

Honolulu, Hawaii

April 7, 2006

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

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

Sir:

Your Committee on Finance, to which was referred S.B. No. 3185, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this bill is to improve the Renewable Portfolio Standards (RPS) law. Specifically, this bill amends the RPS law by, among other things:

- (1) Authorizing the Public Utilities Commission (PUC) 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) Requiring the PUC to appoint a fund administrator if the PUC establishes a public benefits fund and establishing qualifications, duties, and limitations for the fund administrator;
- (3) Requiring the PUC 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 PUC;



- (4) Requiring the PUC to 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 that removes or significantly reduces any linkage between the price of fossil fuels and the rate for the nonfossil fuel generated electricity to allow customers to share in the potential savings derived from the use of nonfossil fuel generated electricity;
- (5) Adding a definition for "renewable electrical energy" and amending the definitions for "cost-effective", "renewable energy", and "renewable portfolio standard" in section 269-91, Hawaii Revised Statutes;
- (6) Requiring the PUC to examine the functioning of the utility's fuel adjustment clause by December 31, 2007, or in the utility's next general rate case, whichever comes first, to determine:
 - (A) Whether the clause operates in a manner that is fair to ratepayers; and
 - (B) Whether the clause should be modified to encourage greater use of renewable energy by the utility;
- (7) Authorizing the PUC to establish standards for each utility that prescribe what portion of the renewable energy standards shall be met by specific types of resources, provided that at least 50 percent of the RPS shall be met by electrical energy produced by traditional renewable energy resources, such as wind, solar, waste-to-energy, and wave energy;
- (8) Establishing penalties for the failure of a utility to meet the RPS requirements, and criteria for waiver of the penalties; and
- (9) Setting RPS percentages for the upcoming 15 years.

The Department of Commerce and Consumer Affairs, Hawaii Renewable Energy Alliance, Hawaii Solar Energy Association, Conservation Council for Hawai'i, Sierra Club, Hawai'i Chapter, Hawaiian Electric Company, Inc., Maui Electric Company, Hawaii Electric Light Company, Inc., PowerLight Corporation, Inter-Island Solar Supply, and several concerned individuals testified in



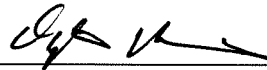
support of this bill. Life of the Land supported this measure in part. The Department of Business, Economic Development, and Tourism, Rocky Mountain Institute, and Honolulu Seawater Air Conditioning, LLC, supported this bill with amendments. AARP Hawaii supported the intent of this measure. The Consumer Advocate, PUC, Hawaii Energy Policy Forum, and The Gas Company provided comments.

Your Committee has amended this bill by:

- (1) Changing the effective date to July 1, 2020, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3185, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 3185, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



DWIGHT TAKAMINE, Chair



State of Hawaii
House of Representatives
The Twenty-third Legislature

HSCR 1677-06

Record of Votes of the Committee on Finance

Bill/Resolution No.: SB3185, SD2, HD1		Date: 4.4.06		
Committee Referral: EEP/CPC, FIN		<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended <input checked="" type="checkbox"/> Pass, with amendments <input type="checkbox"/> Hold <input type="checkbox"/> Pass, with amendments, for recommittal for further consideration				
FIN Members	Ayes	Ayes (WR)	Nays	Excused
1. TAKAMINE, Dwight Y. (C)	✓			
2. KAWAKAMI, Bertha C. (VC)	✓			
3. CARROLL, Mele				✓
4. CHONG, Pono	✓			
5. EVANS, Cindy	✓			
6. LEE, Marilyn B.	✓			
7. MAGAOAY, Michael Y.	✓			
8. NAKASONE, Bob	✓			
9. NISHIMOTO, Scott Y.	✓			
10. TANAKA, Kameo				✓
11. TSUJI, Clift	✓			
12. WAKAI, Glenn	✓			
13. YAMANE, Ryan I.	✓			
14. YAMASHITA, Kyle T.	✓			
15. MEYER, Colleen Rose				✓
16. MOSES, Mark S.	✓			
17. PINE, Kymberly	✓			
18. STEVENS, Anne V.	✓			
TOTAL				
	15			3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: <div style="text-align: center; font-family: cursive; font-size: 1.2em; margin-top: 10px;"> Bertha C. Kawakami </div>				
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