
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1 SECTION 1. The legislature finds that Act 97, Session Laws
2 of Hawaii 2015, amended section 269-92, Hawaii Revised Statutes,
3 to establish a one hundred per cent renewable portfolio standard
4 by December 31, 2045, with the intent to transition the State
5 away from imported fuels and toward renewable local resources
6 that provide a secure source of affordable energy. Since that
7 time, the need to reduce carbon emissions globally to avoid the
8 worst impacts of climate change has become increasingly urgent.
9 In addition, studies indicate that accelerating the adoption of
10 renewable energy will cost less than the course laid out by the
11 current renewable portfolio standard interim benchmarks.
12 Speeding up the deployment of renewable energy will also create
13 thousands of jobs and will position Hawaii at the forefront of
14 energy innovation and investment.

15 Currently, the calculation of the renewable portfolio
16 standard, based on the definition of renewable portfolio
17 standard enacted in 2001 and amended in 2006, is the percentage



1 of electrical energy sales that is represented by renewable
2 electrical energy. The legislature finds that the calculation
3 of the renewable portfolio standard based on electrical energy
4 sales (renewable electrical energy sales divided by total
5 electrical sales), rather than on electrical energy generation
6 (renewable electrical energy generation divided by total
7 electrical energy generation), overestimates the amount of
8 renewable energy serving Hawaii's electric utility customers.
9 There are two fundamental issues that lead to the current
10 discrepancy:

11 (1) The current renewable portfolio standard calculation
12 inflates the reported percentage of renewable energy
13 by excluding customer-sited, grid-connected energy
14 generation in the denominator, which becomes material
15 with higher levels of customer-sited, grid-connected
16 renewable energy generation and higher renewable
17 portfolio standard percentages; and

18 (2) The current electrical energy sales number does not
19 include energy losses that occur between the points of
20 electrical energy generation and the customer meter,
21 where sales are measured.



1 Failure to address these issues creates an incorrect measure of
2 the State's progress toward its statutory goal of one hundred
3 per cent renewable energy.

4 Furthermore, the legislature finds that Hawaii's energy
5 sector is undergoing a transition to renewable energy that is
6 strengthening the State's economy, helping to preserve the
7 environment, and increasing the State's security. To complete
8 this transition successfully, it is also important that all
9 relevant entities are aligned. The legislature is concerned
10 that requiring electric utilities but not gas utilities to
11 increase their reliance on renewable energy creates an unfair
12 playing field that may unintentionally harm consumers by
13 promoting suboptimal long-lived investments in fossil fuels
14 through gas-fired distributed electrical generation. These
15 effects may also have short-term and long-term impacts on the
16 viability of the State's electric and gas utilities.

17 The legislature finds that the simplest, fairest, and most
18 effective solution to this concern is to implement renewable
19 portfolio standard targets for gas utilities that are similar to
20 those established for electric utilities.

21 The purpose of this Act is to:



1 (1) Require the public utilities commission to study the
 2 feasibility of implementing renewable portfolio
 3 standards to encourage the use of renewable energy by
 4 gas utility companies; and

5 (2) Amend the renewable portfolio standard interim goals
 6 for 2030 and 2040 to accelerate the adoption of
 7 renewable energy.

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

11 "§269- Renewable gas portfolio standards study. The
 12 public utilities commission shall:

13 (1) By December 31, 2021, develop and implement a utility
 14 ratemaking structure, which may include performance-
 15 based ratemaking, to provide incentives that encourage
 16 Hawaii's gas utility companies to use cost-effective
 17 renewable energy resources found in Hawaii to meet the
 18 renewable portfolio standard of reaching one hundred
 19 per cent by 2045, while allowing for deviation from
 20 the standards in the event that the standards cannot
 21 be met in a cost-effective manner or as a result of



1 events or circumstances beyond the control of a gas
2 utility company that could not have been reasonably
3 anticipated or ameliorated;

4 (2) Gather, review, and analyze empirical data to:

5 (A) Determine the extent to which any proposed
6 utility ratemaking structure would impact gas
7 utility companies' profit margins; and

