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# HOUSE CONCURRENT RESOLUTION

REQUESTING THE PUBLIC UTILITIES COMMISSION TO CARRY OUT  
OBJECTIVES AND ACTIONS TO ENCOURAGE AND SUPPORT ELECTRIC  
UTILITIES IN MAXIMIZING RENEWABLE ENERGY GENERATION.

1           WHEREAS, Hawaii's Renewable Portfolio Standards law  
2 mandates that 40 percent of electricity generation in the State  
3 come from renewable resources by the year 2030; and  
4

5           WHEREAS, the maximum penetration of variable electricity  
6 generation with respect to Hawaii's isolated island electricity  
7 grids will require significant upgrades to each island's  
8 transmission and distribution systems, along with storage,  
9 integrated communication devices at critical interconnection  
10 points, and other grid enhancements to manage and balance the  
11 system; and  
12

13           WHEREAS, the cost of fuel is a major component of an  
14 electricity customer's utility bill, and with the high cost of  
15 low sulfur fuel oil and diesel, Hawaii's costs of living and  
16 doing business are increasing at an alarming rate; and  
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18           WHEREAS, serious consideration must be given to the  
19 retirement of some fossil fuel-based electricity generation  
20 units and to the conversion of other fossil fuel-based  
21 electricity generation units to lower-cost fossil fuels in order  
22 to help mitigate significantly rising electricity bills; and  
23

24           WHEREAS, since 2009, it has been a policy of the State that  
25 the Public Utilities Commission determine just and reasonable  
26 utility rates by establishing a methodology that either removes  
27 or significantly reduces the linkage between fossil fuel prices  
28 and nonfossil fuel-generated electricity rates, to potentially  
29 enable utility customers to share in the benefits of fuel cost  
30 savings resulting from the use of nonfossil fuel-generated  
31 electricity; and



1 WHEREAS, renewable energy power purchase agreements were  
2 negotiated more than a decade ago under the Public Utility  
3 Regulatory Policy Act utilizing avoided cost, at a time when oil  
4 pricing was significantly lower; and  
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6 WHEREAS, renewable energy power purchase agreements  
7 negotiated based on avoided cost methodology do not enable  
8 utility customers to share in the benefits of fuel cost savings  
9 resulting from the use of nonfossil fuel-generated electricity,  
10 which may result in windfall profits for projects operating  
11 under these types of contracts; and  
12

13 WHEREAS, the Public Utilities Commission must devise the  
14 proper incentives and disincentives to transition the electric  
15 utilities it regulates to implement Hawaii's mandated clean  
16 energy policies; now, therefore,  
17

18 BE IT RESOLVED by the House of Representatives of the  
19 Twenty-sixth Legislature of the State of Hawaii, Regular Session  
20 of 2012, the Senate concurring, that the Legislature encourages  
21 the Public Utilities Commission to consider throughout its  
22 proceedings the following objectives and actions in order to  
23 accelerate the development and penetration of renewable energy  
24 generation and to reduce the use of fossil fuel-based  
25 electricity generators in Hawaii:  
26

27 (1) Encourage electric utilities to focus greater  
28 attention on transmission and distribution operations  
29 and investments by:  
30

31 (A) Establishing a higher allowed return on common  
32 equity associated with existing transmission and  
33 distribution investments made to encourage grid  
34 improvements;  
35

36 (B) Establishing a lower allowed return on common  
37 equity associated with existing and new fossil  
38 fuel-based electricity generation investments to  
39 discourage fossil generation; and  
40

41 (C) Ensuring that the overall average rate of return  
42 on equity is equal to the current authorized  
43 return on common equity;



