
A BILL FOR AN ACT

RELATING TO ELECTRICITY.

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

1 SECTION 1. The legislature finds that Hawaii's critical
2 decisions on energy and fuel supplies must place the interests
3 of the public first. Policy makers must be able to incorporate
4 all useful and justifiable variables into their analysis. While
5 the current price of fuel is a leading indicator, it is
6 imperative that the true full cost of fossil fuel and renewable
7 energy over time must be evaluated. Fossil fuel prices are
8 particularly volatile, can raise future consumer costs, depend
9 upon non-local sources for supply, harbor negative environmental
10 externalities, and require additional transmission
11 infrastructure.

12 The legislature further finds that since 2008, the price of
13 a barrel of crude oil has ranged from mid \$20's to mid \$140's.
14 A Florida power and light hedging contract locking in the price
15 of natural gas recently led to an extra \$4,200,000,000 in costs
16 paid by Florida ratepayers when market prices later declined.
17 Florida public counsel explained that:



1 . . . the hedging losses have been, and continue to be,
2 paid by customers, and it is unfair to them and contrary to
3 good public policy to obscure the true magnitude of what
4 customers have paid for these losses. (Florida Public
5 Service Commission Docket 50001 Document Number 04240-15.)

6 The purpose of this Act is to protect the public interest
7 by providing the public utilities commission with additional
8 guidelines to consider when making critical fossil fuel and
9 renewable energy decisions. Through the consideration of
10 additional relevant economic factors, the State's long-term
11 energy objectives can be more easily attained while reducing the
12 risk to Hawaii's consumers.

13 SECTION 2. Section 269-27.2, Hawaii Revised Statutes, is
14 amended by amending subsection (c) to read as follows:

15 "(c) The rate payable by the public utility to the
16 producer for the nonfossil fuel generated electricity supplied
17 to the public utility shall be as agreed between the public
18 utility and the supplier and as approved by the public utilities
19 commission; provided that in the event the public utility and
20 the supplier fail to reach an agreement for a rate, the rate



1 shall be as prescribed by the public utilities commission
2 according to the powers and procedures provided in this chapter.

3 The commission's determination of the just and reasonable
4 rate shall be accomplished by establishing a methodology that
5 removes or significantly reduces any linkage between the price
6 of fossil fuels and the rate for the nonfossil fuel generated
7 electricity to potentially enable utility customers to share in
8 the benefits of fuel cost savings resulting from the use of
9 nonfossil fuel generated electricity. The methodology shall
10 explicitly take into account the objective of reducing the risks
11 of the State's exposure to fossil fuels, including:

- 12 (1) The impact of fuel price volatility in electricity
13 rates, fuel supply reliability risks, and greenhouse
14 gas emissions;
- 15 (2) The costs and benefits that distributed generation has
16 on the electrical distribution and transmission grid
17 systems;
- 18 (3) The need to achieve the State's renewable portfolio
19 standards provided in this chapter; and
- 20 (4) The promoting of Hawaii's long-term objective of
21 energy self-sufficiency.



1 As the commission deems appropriate, the just and reasonable
 2 rate for nonfossil fuel generated electricity supplied to the
 3 public utility by the producer may include mechanisms for
 4 reasonable and appropriate incremental adjustments, such as
 5 adjustments linked to consumer price indices for inflation or
 6 other acceptable adjustment mechanisms."

7 SECTION 3. New statutory material is underscored.

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

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INTRODUCED BY:

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H.B. NO. 2566

Report Title:

Nonfossil Fuel Generated Electricity; Rates

Description:

Establishes criteria for the PUC's methodology in determining the rate that a public utility should pay a producer for nonfossil fuel generated electricity that the producer supplies to the public utility.

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