8 (B) Ensure that the gas utility companies'
9 opportunity to earn a fair rate of return is not
10 diminished;

11 (3) Use funds from the public utilities special fund to
12 contract with the Hawaii natural energy institute of
13 the University of Hawaii to conduct independent
14 studies to be reviewed by a panel of experts from
15 entities such as the United States Department of
16 Energy, National Renewable Energy Laboratory, Electric
17 Power Research Institute, Hawaii gas utility
18 companies, environmental groups, and other similar
19 institutions with the required expertise. These
20 studies shall include findings and recommendations
21 regarding:



1 (A) The capability of Hawaii's gas utility companies
2 to achieve renewable portfolio standards in a
3 cost-effective manner and shall assess factors
4 such as:

5 (i) The impact on consumer rates;

6 (ii) Utility system reliability and stability;

7 (iii) Costs and availability of appropriate
8 renewable energy resources and technologies,
9 including the impact of renewable portfolio
10 standards, if any, on the energy prices
11 offered by renewable energy developers;

12 (iv) Permitting approvals;

13 (v) Effects on the economy;

14 (vi) Balance of trade, culture, community,
15 environment, land, and water;

16 (vii) Climate change policies;

17 (viii) Demographics;

18 (ix) Cost of fossil fuel volatility; and

19 (x) Other factors deemed appropriate by the
20 commission;



- 1 (B) Projected renewable portfolio standards to be set
2 five and ten years beyond the then current
3 standards;
- 4 (C) The technical feasibility of establishing
5 renewable portfolio standards for gas utility
6 companies in Hawaii, including:
- 7 (i) Identifying renewable alternatives, such as
8 the procurement and importation of biogas;
9 and
- 10 (ii) Recommendations for interim renewable
11 targets before one hundred per cent
12 renewable gas is achieved by December 31,
13 2045;
- 14 (D) Unregulated gas sales and what requirements are
15 needed for the transition of gas that is
16 unregulated to a renewable energy source; and
- 17 (E) If a renewable gas portfolio standard is
18 established, the equity issues between renewable
19 gas projects and if all the projects shall have
20 access to the same incentives, such as tax
21 credits;



1 (4) Evaluate the renewable portfolio standards every five
2 years, beginning in 2022, and may revise the standards
3 based on the best information available at the time to
4 determine if the standards remain effective and
5 achievable; and

6 (5) Report its findings and revisions to the renewable
7 portfolio standards, based on its own studies and
8 other information, to the legislature no later than
9 twenty days before the convening of the regular
10 session of 2021, and every five years thereafter."

11 SECTION 3. Section 269-92, Hawaii Revised Statutes, is
12 amended to read as follows:

13 "**§269-92 Renewable portfolio standards.** (a) Each
14 electric utility company that sells electricity for consumption
15 in the State shall establish a renewable portfolio standard of:

16 (1) Ten per cent of its net electricity sales by
17 December 31, 2010;

18 (2) Fifteen per cent of its net electricity sales by
19 December 31, 2015;

20 (3) Thirty per cent of its net electricity sales by
21 December 31, 2020;



1 (4) [~~Forty~~] Sixty-five per cent [~~of its net electricity~~
2 ~~sales~~] by December 31, 2030;

3 (5) [~~Seventy~~] Eighty-five per cent [~~of its net electricity~~
4 ~~sales~~] by December 31, 2040; and

5 (6) One hundred per cent [~~of its net electricity sales~~] by
6 December 31, 2045.

7 (b) All electric grid-connected energy systems shall be
8 one hundred per cent renewable energy systems by December 31,
9 2045; provided that generation that is used exclusively for
10 emergency service in the event that the normal supply from the
11 Hawaii electric system fails shall be excluded from the
12 calculation as set forth in the definition of renewable
13 portfolio standard in section 269-91.

