

---

---

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

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



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

6 A high priority must be given to transforming Hawaii's  
7 investor-owned electric utilities grids into modern, advanced  
8 electrical networks that are capable of integrating greater  
9 quantities of customer-sited distributed energy resources. Many  
10 issues need to be addressed in moving Hawaii's investor-owned  
11 electric utilities toward a sustainable business model,  
12 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 Hawaii's investor-owned electric utility business model  
20 creates inherent financial conflicts that hinder the transition  
21 to a utility of the future because continued utility-owned



1 generation and potential affiliated interests-owned generation  
2 complicate and impede the development of independent power  
3 producer generation projects. Because of these conflicts, the  
4 role of investor-owned electric utilities in power generation  
5 must be restructured to foster and protect competition in  
6 electricity generation, which will expand the array of options  
7 for customers to manage their energy usage and reduce  
8 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 toward an  
15 electric utility of the future by prohibiting Hawaii's investor-  
16 owned electric utilities, or any of their affiliated interests,  
17 from building or acquiring any new or additional generation  
18 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       the State, and investor-owned electric utilities shall not  
11       acquire 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) As used in this section, "affiliated interests" has  
19       the same meaning as defined in section 269-19.5(a)."

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 January 1, 2045.



**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. (HB2571 HD1)

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

