

---

---

# A BILL FOR AN ACT

RELATING TO ENERGY.

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

- 1           SECTION 1. The purpose of this Act is to reduce the  
2 State's reliance on fossil fuels by supporting energy efficiency  
3 and renewable energy generation. Specifically, this measure:
- 4           (1) Requires the public utilities commission to make  
5           determinations of the reasonableness of the costs  
6           pertaining to fossil fuel or biomass sourced  
7           electricity or gas utility system capital improvements  
8           and operations, and to consider the effect of the  
9           State's reliance on fossil fuels and biomass based on  
10          certain factors;
- 11          (2) Requires the public utilities commission to determine  
12          on an individual basis whether the analysis is  
13          necessary for proceedings involving water, wastewater,  
14          or telecommunications providers; and
- 15          (3) Exempts the public utilities commission from  
16          conducting the analysis for a utility's routine system



1           replacements or determinations that do not pertain to  
2           capital improvements or operations.

3           SECTION 2. Section 269-6, Hawaii Revised Statutes, is  
4 amended to read as follows:

5           "**§269-6 General powers and duties.** (a) The public  
6 utilities commission shall have the general supervision  
7 hereinafter set forth over all public utilities, and shall  
8 perform the duties and exercise the powers imposed or conferred  
9 upon it by this chapter. Included among the general powers of  
10 the commission is the authority to adopt rules pursuant to  
11 chapter 91 necessary for the purposes of this chapter.

12           (b) The public utilities commission shall consider the  
13 need to reduce the State's reliance on fossil fuels through  
14 energy efficiency and increased renewable energy generation in  
15 exercising its authority and duties under this chapter. In  
16 making determinations of the reasonableness of the costs [of]  
17 pertaining to fossil fuel or biomass sourced electricity or gas  
18 utility system capital improvements and operations, the  
19 commission shall explicitly consider, quantitatively or  
20 qualitatively, the effect of the State's reliance on fossil  
21 fuels and biomass on:



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

5        The commission may determine that short-term costs or direct  
6        costs of renewable energy generation that are higher than  
7        alternatives relying more heavily on fossil fuels and biomass  
8        are reasonable, considering the impacts resulting from the use  
9        of fossil fuels[-] and biomass. The commission shall determine  
10       whether the analysis is necessary for proceedings involving  
11       water, wastewater, or telecommunications providers on an  
12       individual basis.

13       (c) The analysis described in subsection (b) shall not be  
14       required for a utility's routine system replacements, such as  
15       overhauls and overhead or overground line determinations, or  
16       determinations that do not pertain to capital improvements or  
17       operations, including but not limited to financing requests.

18       ~~(e)~~ (d) In exercising its authority and duties under  
19       this chapter, the public utilities commission shall consider the  
20       costs and benefits of a diverse fossil fuel portfolio and of  
21       maximizing the efficiency of all electric utility assets to



1 lower and stabilize the cost of electricity. Nothing in this  
2 section shall subvert the obligation of electric utilities to  
3 meet the renewable portfolio standards set forth in section  
4 269-92.

5 [~~d~~] e The public utilities commission, in carrying out  
6 its responsibilities under this chapter, shall consider whether  
7 the implementation of one or more of the following economic  
8 incentives or cost recovery mechanisms would be in the public  
9 interest:

- 10 (1) The establishment of a shared cost savings incentive  
11 mechanism designed to induce a public utility to  
12 reduce energy costs and operating costs and accelerate  
13 the implementation of energy cost reduction practices;
- 14 (2) The establishment of a renewable energy curtailment  
15 mitigation incentive mechanism to encourage public  
16 utilities to implement curtailment mitigation  
17 practices when lower cost renewable energy is  
18 available but not utilized through the sharing of  
19 energy cost savings between the public utility,  
20 ratepayer, and affected renewable energy projects;



1           (3) The establishment of a stranded cost recovery  
2           mechanism to encourage the accelerated retirement of  
3           an electric utility fossil fuel electric generation  
4           plant by allowing an electric utility to recover the  
5           stranded costs created by early retirement of a fossil  
6           generation plant; and

7           (4) The establishment of differentiated authorized rates  
8           of return on common equity to encourage increased  
9           utility investments in transmission and distribution  
10          infrastructure, discourage an electric utility  
11          investment in fossil fuel electric generation plants  
12          to incentivize grid modernization, and disincentivize  
13          fossil generation, respectively.

14          [~~(e)~~] (f) The chairperson of the commission may appoint a  
15          hearings officer, who shall not be subject to chapter 76, to  
16          hear and recommend decisions in any proceeding before it other  
17          than a proceeding involving the rates or any other matters  
18          covered in the tariffs filed by the public utilities. The  
19          hearings officer shall have the power to take testimony, make  
20          findings of fact and conclusions of law, and recommend a  
21          decision; provided that the findings of fact, the conclusions of



1 law, and the recommended decision shall be reviewed and may be  
2 approved by the commission after notice to the parties and an  
3 opportunity to be heard. The hearings officer shall have all of  
4 the above powers conferred upon the public utilities commission  
5 under section 269-10."

6 SECTION 3. Section 269-16.1, Hawaii Revised Statutes, is  
7 amended by amending subsection (b) to read as follows:

8 "(b) In developing performance incentive and penalty  
9 mechanisms, the public utilities commission's review of electric  
10 utility performance shall consider, but not be limited to, the  
11 following:

- 12 (1) The economic incentives and cost-recovery mechanisms  
13 described in section [~~269-6(d)~~], 269-6(e);
- 14 (2) Volatility and affordability of electric rates and  
15 customer electric bills;
- 16 (3) Electric service reliability;
- 17 (4) Customer engagement and satisfaction, including  
18 customer options for managing electricity costs;
- 19 (5) Access to utility system information, including but  
20 not limited to public access to electric system  
21 planning data and aggregated customer energy use data



1           and individual access to granular information about an  
2           individual customer's own energy use data;  
3       (6) Rapid integration of renewable energy sources,  
4           including quality interconnection of customer-sited  
5           resources; and  
6       (7) Timely execution of competitive procurement,  
7           third-party interconnection, and other business  
8           processes."

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

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



**Report Title:**

Public Utilities Commission; Utilities; Reasonableness of Costs

**Description:**

Requires the public utilities commission to make determinations of the reasonableness of the costs pertaining to fossil fuel or biomass sourced electricity or gas utility system capital improvements and operations and to consider the effect of the State's reliance on fossil fuels and biomass based on certain factors. Requires the public utilities commission to determine on an individual basis whether the analysis is necessary for proceedings involving water, wastewater, or telecommunications providers. Clarifies that the analysis is not required for a utility's routine system replacements or determinations that do not pertain to capital improvements or operations. (SD2)

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

