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# A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

SECTION 1. The legislature finds that Hawaii has committed to achieving a one hundred per cent renewable portfolio standard by December 31, 2045. The transition away from imported fossil fuels toward locally available renewable energy sources is critical for ensuring the State's energy independence, economic sustainability, and environmental resilience.

The legislature further finds that customer-sited distributed energy resources, such as rooftop solar and energy storage systems, are technologies essential to reaching the State's renewable energy goals. As of September 2024, Hawaiian Electric's service territories achieved a renewable portfolio standard of 36.7 per cent, with nearly half of that progress attributable to customer-sited rooftop solar systems. Kauai Island Utility Cooperative achieved an even higher renewable portfolio standard of 57.9 per cent, with 23.2 per cent attributable to rooftop solar installations.



1 Hawaii leads the nation in the integration of  
2 solar-plus-storage systems, with ninety-six per cent of all  
3 residential rooftop solar installation in the State now  
4 including energy storage. These distributed energy resources  
5 lower customer and grid electricity costs, provide energy  
6 resilience during outages, and support grid reliability by  
7 balancing supply and demand. Notably, programs like Hawaiian  
8 Electric's battery bonus program have demonstrated the potential  
9 of distributed energy resources to address critical capacity  
10 needs, enrolling forty megawatts of storage on Oahu and six  
11 megawatts on Maui to respond to energy adequacy and reliability  
12 emergencies.

13 The legislature acknowledges that Hawaii's electric grid is  
14 confronting significant challenges, including aging  
15 fossil-fuel-dependent infrastructure, heightened risks from  
16 climate-related extreme weather events, and persistent utility  
17 management issues. These challenges have been underscored by  
18 recent grid reliability emergencies on Oahu and Hawaii island,  
19 as well as the devastating 2023 Maui wildfires. Recognizing the  
20 urgent need for decisive action, it is crucial for the



1 legislature to act promptly to secure a robust and resilient  
2 energy future.

3       The legislature also finds that to ensure grid stability  
4 and system resilience, Hawaii must invest in distributed energy  
5 resource grid service programs, microgrids, and community-based  
6 or shared renewable energy programs. These solutions empower  
7 customers to take decisive action to meet their energy needs  
8 with low-cost, clean, and reliable energy while supporting  
9 broader grid stability and community resilience. Microgrids and  
10 shared renewable energy systems enable localized energy  
11 generation and resilience, ensuring continuity of power during  
12 emergencies or outages.

13       To meet these challenges, Hawaii should encourage the  
14 deployment of distributed energy resources, emphasizing systems  
15 that integrate solar and energy storage to maximize benefits for  
16 the grid and customers alike. Accelerated distributed energy  
17 resources adoption will provide critical support for grid  
18 stability, reduce reliance on imported fossil fuels, and ensure  
19 resilience in the face of emergencies and infrastructure  
20 failures.



1 Fair compensation mechanisms are also essential to  
2 incentivize the widespread adoption of distributed energy  
3 resources and maximize their value to customers and the grid.  
4 These mechanisms must include sufficiently valued crediting for  
5 exported energy as a minimum customer protection and capacity  
6 and performance payments for the provision of grid services by  
7 distributed energy resources and virtual power plants. Such  
8 compensation ensures equitable returns on customer investments  
9 while enhancing grid reliability and resilience.

10 The purpose of this Act is to:

- 11 (1) Require the public utilities commission to establish  
12 an installation goal for new customer-sited  
13 distributed energy resources in the State;
- 14 (2) Require the public utilities commission to establish  
15 tariffs to achieve the installation goal and for grid  
16 services programs, microgrids, and community-based  
17 renewable energy;
- 18 (3) Ensure that sufficient compensation is provided to  
19 distributed energy resources exports as part of grid  
20 service programs and require the public utilities



commission to establish grid service compensation values;

(4) Clarify when a person who constructs, maintains, or operates a new microgrid is not considered a public utility; and

(5) Authorize wheeling of renewable energy and require the public utilities commission to establish policies and procedures to implement wheeling and microgrid service tariffs.

SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding four new sections to be appropriately designated and to read as follows:

**"§269-A Distributed energy resources installation goal; tariffs; requirements.** (a) The public utilities commission shall establish a goal for new customer-sited distributed energy resources, to be installed in the State by December 31, 2030.

