

FEB 20 2013

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# SENATE CONCURRENT RESOLUTION

REQUESTING THE PUBLIC UTILITIES COMMISSION TO ESTABLISH AND  
ACCELERATE THE IMPLEMENTATION OF A COST SAVINGS INCENTIVE  
MECHANISM AS A FINANCIAL INCENTIVE TO MOTIVATE ELECTRIC  
UTILITIES TO REDUCE ENERGY COSTS.

1           WHEREAS, electricity rates in the State are at record  
2 levels, due in large part to the high cost of petroleum used to  
3 fuel electric generation plants on all islands; and

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5           WHEREAS, electric utility operating expenses have  
6 substantially increased in recent years while electric sales  
7 have declined; and

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9           WHEREAS, electric ratepayers are demanding immediate relief  
10 from increasing electricity rates; and

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12           WHEREAS, it is therefore imperative that Hawaii's electric  
13 utilities accelerate their efforts to acquire lower cost clean  
14 energy resources and reduce existing energy and other utility  
15 operating expenses; and

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17           WHEREAS, existing regulatory cost recovery mechanisms  
18 neither provide sufficient economic incentives to induce  
19 electric utilities to reduce energy and operating costs nor  
20 financially reward them if these cost reductions are self-  
21 initiated and substantial; and

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23           WHEREAS, for example, energy costs are recovered from  
24 customers through the energy cost adjustment clause, which is a  
25 direct cost recovery pass through mechanism, without the ability  
26 for electric utilities to earn a profit or a mark-up on energy  
27 cost recovery; and

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29           WHEREAS, electric utilities are not incentivized to  
30 aggressively reduce energy costs or seek lower cost alternatives  
31 or efficiency gains; and



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2 WHEREAS, the current electric ratemaking process employs a  
3 single authorized rate of return that is applied equally to all  
4 utility plant investments. This methodology does not  
5 differentiate between plant investments to modernize the  
6 electric grid, which should be encouraged, and investments to  
7 preserve old, inefficient fossil generation, which should be  
8 discouraged; and  
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10 WHEREAS, retiring old, inefficient utility fossil  
11 generation acts as a financial disincentive for electric  
12 utilities because the electric utilities can only earn a return  
13 on plant investment that is actually used and useful to provide  
14 utility service; and  
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16 WHEREAS, it is necessary for the Public Utilities  
17 Commission to consider and implement economic incentive  
18 mechanisms, where appropriate, to induce electric utility  
19 actions to reduce energy cost and operating expenses and to  
20 enable the maximum integration of lower cost renewable energy  
21 resources; and  
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23 WHEREAS, this body finds that the Public Utilities  
24 Commission should establish a policy to implement economic  
25 incentives and cost recovery regulatory mechanisms, as necessary  
26 and appropriate, to induce and accelerate electric utilities'  
27 cost reduction efforts, encourage greater utilization of  
28 renewable energy, accelerate the retirement of utility fossil  
29 generation, and increase investments to modernize the State's  
30 electrical grids and that a shared cost savings incentive  
31 mechanism would accomplish all of these goals; now, therefore,  
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33 BE IT RESOLVED by the Senate of the Twenty-seventh  
34 Legislature of the State of Hawaii, Regular Session of 2013, the  
35 House of Representatives concurring, that the Public Utilities  
36 Commission is requested to establish and accelerate the  
37 implementation of a cost savings incentive mechanism as a  
38 financial incentive to motivate electric utilities to reduce  
39 energy costs; and  
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41



# S.C.R. NO. 38

1 BE IT FURTHER RESOLVED that a certified copy of this  
2 Concurrent Resolution be transmitted to the Public Utilities  
3 Commission.  
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OFFERED BY:



A handwritten signature in black ink, appearing to read "Maleme Jhu", is written over a horizontal line. The signature is cursive and extends to the right of the line.

