

Honolulu, Hawaii

March 24, 2006

RE: S.B. No. 3185
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Energy & Environmental Protection and
Consumer Protection & Commerce, to which was referred S.B. No.
3185, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose of this measure is to make substantive changes to
the Renewable Portfolio Standards Law and create a companion
concept, the Energy Efficiency Portfolio Standard.

Specifically, this measure:

- (1) Authorizes the Public Utilities Commission to redirect
all or a portion of the funds collected from ratepayers
through the current demand-side management surcharge by
Hawaii's electric utilities into a public benefits fund
to be used to support energy efficiency and demand-side
management programs and services;
- (2) Requires appointment of a fund administrator if the
Public Utilities Commission redirects the demand-side
management surcharge for energy efficiency and demand-
side management programs and services and establishes
qualifications and duties for the administrator;



- (3) Requires the Public Utilities Commission to provide for the transition from the current demand-side management programs supported by the surcharge to the ones supported by the public benefits fund if it is established by the commission;
- (4) Establishes energy efficiency portfolio standards;
- (5) Adds and amends various definitions in section 269-91, HRS, regarding renewable portfolio standards;
- (6) Establishes penalties for the failure of a utility to meet the renewable portfolio standard;
- (7) Requires the Public Utilities Commission to establish a methodology to establish fixed prices for renewable energy under long-term agreements and requires a public utility to offer to purchase, under a long-term agreement, electricity generated by a producer using nonfossil fuel; and
- (8) Makes clarifying amendments to section 269-95, HRS, regarding renewable portfolio standards.

Prior to hearing this measure, your Committees distributed a proposed H.D. 1 that proposed to amend this measure by:

- (1) Deleting the purpose section;
- (2) Clarifying the authority and duties of the fund administrator;
- (3) Narrowing the scope of the plan required to transition from the current demand-side management programs supported by the surcharge to the ones supported by the public benefits fund;
- (4) Deleting the proposed new section regarding energy efficiency portfolio standards and replacing it with standards for classifying energy as attributable to renewable or nonrenewable sources;
- (5) Amending the requirement that the Public Utilities Commission establish a methodology for determining the just and reasonable rate that a public utility must pay for electricity generated by a producer using nonfossil



fuel by requiring removal or significant reduction of any linkage between the price of fossil fuels and the rate for nonfossil fuel generated electricity to permit customers to share in potential savings derived from the use of nonfossil fuel generated electricity;

- (6) By deleting the definitions to be added to section 269-92, HRS;
- (7) By adding a definition of "renewable electrical energy" and amending the definitions of "renewable energy" and "renewable portfolio standard"; and
- (8) Establishing criteria by which the Public Utilities Commission may waive, in whole or in part, penalties to be imposed on a public utility for failure to meet the renewable portfolio standard.

The Hawaii Renewable Energy Alliance, PowerLight Solar Electric Systems, and Honolulu Seawater Air Conditioning LLC testified in support of the proposed H.D. 1 of this measure. The Sierra Club, Life of the Land, and several concerned citizens supported this measure with amendments, while the Department of Business, Economic Development, and Tourism supported the intent of this measure. The Consumer Advocate, Public Utilities Commission, Hawaiian Electric Company, Maui Electric Company, and Hawaii Electric Light Company offered comments.

Your Committees find that the establishment of an energy efficiency utility to be selected by the Public Utilities Commission could lead to significantly greater energy efficiency gains than current approaches to demand-side management. This innovation would significantly improve upon the energy efficiency programs delivered by individual electric utilities operating in the State. Your Committees also find that it is necessary to place greater emphasis on renewable energy resources and the potential savings they offer.

Upon further consideration, your Committees have amended this measure by:

- (1) Deleting the proposed new section regarding standards for classifying energy as attributable to renewable or nonrenewable sources;



- (2) Replacing the proposed definition of "renewable electrical energy" with a definition suggested by the Public Utilities Commission;
- (3) Inserting a new subsection (b) in section 269-92, HRS, originally proposed by House Bill No. 3053, H.D. 1, authorizing the Public Utilities Commission to establish standards for each utility that prescribe what portion of the renewable energy standards shall be met by specific types of resources;
- (4) Adding a new subsection to section 269-16, HRS, requiring the public utilities commission, by December 31, 2007, or in the utility's next general rate case, whichever comes first, to examine the functioning of the utility's fuel adjustment clause to determine whether the clause operates in a manner that is fair to ratepayers and whether the clause should be modified to encourage greater use of renewable energy by the utility; and
- (5) By making technical nonsubstantive amendments for clarity and style.

As affirmed by the records of votes of the members of your Committees on Energy & Environmental Protection and Consumer Protection & Commerce that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 3185, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 3185, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Energy &
Environmental Protection and
Consumer Protection & Commerce,



ROBERT N. HERKES, Chair



HERMINA MORITA, Chair



