

JAN 26 2011

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# A BILL FOR AN ACT

RELATING TO GEOTHERMAL ENERGY.

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

1           SECTION 1. Chapter 201N, Hawaii Revised Statutes, is  
2 amended by adding a new section to be appropriately designated  
3 and to read as follows:

4           "§201N-        Geothermal energy pilot program. (a) Not later  
5 than July 1, 2011, the energy resources coordinator shall  
6 establish and implement a pilot program to:

- 7           (1) Develop new energy infrastructure necessary to  
8           maximize the production of electricity from geothermal  
9           energy sources;
- 10          (2) Modify or expand existing energy infrastructure to  
11          maximize the production of electricity from geothermal  
12          energy sources;
- 13          (3) Develop a sufficient workforce within a county to  
14          maximize production of electricity from geothermal  
15          energy sources; and
- 16          (4) Develop incentives that will encourage and facilitate  
17          the development of infrastructure for the deployment



1           of renewable energy sources, including geothermal  
2           energy resources.

3           (b) The geothermal energy pilot program shall be  
4 implemented in the county with the largest contiguous land mass  
5 in the State.

6           (c) The energy resources coordinator shall adopt rules  
7 pursuant to chapter 91 necessary for the purposes of this  
8 section.

9           (d) The geothermal energy pilot program shall terminate no  
10 later than December 1, 2020."

11           SECTION 2. Chapter 269, Hawaii Revised Statutes, is  
12 amended by adding a new section to be appropriately designated  
13 and to read as follows:

14           "§269-    Geothermal electric credit.    (a) For each  
15 electric meter in the county with the largest contiguous land  
16 mass in the State that is in operation at and during the time  
17 that the public utility that supplies electricity to the public  
18 in the county with the largest contiguous land mass in the State  
19 initially establishes renewable energy portfolios consisting of  
20 five per cent of net electricity sales derived from geothermal  
21 energy, a geothermal electric credit shall be earned.



1        (b) The credit shall be ten per cent and shall be paid by  
2 the public utility servicing the county with the largest  
3 contiguous land mass in the State. The public utilities  
4 commission, by rule or decision, shall establish the process and  
5 procedure for issuance of the credit to eligible residential  
6 electric meters.

7        (c) The credit in this section shall expire five years  
8 from the time that the public utilities that supply electricity  
9 to the public in the county with the largest contiguous land  
10 mass in the State initially establish renewable energy  
11 portfolios consisting of five per cent of net electricity sales  
12 derived from geothermal energy."

13        SECTION 3. Section 269-27.2, Hawaii Revised Statutes, is  
14 amended to read as follows:

15        **"§269-27.2 Utilization of electricity generated from**  
16 **nonfossil fuels.** (a) The public utilities commission shall  
17 investigate and determine the extent to which electricity  
18 generated from nonfossil fuel sources is available to public  
19 utilities that supply electricity to the public, which  
20 electricity is in excess of that utilized or otherwise needed by  
21 the producers for their internal uses and which the producers  
22 are willing to make available to the electric public utilities.



1           (b) The public utilities commission may direct public  
2 utilities that supply electricity to the public to arrange for  
3 the acquisition of and to acquire electricity generated from  
4 nonfossil fuel sources as is available from and the producers  
5 are willing and able to make available to the public utilities,  
6 and to employ and dispatch the nonfossil fuel generated  
7 electricity in a manner consistent with the availability thereof  
8 to maximize the reduction in consumption of fossil fuels in the  
9 generation of electricity to be provided to the public. To  
10 assist the energy resources coordinator in effectuating the  
11 purposes of chapter 201N, the public utilities commission may  
12 develop reasonable guidelines and timetables for the creation  
13 and implementation of power purchase agreements.

