utility as defined under section 269-1, Hawaii Revised Statutes, for the production, conveyance, transmission, delivery, or furnishing of gas, light, power, heat, or cold produced from gas.

"Renewable gas" means any of the following products processed or upgraded to be interchangeable with conventional
natural gas for the purpose of meeting pipeline quality standards, end use requirements, or transportation fuel grade requirements:

(1) Biogas;

(2) Hydrogen gas derived from renewable energy sources; or

(3) Carbon dioxide from waste.

(b) The public utilities commission shall contract with the Hawaii natural energy institute of the University of Hawaii to conduct an independent renewable gas study to be reviewed by a panel of experts in the field of gas and energy, including representatives from the American Gas Association and Gas Technology Institute. The Hawaii natural energy institute of the University shall work with gas utility companies to confirm and verify all data, assumptions, projections and other information and analysis used in conducting the study required by this section.

(c) The study shall include but not be limited to:

(1) The potential quantity and cost of renewable gas that could be produced in the State and delivered for use, and, if necessary, could be produced out of the State and delivered to the State for use:
(A) By residential, commercial, and industrial consumers; and

(B) As a transportation fuel;

(2) The identification and inventory of feedstock and acreage for renewable gas production currently available in the State;

(3) The identification of commercial conversion technologies for renewable gas production and economic scalability of capacity;

(4) The identification of incentives that are currently available to develop renewable gas resources and the identification of incentives available to develop renewable gas resources in other jurisdictions;

(5) The potential for the use of renewable gas in the State to measurably reduce greenhouse gas emissions;

(6) The potential for renewable gas in the State to measurably improve air quality;

(7) The technical, market, policy, and regulatory barriers to developing and utilizing renewable gas in the State, produced in the State and delivered for use, and produced out of the State and delivered to the
State for use, and possible solutions to overcoming such barriers;

(8) The identification of available renewable alternatives, such as the procurement and importation of renewable gas;

(9) Whether renewable gas projects should have access to the same incentives other renewable energy projects are provided, such as gas utility company incentives, investment and production tax credits, land and water policy incentives to facilitate and encourage the use of public and private lands and other resources for renewable gas production by farmers and landowners, and other incentives;

(10) The ability to use renewable gas at reasonable costs, including an assessment of factors such as:

(A) The impact on consumer rates;

(B) Gas utility company system reliability and stability;

(C) Availability and reliability of renewable gas supply;
(D) Costs and availability of appropriate renewable gas resources and technologies, including the impact of renewable gas requirements on the gas prices offered by renewable energy suppliers or developers;

(E) Permitting requirements and necessary approvals for renewable gas projects;

(F) Effects on the economy;

(G) Balance of trade, culture, community, environment, land, and water;

(H) Climate change policies;

(I) Demographics;

(J) Gas price volatility;

(K) Effects on existing gas production, supply chain, and gas utility company suppliers;

(L) Required gas utility company infrastructure improvements and additions;

(M) Gas quality and safety;

(N) Risks associated with the use of renewable gas;
(O) The availability of land, water, labor, and other resources needed for the development of renewable gas resources;

(P) Lifecycle greenhouse gas emissions for existing and renewable gas supply; and

(Q) Other factors deemed appropriate by the public utilities commission; and

(11) A renewable gas policy framework and regulatory mechanism to ensure timely recovery of renewable gas costs for gas utility companies and to encourage investment in renewable gas infrastructure by gas utility companies.

(d) The public utilities commission shall submit a report of its findings and recommendations resulting from the study, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2022.

SECTION 5. There is appropriated out of the public utilities commission special fund the sum of $ or so much thereof as may be necessary for fiscal year 2020-2021 to conduct the study required by section 4 of this Act.
The sum appropriated shall be expended by the public utilities commission for the purposes of this Act.

SECTION 6. In codifying the new sections added by section 2 of this act, the revisor of statutes shall substitute appropriate section numbers for the letters used in designating the new sections in this Act.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 8. This Act shall take effect on July 1, 2050.
Report Title:
Renewable Energy; Gas; Renewable Portfolio Standard

Description:
Establishes renewable portfolio standards for gas. Provides means for gas utility companies to achieve the renewable portfolio standards for gas. Requires the public utilities commission (PUC) to conduct a study of the renewable portfolio standards. Appropriates funds to PUC to contract with the University of Hawaii to perform the study. Effective 7/1/2050. (HD1)

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