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## A BILL FOR AN ACT

RELATING TO ELECTRIC PUBLIC UTILITY TRANSFORMATION.

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

1           SECTION 1. The legislature finds that the nature of the  
2 electric utility business is evolving rapidly in light of  
3 technical, market, and public policy changes that are occurring  
4 globally, nationally, and in Hawaii. In particular, alternative  
5 energy technologies have advanced significantly in recent years,  
6 leading to an explosion of new markets, jobs, and local energy  
7 sources. Despite these advances, Hawaii's electricity customers  
8 continue to endure the highest electricity prices in the  
9 country, and the high cost of this essential service imposes  
10 substantial burdens upon Hawaii's households and businesses.

11           The legislature also finds that even in a period of  
12 significant energy transformation, Hawaii's vertically  
13 integrated and monopolistic investor-owned electric utilities  
14 have not transitioned, and do not appear to be transitioning, to  
15 a sustainable business model capable of addressing the ongoing  
16 energy transformation. Investor-owned electric utilities must  
17 transform over time from their current role as owner and



1 operator of a fleet of generation units to that of "electric  
2 utility of the future", which plays the critical role of system  
3 planner and operator of energy grids that are supplied with high  
4 levels of renewable and sustainable energy from distributed  
5 energy resources and independent power producers.

6 The legislature further finds that a high priority must be  
7 given to transforming Hawaii's investor-owned electric utilities  
8 grids into modern, advanced electrical networks that are capable  
9 of integrating greater quantities of customer-sited distributed  
10 energy resources. Many issues need to be addressed in moving  
11 Hawaii's investor-owned electric utilities towards a sustainable  
12 business model, including but not limited to:

- 13 (1) Modernizing the electricity generation, transmission,  
14 and distribution system to integrate clean energy  
15 resources; and
- 16 (2) Implementing major policy, regulatory, and structural  
17 electric utility reforms to achieve Hawaii's clean  
18 energy objectives.

19 The legislature further finds that Hawaii's investor-owned  
20 electric utility business model creates inherent financial  
21 conflicts that hinder the transition to a utility of the future



1 because continued utility-owned generation and potential  
2 affiliated interests-owned generation complicate and impede the  
3 development of independent power producer generation projects.  
4 Because of these conflicts, the role of investor-owned electric  
5 utilities in power generation must be restructured to foster and  
6 protect competition in electricity generation, which will expand  
7 the array of options for customers to manage their energy usage  
8 and reduce electricity rates for consumers.

9 Accordingly, the legislature finds that Hawaii's investor-  
10 owned electric utilities have failed to transition to a  
11 sustainable business model and the legislature is required to  
12 compel them to begin transitioning to a new business model as  
13 sustainable electric utilities of the future.

14 The purpose of this Act is to begin transitioning towards  
15 an electric utility of the future by prohibiting Hawaii's  
16 investor-owned electric utilities, or any of their affiliated  
17 interests, from building or acquiring any new or additional  
18 generation resources in Hawaii.

19 SECTION 2. Chapter 269, Hawaii Revised Statutes, is  
20 amended by adding a new section to be appropriately designated  
21 and to read as follows:



1        "§269-     Electric utility generation resources.

2        (a) After June 30, 2016, investor-owned electric utilities  
3        shall not build, install, acquire, own, or operate any new or  
4        additional generation resources in the State, and investor-owned  
5        electric utilities shall not acquire electricity from any of  
6        their affiliated interests in order to supply it to the  
7        utility's customers.

8        (b) After December 31, 2020, investor-owned electric  
9        utilities shall not own or operate any generation resources in  
10       Hawaii, and investor-owned electric utilities shall not acquire  
11       electricity from any of their affiliated interests for  
12       distribution to their customers.

13       (c) An investor-owned electric utility that incurs  
14       investment costs in violation of this section shall be  
15       prohibited from recovering those costs from the utility's  
16       customers, and shall be subject to fines, penalties, and  
17       regulatory actions as may be allowed by law.

18       (d) For purposes of this section, "affiliated interests"  
19       has the same meaning as defined in section 269-19.5(a)."



# H.B. NO. 2571

1 SECTION 3. Section 269-1, Hawaii Revised Statutes, is  
 2 amended by adding a new definition to be appropriately inserted  
 3 and to read as follows:

4 "Investor-owned electric utility":

5 (1) Means an electric utility company, as defined in  
 6 section 269-91, that is privately owned; and

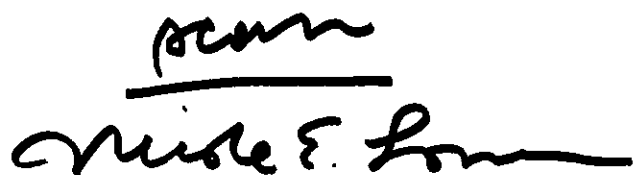
7 (2) Does not include an electric cooperative as defined in  
 8 section 269-31(c)."

9 SECTION 4. New statutory material is underscored.

10 SECTION 5. This Act shall take effect on July 1, 2016.

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INTRODUCED BY:

JAN 26 2016



# H.B. NO. 2571

**Report Title:**

Investor-Owned Electric Utilities; Generation Resources

**Description:**

Requires investor-owned electric utilities to phase out their acquisition, ownership, and use of new and existing generation resources.

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