14 [~~(b)~~] (c) The public utilities commission may establish
15 standards for each electric utility company that prescribe
16 [~~what~~] the portion of the renewable portfolio standards that
17 shall be met by specific types of renewable energy resources;
18 provided that:

19 (1) Prior to January 1, 2015, at least fifty per cent of
20 the renewable portfolio standards shall be met by
21 electrical energy generated using renewable energy as



1 the source, and after December 31, 2014, the entire
2 renewable portfolio standard shall be met by
3 electrical generation from renewable energy sources;

4 (2) Beginning January 1, 2015, electrical energy savings
5 shall not count toward renewable energy portfolio
6 standards;

7 (3) Where electrical energy is generated or displaced by a
8 combination of renewable and nonrenewable means, the
9 proportion attributable to the renewable means shall
10 be credited as renewable energy; and

11 (4) Where fossil and renewable fuels are co-fired in the
12 same generating unit, the unit shall be considered to
13 generate renewable electrical energy (electricity) in
14 direct proportion to the percentage of the total heat
15 input value represented by the heat input value of the
16 renewable fuels.

17 [~~e~~] (d) If the public utilities commission determines
18 that an electric utility company failed to meet the renewable
19 portfolio standard, after a hearing in accordance with chapter
20 91, the utility shall be subject to penalties to be established
21 by the public utilities commission; provided that if the



1 commission determines that the electric utility company is
2 unable to meet the renewable portfolio standards [~~due to~~
3 because of reasons beyond the reasonable control of an electric
4 utility, as set forth in subsection (d), the commission, in its
5 discretion, may waive in whole or in part any otherwise
6 applicable penalties.

7 [~~(d)~~] (e) Events or circumstances that are [~~outside of~~
8 beyond an electric utility company's reasonable control may
9 include, to the extent the event or circumstance could not be
10 reasonably foreseen and ameliorated:

- 11 (1) Weather-related damage;
- 12 (2) Natural disasters;
- 13 (3) Mechanical or resource failure;
- 14 (4) Failure of renewable electrical energy producers to
15 meet contractual obligations to the electric utility
16 company;
- 17 (5) Labor strikes or lockouts;
- 18 (6) Actions of governmental authorities that adversely
19 affect the generation, transmission, or distribution
20 of renewable electrical energy under contract to an
21 electric utility company;



- 1 (7) Inability to acquire sufficient renewable electrical
2 energy due to lapsing of tax credits related to
3 renewable energy development;
- 4 (8) Inability to obtain permits or land use approvals for
5 renewable electrical energy projects;
- 6 (9) Inability to acquire sufficient cost-effective
7 renewable electrical energy;
- 8 (10) Inability to acquire sufficient renewable electrical
9 energy to meet the renewable portfolio standard goals
10 beyond 2030 in a manner that is beneficial to Hawaii's
11 economy in relation to comparable fossil fuel
12 resources;
- 13 (11) Substantial limitations, restrictions, or prohibitions
14 on utility renewable electrical energy projects; and
- 15 (12) Other events and circumstances of a similar nature[-]
16 that could not be reasonably foreseen and
17 ameliorated."

18 SECTION 4. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$ or so much
20 thereof as may be necessary for fiscal year 2019-2020 and the
21 same sum or so much thereof as may be necessary for fiscal year



1 2020-2021 for the public utilities commission to carry out the
2 renewable gas portfolio standards study as required by section
3 269- , Hawaii Revised Statutes; provided that the public
4 utilities commission may contract with another institution to
5 carry out the requirements set forth in section 269- , Hawaii
6 Revised Statutes.

7 The sums appropriated shall be expended by the public
8 utilities commission for the purposes of this Act.

9 SECTION 5. This Act does not affect rights and duties that
10 matured, penalties that were incurred, and proceedings that were
11 begun before its effective date.

12 SECTION 6. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 7. This Act shall take effect on July 1, 2100.



Report Title:

Renewable Portfolio Standard; Gas; Electricity; Study;
Appropriation

Description:

Requires the Public Utilities Commission to study the feasibility of implementing renewable portfolio standards to encourage the use of renewable energy by gas utility companies. Amends the renewable portfolio standard interim goals for 2030 and 2040 to accelerate the adoption of renewable energy. Appropriates funds. (HB550 HD1)

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