- 1           (2) Encourage the early retirement of less efficient  
2           fossil fuel-based electricity generation to  
3           sufficiently accommodate achieving Hawaii's Renewable  
4           Portfolio Standards mandate of 40 percent renewable  
5           energy generation by the year 2030 by:  
6  
7           (A) Allowing electric utilities to recover stranded  
8           costs associated with the shutdown of existing  
9           fossil fuel-based generators; and  
10  
11          (B) Allowing electric utilities to recover the cost  
12          of buying out, or partially buying down the  
13          capacity of power purchase agreements covering  
14          existing fossil fuel-based generators prior to  
15          the contract's expiration;  
16  
17          (3) Encourage the reduction of fuel costs for the  
18          remaining 60 percent of electricity generation from  
19          existing fossil fuel-based generating units not  
20          affected by Hawaii's Renewable Portfolio Standards  
21          mandates by:  
22  
23          (A) Authorizing electric utilities to earn a higher  
24          allowed return on common equity associated with  
25          any existing fossil fuel-based electricity  
26          generation investment that switches from low  
27          sulfur fuel oil or diesel to another less  
28          expensive fossil fuel, other than coal, thus  
29          incentivizing electric utilities to switch fuel  
30          sources so as to share in the annual fuel cost  
31          savings; and  
32  
33          (B) Penalizing electric utilities for failing to  
34          convert an eligible, existing low sulfur fuel oil  
35          or diesel-based generation unit to one using a  
36          less-expensive fossil fuel source;  
37  
38          (4) Encourage electric utilities to enter into and  
39          accommodate new renewable energy power purchase  
40          agreements by:  
41  
42          (A) Authorizing electric utilities to utilize the  
43          renewable energy infrastructure program surcharge  
44          mechanism to recover all reasonable and prudent



1 costs and to earn a higher allowed return on  
2 common equity associated with any transmission or  
3 distribution grid investments made to  
4 interconnect new utility scale renewable energy  
5 facilities or to accommodate the high penetration  
6 of variable generation on a circuit through  
7 investments in communication devices at critical  
8 interconnection points thereof, grid enhancements  
9 such as storage systems, demand response, and  
10 other technologies to improve grid reliability;  
11 and

12  
13 (B) Allowing electric utilities to assess a renewable  
14 energy integration charge for all electricity  
15 procured from third-party renewable energy  
16 generation units;

17  
18 (5) Encourage electric utilities and independent power  
19 producers to terminate and renegotiate power purchase  
20 agreements that use rates based on an avoided cost  
21 methodology by:

22  
23 (A) Reexamining the current avoided cost methodology;

24  
25 (B) Allowing electric utilities to retain a portion  
26 of the cost reduction associated with the  
27 termination and renegotiation of a power purchase  
28 agreement based on avoided cost;

29  
30 (C) Authorizing a curtailment compensation mechanism  
31 for variable generation independent power  
32 producers willing to renegotiate and eliminate  
33 avoided cost pricing; and

34  
35 (D) Precluding electric utilities from recovering the  
36 cost of a power purchase agreement from a new  
37 renewable energy project developed by an  
38 independent power producer who has an existing  
39 avoided cost-based power purchase agreement;

40  
41 (6) Encourage the reduction or elimination of curtailment  
42 of existing variable generation projects by:

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1 (A) Requiring electric utilities to secure ancillary  
 2 services from renewable energy projects that are  
 3 technically capable and willing to supply such  
 4 services; and  
 5

6 (B) Ensuring that renewable energy projects that are  
 7 both technically and functionally capable of  
 8 supplying ancillary services are not curtailed,  
 9 and that these projects are adequately  
 10 compensated for any curtailment that does happen  
 11 to occur; provided that these ancillary services  
 12 would emulate the technical characteristics of  
 13 various fossil fuel-based generation units  
 14 contemplated for replacement; and  
 15

16 BE IT FURTHER RESOLVED that the Public Utilities Commission  
 17 is requested to include in its annual reports for 2012 and 2013,  
 18 prepared pursuant to section 269-5, Hawaii Revised Statutes,  
 19 actions taken by the Commission to fulfill each of the above  
 20 stated objectives and any statutory action identified by the  
 21 Commission to carry out the purposes of this Concurrent  
 22 Resolution; and  
 23

24 BE IT FURTHER RESOLVED that certified copies of this  
 25 Concurrent Resolution be transmitted to the Governor;  
 26 Lieutenant Governor; Chairperson of the Public Utilities  
 27 Commission; Hawaii Energy Resources Coordinator; Hawaiian  
 28 Electric Company, Inc.; Maui Electric Company, Ltd.; Hawaii  
 29 Electric Light Company, Inc.; Kauai Island Utility Cooperative;  
 30 Puna Geothermal Venture; Tawhiri Power, LLC; Covanta Honolulu  
 31 Resource Recovery Venture; and all other independent power  
 32 producers in the State currently operating under power purchase  
 33 agreements using rates based on an avoided cost methodology.  
 34  
 35  
 36

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