

---

---

# A BILL FOR AN ACT

RELATING TO ELECTRIC COOPERATIVES.

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

1           SECTION 1. Electric cooperatives are fundamentally  
2 distinct from traditional electric utilities in terms of both  
3 governance and organizational purpose. The typical investor-  
4 owned utility is primarily driven by the incentive to increase  
5 shareholder profitability, with virtually no influence on policy  
6 or operations coming from the electricity customer. An electric  
7 cooperative, on the other hand, is a customer-owned organization  
8 operating on a not-for-profit basis under the governance of a  
9 board of directors democratically elected by the very same  
10 customers who receive the cooperative's services and who act in  
11 their role as owners and members of the cooperative. Whereas a  
12 natural tension exists between an investor-owned utility's  
13 profit motive and the interest of its customers, the nature of  
14 electric cooperatives provides multiple safeguards that ensure  
15 that the everyday user receiving electricity services has a say  
16 in determining whether that cooperative functions in the  
17 interests of both the organization and the individual consumers.  
18 Given these key distinctions between investor-owned utilities



1 and electric cooperatives, the legislature finds that the public  
2 utilities commission and the department of commerce and consumer  
3 affairs, division of consumer advocacy, should at all times  
4 recognize these differences and consider the degree and extent  
5 to which the State's utilities regulation laws, which typically  
6 balance the tension between an investor-owned utility's profit  
7 motive and the customer's interests, should be applied to  
8 electric cooperatives. The legislature further finds that the  
9 public utilities commission should have the flexibility and  
10 discretion to determine the applicability of existing regulatory  
11 requirements to electric cooperatives in furtherance of the  
12 public interest.

13 The purpose of this Act is to specifically require the  
14 public utilities commission and the division of consumer  
15 advocacy to consider the ownership structure and interests of  
16 electric cooperatives, and to authorize the public utilities  
17 commission to waive or exempt electric cooperatives from the  
18 provisions of chapter 269, Hawaii Revised Statutes, and other  
19 regulatory requirements.

20 SECTION 2. Section 269-1, Hawaii Revised Statutes, is  
21 amended by adding a new definition to be appropriately inserted  
22 and to read as follows:



1       "Electric cooperative" means a cooperative association or  
2 entity that is:

3       (1) Owned by its members;  
4       (2) Formed pursuant to the provisions of chapter 421C;  
5       (3) Operated on a not-for-profit basis;  
6       (4) Authorized pursuant to a legislatively granted  
7       franchise or other legislative authority to  
8       manufacture, sell, furnish, and supply electric light,  
9       electric current, or electric power to its members or  
10       a designated service area; and

11       (5) Governed by a board of directors who are members of  
12       the electric cooperative and who are democratically  
13       elected by members of the electric cooperative  
14       pursuant to applicable bylaws."

15       SECTION 3. Section 269-31, Hawaii Revised Statutes, is  
16 amended to read as follows:

17       "**§269-31 Application of this chapter.** (a) This chapter  
18 shall not apply to commerce with foreign nations, or commerce  
19 with the several states of the United States, except insofar as  
20 the same may be permitted under the Constitution and laws of the  
21 United States; nor shall it apply to public utilities owned and



1 operated by the State, or any county, or other political  
2 subdivision.

3 (b) Notwithstanding any provision of this chapter or any  
4 franchise, charter, law, decision, order, or rule to the  
5 contrary, the public utilities commission, sua sponte or upon  
6 the application of an electric cooperative, may waive or exempt  
7 an electric cooperative from any or all requirements of this  
8 chapter or any applicable franchise, charter, decision, order,  
9 rule, or other law upon a determination or demonstration that  
10 such requirement or requirements should not be applied to an  
11 electric cooperative or are otherwise unjust, unreasonable, or  
12 not in the public interest.

13 (c) Notwithstanding the provisions in subsections (a) and  
14 (b), the public utilities commission and the consumer advocate  
15 shall at all times consider the ownership structure and  
16 interests of an electric cooperative in determining the scope  
17 and need for any regulatory oversight or requirements over such  
18 electric cooperative.

19 (d) To the extent that any other provision of this  
20 chapter, or any franchise, charter, law, decision, order, or  
21 rule is contrary to or otherwise conflicts with this section in



1 any manner, the provisions of this section shall govern and  
2 apply."

3 SECTION 4. New statutory material is underscored.

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



**Report Title:**

Electric Cooperatives; Waiver; Exemption; Public Utilities Commission; Division of Consumer Advocacy

**Description:**

Directs the Public Utilities Commission and the Division of Consumer Advocacy to specifically consider the ownership structure and interests of an electric cooperative; and authorizes the Public Utilities Commission to waive or exempt an electric cooperative operating in the State from compliance with the provisions of chapter 269, Hawaii Revised Statutes, as well as any other applicable charters, franchises, rules, decisions, orders, or any other laws. (HB815 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

