
HOUSE 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
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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
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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
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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

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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,

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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, that the Legislature encourages the Public Utilities
21 Commission to consider throughout its proceedings the following
22 objectives and actions in order to accelerate the development
23 and penetration of renewable energy generation and to reduce the
24 use of fossil fuel-based electricity generators in Hawaii:

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

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

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35 (B) Establishing a lower allowed return on common
36 equity associated with existing and new fossil
37 fuel-based electricity generation investments to
38 discourage fossil generation; and
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- 1 (C) Ensuring that the overall average rate of return
2 on equity is equal to the current authorized
3 return on common equity;
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- 5 (2) Encourage the early retirement of less efficient
6 fossil fuel-based electricity generation to
7 sufficiently accommodate achieving Hawaii's Renewable
8 Portfolio Standards mandate of 40 percent renewable
9 energy generation by the year 2030 by:
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- 11 (A) Allowing electric utilities to recover stranded
12 costs associated with the shutdown of existing
13 fossil fuel-based generators; and
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- 15 (B) Allowing electric utilities to recover the cost
16 of buying out, or partially buying down the
17 capacity of power purchase agreements covering
18 existing fossil fuel-based generators prior to
19 the contract's expiration;
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- 21 (3) Encourage the reduction of fuel costs for the
22 remaining 60 percent of electricity generation from
23 existing fossil fuel-based generating units not
24 affected by Hawaii's Renewable Portfolio Standards
25 mandates by:
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- 27 (A) Authorizing electric utilities to earn a higher
28 allowed return on common equity associated with
29 any existing fossil fuel-based electricity
30 generation investment that switches from low
31 sulfur fuel oil or diesel to another less
32 expensive fossil fuel, other than coal, thus
33 incentivizing electric utilities to switch fuel
34 sources so as to share in the annual fuel cost
35 savings; and
36
- 37 (B) Penalizing electric utilities for failing to
38 convert an eligible, existing low sulfur fuel oil
39 or diesel-based generation unit to one using a
40 less-expensive fossil fuel source;
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- 1 (4) Encourage electric utilities to enter into and
2 accommodate new renewable energy power purchase
3 agreements by:
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- 5 (A) Authorizing electric utilities to utilize the
6 renewable energy infrastructure program surcharge
7 mechanism to recover all reasonable and prudent
8 costs and to earn a higher allowed return on
9 common equity associated with any transmission or
10 distribution grid investments made to
11 interconnect new utility scale renewable energy
12 facilities or to accommodate the high penetration
13 of variable generation on a circuit through
14 investments in communication devices at critical
15 interconnection points thereof, grid enhancements
16 such as storage systems, demand response, and
17 other technologies to improve grid reliability;
18 and
19
- 20 (B) Allowing electric utilities to assess a renewable
21 energy integration charge for all electricity
22 procured from third-party renewable energy
23 generation units;
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- 25 (5) Encourage electric utilities and independent power
26 producers to terminate and renegotiate power purchase
27 agreements that use rates based on an avoided cost
28 methodology by:
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- 30 (A) Reexamining the current avoided cost methodology;
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- 32 (B) Allowing electric utilities to retain a portion
33 of the cost reduction associated with the
34 termination and renegotiation of a power purchase
35 agreement based on avoided cost;
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- 37 (C) Authorizing a curtailment compensation mechanism
38 for variable generation independent power
39 producers willing to renegotiate and eliminate
40 avoided cost pricing; and
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- 1 (D) Precluding electric utilities from recovering the
2 cost of a power purchase agreement from a new
3 renewable energy project developed by an
4 independent power producer who has an existing
5 avoided cost-based power purchase agreement;
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- 7 (6) Encourage the reduction or elimination of curtailment
8 of existing variable generation projects by:
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- 10 (A) Requiring electric utilities to secure ancillary
11 services from renewable energy projects that are
12 technically capable and willing to supply such
13 services; and
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- 15 (B) Ensuring that renewable energy projects that are
16 both technically and functionally capable of
17 supplying ancillary services are not curtailed,
18 and that these projects are adequately
19 compensated for any curtailment that does happen
20 to occur; provided that these ancillary services
21 would emulate the technical characteristics of
22 various fossil fuel-based generation units
23 contemplated for replacement; and
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25 BE IT FURTHER RESOLVED that the Public Utilities Commission
26 is requested to include in its annual reports for 2012 and 2013,
27 prepared pursuant to section 269-5, Hawaii Revised Statutes,
28 actions taken by the Commission to fulfill each of the above
29 stated objectives and any statutory action identified by the
30 Commission to carry out the purposes of this Resolution; and
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32 BE IT FURTHER RESOLVED that certified copies of this
33 Resolution be transmitted to the Governor; Lieutenant Governor;
34 Chairperson of the Public Utilities Commission; Hawaii Energy
35 Resources Coordinator; Hawaiian Electric Company, Inc.; Maui
36 Electric Company, Ltd.; Hawaii Electric Light Company, Inc.;
37 Kauai Island Utility Cooperative; Puna Geothermal Venture;
38 Tawhiri Power, LLC; Covanta Honolulu Resource Recovery Venture;
39 and all other independent power producers in the State currently
40 operating under power purchase agreements using rates based on
41 an avoided cost methodology.



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OFFERED BY: Denny Coffman

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