

Honolulu, Hawaii

APRIL 27 , 2006

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

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

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

Sir:

Your Committee on Conference on the disagreeing vote of the Senate to the amendments proposed by the House of Representatives in S.B. No. 3185, S.D. 2, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this measure is to:

- (1) Authorize 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) Require the PUC to appoint a fund administrator if the PUC establishes a public benefits fund and establish



qualifications, duties, and limitations for the fund administrator;

- (3) Require 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) Require 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) Add a definition for "renewable electrical energy" and amend the definitions for "cost-effective," "renewable energy," and "renewable portfolio standard" in section 269-91, Hawaii Revised Statutes (HRS);
- (6) Require 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) Authorize 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 fifty 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) Establish penalties for the failure of a utility to meet the RPS requirements, and criteria for waiver of the penalties; and



- (9) Make adjustments to RPS percentages concerning the next fifteen years.

This measure will increase Hawaii's energy self-sufficiency.

Your Committee has amended this bill by:

- (1) Requiring that any automatic fuel rate adjustment clause requested by a public utility in an application filed with the commission shall be designed, as determined in the commission's discretion, to:
 - (A) Fairly share the risk of fuel cost changes between the public utility and its customers;
 - (B) Provide the public utility with sufficient incentive to reasonably manage or lower its fuel costs and encourage greater use of renewable energy;
 - (C) Allow the public utility to mitigate the risk of sudden or frequent fuel cost changes that cannot otherwise reasonably be mitigated through other commercially available means, such as through fuel hedging contracts;
 - (D) Preserve, to the extent reasonably possible, the public utility's financial integrity; and
 - (E) Minimize, to the extent reasonably possible, the public utility's need to apply for frequent applications for general rate increases to account for the changes to its fuel costs;
- (2) Adding a definition for "biofuels" using language that was embedded in the definition of "renewable energy";
- (3) Moving provisions that were embedded in the definition of "renewable electrical energy" to subsection 269-92(b), HRS, and clarifying in that subsection that:
 - (A) The renewable portfolio standards shall be met by specific types of renewable electrical energy resources; and




- (B) At least fifty percent of the renewable portfolio standards shall be met by electrical energy generated using renewable energy as the source;
- (4) Requiring the public utilities commission to hold a hearing in accordance with chapter 91 prior to the imposition of any penalties;
- (5) Making the measure effective upon approval; and
- (6) Making technical, non-substantive amendments for clarity, consistency, and style.

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

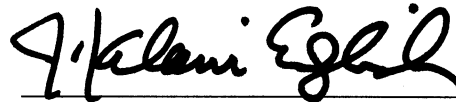
Respectfully submitted on behalf
of the managers:

ON THE PART OF THE HOUSE

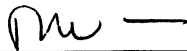
ON THE PART OF THE SENATE



HERMINA MORITA, Co-Chair



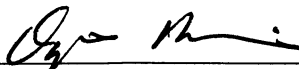
J. KALANI ENGLISH, Chair



ROBERT N. HERKES, Co-Chair



RON MENOR, Co-Chair


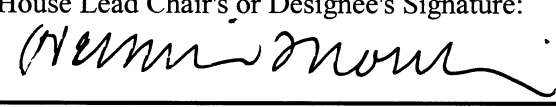


DWIGHT TAKAMINE, Co-Chair



Hawaii State Legislature

Record of Votes of a Conference Committee

Bill / Concurrent Resolution No.: SB 3185, SD 2, HD 2					Date/Time: <i>April 27, 2006 / 1:30 p.m.</i>				
<input checked="" type="checkbox"/> The recommendation of the House and Senate managers is to pass with amendments (CD).									
<input type="checkbox"/> The Committee is reconsidering its previous decision.									
<input type="checkbox"/> The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure					<input type="checkbox"/> The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.				
Senate Managers	A	WR	N	E	House Managers	A	WR	N	E
ENGLISH, J. Kalani, Chr.	✓				MORITA, Hermina M., Co-Chr.	✓			
MENOR, Ron, Co-Chr.	✓				HERKES, Robert N., Co-Chr.	✓			
ESPERO, Will	✓				TAKAMINE, Dwight Y., Co-Chr.	✓			
WHALEN, Paul				✓	THIELEN, Cynthia	✓			
TOTAL	3			1	TOTAL	4			
A = Aye		WR = Aye with Reservations			N = Nay		E = Excused		
Senate Recommendation is:					House Recommendation is:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted					<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
									
Distribution: Original Yellow Pink Goldenrod									
File with Conference Committee Report					House Clerk's Office		Senate Clerk's Office		Drafting Agency