

Honolulu, Hawaii

MAR 25 2021

RE: H.B. No. 561
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,
to which was referred H.B. No. 561, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Reinforce the Legislature's intent to reduce the State's reliance on fossil fuels through energy efficiency and increased renewable energy generation by clarifying the Public Utilities Commission's (Commission) obligations and authority under section 269-6, Hawaii Revised Statutes;
- (2) Require the Commission to determine whether analysis of the effect of the State's reliance on fossil fuels is necessary for proceedings involving water, wastewater, or telecommunications providers on an individual basis; and
- (3) Provide that the analysis is not required for an electric or a gas utility's routine system replacements or determinations that do not directly pertain to capital improvements or operations.



Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs; Public Utilities Commission; Hawaii Clean Power Alliance; Hawaiian Electric Company, Inc.; Hawai'i Gas; and one individual. Your Committee received testimony in opposition to this measure from the League of Women Voters of Hawaii.

Your Committee finds that it is important to reduce the State's reliance on fossil fuels through energy efficiency and increased renewable energy generation.

Your Committee also finds that existing law requires the Commission to consider the effect of the State's reliance on fossil fuels as to:

- (1) Price volatility;
- (2) Export of funds for fuel imports;
- (3) Fuel supply reliability risk; and
- (4) Greenhouse gas emissions.

Your Committee further finds that the Commission makes determinations on the reasonableness of the costs of utility system capital improvements and operations. However, your Committee also finds that this analysis may not be relevant in certain proceedings for certain providers and, therefore, this analysis should be conducted only when appropriate.

Accordingly, your Committee recognizes that the Commission should:

- (1) Focus its analysis on eliminating the use of fossil fuels for electric or gas utility system capital improvements and operations;
- (2) Conduct its analysis only for matters that involve fossil fuel sourced electricity and gas utility system capital and operations improvements; and
- (3) Not be required to conduct analysis for an electric or gas utility's routine system replacements.



Your Committee notes that this measure requires the Commission to make determinations, on an individual basis, on whether the analysis should also extend to other types of utilities, namely water, wastewater, and telecommunications providers. This measure would also provide the Commission flexibility to better focus its examination efforts on electric or gas utility capital improvements or operations, instead of routine system replacements.

Your Committee heard the testimony of stakeholders who suggested that this measure could be improved by including amendments to clarify this measure's intent. Therefore, your Committee has amended this measure by:

- (1) Specifying that the analysis shall not be required for determinations that do not pertain to capital improvements or operations such as financing requests;
- (2) Adding language to further strengthen and clarify the intent of this measure;
- (3) Clarifying the meaning of the term "routine" in the utility industry; and
- (4) Changing the effective date to upon its approval.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 561, H.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 561, H.D. 2, S.D. 1, and be referred to your Committee on Commerce and Consumer Protection.

Respectfully submitted on
behalf of the members of the
Committee on Energy, Economic
Development, and Tourism,

GLENN WAKAI, Chair