14           (c) The public utilities commission may direct public  
15 utilities that supply electricity to the public in the county  
16 with the largest contiguous land mass in the State to arrange  
17 for the acquisition of and to acquire electricity generated from  
18 geothermal sources at the maximum capacity that is available  
19 from the producers of geothermal energy. The public utilities  
20 commission shall direct public utilities that supply electricity  
21 to the public in the county with the largest contiguous land  
22 mass in the State to employ and dispatch the electricity



1 generated from geothermal sources in a manner consistent with  
2 the availability of the electricity to maximize the reduction in  
3 consumption of fossil fuels in the generation of electricity.  
4 Notwithstanding section 269-92, the public utilities commission  
5 shall direct public utilities that supply electricity to the  
6 public in the county with the largest contiguous land mass in  
7 the State to establish renewable energy portfolios consisting of  
8 twenty per cent of net electricity sales derived from geothermal  
9 energy by no later than January 1, 2020. To assist the energy  
10 resources coordinator in effectuating the purposes of chapter  
11 201N, the public utilities commission shall develop reasonable  
12 guidelines and timetables for the creation and implementation of  
13 geothermal energy power purchase agreements.

14       [~~(e)~~] (d) The rate payable by the public utility to the  
15 producer for the nonfossil fuel generated electricity supplied  
16 to the public utility shall be as agreed between the public  
17 utility and the supplier and as approved by the public utilities  
18 commission; provided that in the event the public utility and  
19 the supplier fail to reach an agreement for a rate, the rate  
20 shall be as prescribed by the public utilities commission  
21 according to the powers and procedures provided in this chapter.



1           The commission's determination of the just and reasonable  
2 rate shall be accomplished by establishing a methodology that  
3 removes or significantly reduces any linkage between the price  
4 of fossil fuels and the rate for the nonfossil fuel generated  
5 electricity to potentially enable utility customers to share in  
6 the benefits of fuel cost savings resulting from the use of  
7 nonfossil fuel generated electricity. As the commission deems  
8 appropriate, the just and reasonable rate for nonfossil fuel  
9 generated electricity supplied to the public utility by the  
10 producer may include mechanisms for reasonable and appropriate  
11 incremental adjustments, such as adjustments linked to consumer  
12 price indices for inflation or other acceptable adjustment  
13 mechanisms.

14           [~~(d)~~] (e) Upon application of a public utility that  
15 supplies electricity to the public, and notification of its  
16 customers, the commission, after an evidentiary hearing, may  
17 allow payments made by the public utility to nonfossil fuel  
18 producers for firm capacity and related revenue taxes to be  
19 recovered by the public utility through an interim increase in  
20 rates until the effective date of the rate change approved by  
21 the commission's final decision in the public utility's next  
22 general rate proceeding under section 269-16, notwithstanding



1 any requirements to the contrary of any other provision in this  
2 chapter or in the commission's rules or practices; provided the  
3 amount recovered by the utility and the amount of increase in  
4 rates due to the payments for firm capacity and related revenue  
5 taxes to be charged to the consumers of the electricity are  
6 found by the commission to be:

- 7 (1) Just and reasonable;
- 8 (2) Not unduly prejudicial to the customers of the public  
9 utility;
- 10 (3) Promotional of Hawaii's long-term objective of energy  
11 self-sufficiency;
- 12 (4) Encouraging to the maintenance or development of  
13 nonfossil fueled sources of electrical energy; and
- 14 (5) In the overall best interest of the general public.

15 The evidentiary hearing provided for in this subsection shall be  
16 conducted expeditiously and shall be limited to evidence related  
17 to the above findings. Notwithstanding section 269-16, no  
18 public hearing shall be required, except as the commission in  
19 its discretion may require."

20 SECTION 4. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.

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

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INTRODUCED BY: John D.  
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**Report Title:**

Renewable Energy; Geothermal Electric Credit

**Description:**

Creates a geothermal energy pilot program that shall terminate no later than 12/1/2020. Creates an electric credit for consumers of electricity generated by geothermal energy.

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