(b) The public utilities commission shall establish tariffs for grid services programs, microgrids, and community-based renewable energy with fair compensation to achieve the goal established pursuant to subsection (a).



1        (c) Any tariffs or tariff amendments filed pursuant to  
2 this section shall:

3        (1) Include a rider for new and existing energy storage  
4 devices;

5        (2) Include provisions that allow aggregators to:

6            (A) Participate in grid service programs;

7            (B) Automatically enroll and manage their customers'  
8 participation;

9            (C) Receive dispatch signals and other communications  
10 from the electric utility;

11           (D) Deliver performance measurement and verification  
12 data to the electric utility; and

13           (E) Receive grid service program payments directly  
14 from the electric utility; and

15        (3) Provide for measurement and verification of energy  
16 storage device performance directly at the device  
17 without the requirement for the installation of an  
18 additional meter, and other measurement standards for  
19 non-energy-storage and electric vehicle technologies  
20 for approval by the commission.



1        **§269-B Compensation for solar and energy storage exports.**

2        (a) Notwithstanding any law to the contrary, energy exported to  
3        the electric grid past a participating customer-generator's  
4        point of common coupling from photovoltaic solar systems paired  
5        with energy storage as part of a grid service program shall be  
6        credited at a rate of electricity to be established by the  
7        public utilities commission for the relevant time period. The  
8        rate shall be sufficient to encourage deployment of  
9        customer-sited distributed energy resources to meet the goal  
10       established pursuant to section 269-A.

11       (b) The public utilities commission shall establish grid  
12       service compensation values that compensate system owners for  
13       the resiliency, capacity, and ancillary service value provided  
14       by their system. The compensation values shall be sufficient to  
15       encourage participation in grid service programs.

16       (c) This section shall not apply to a member-owned  
17       cooperative electric utility.

18       **§269-C Microgrids; public utility; exception.**

19       Notwithstanding any other law to the contrary, a person that  
20       constructs, maintains, or operates a new microgrid shall not be  
21       considered a public utility under section 269-1 solely as a



1 result of furnishing service through that new microgrid to  
2 participating consumers. This section shall not apply to a  
3 member-owned cooperative electric utility.

4 **\$269-D Wheeling; renewable energy; rules.** (a)

5 Notwithstanding any provision of this chapter to the contrary,  
6 the authorization for wheeling under this chapter shall be  
7 restricted to wheeling of renewable electricity.

8 (b) No later than January 1, 2027, the public utilities  
9 commission shall establish, by rule or order, policies and  
10 procedures to implement wheeling and microgrid service tariffs  
11 that include appropriate charges for wheeling participants and  
12 any consumer protection measures the commission deems necessary;  
13 provided that any wheeling project eligible under the rule or  
14 order shall have a capacity of not less than one hundred  
15 kilowatts alternating current and not more than two megawatts  
16 alternating current.

17 (c) This section shall not apply to a member-owned  
18 cooperative electric utility."

19 SECTION 3. Section 269-1, Hawaii Revised Statutes, is  
20 amended as follows:





1 1. By adding a new definition to be appropriately inserted  
2 and to read:

3 ""Wheeling" means the transmission of renewable electric  
4 power from a storage or energy generation system through the  
5 utility meter for consumption by a separate utility account  
6 holder."

7 2. By amending the definition of "public utility" to read:

8 ""Public utility":

9 (1) Includes every person who may own, control, operate,  
10 or manage as owner, lessee, trustee, receiver, or  
11 otherwise, whether under a franchise, charter,  
12 license, articles of association, or otherwise, any  
13 plant or equipment, or any part thereof, directly or  
14 indirectly for public use for the transportation of  
15 passengers or freight; for the conveyance or  
16 transmission of telecommunications messages; for the  
17 furnishing of facilities for the transmission of  
18 intelligence by electricity within the State or  
19 between points within the State by land, water, or  
20 air; for the production, conveyance, transmission,  
21 delivery, or furnishing of light, power, heat, cold,



1 water, gas, or oil; for the storage or warehousing of  
2 goods; or for the disposal of sewage; provided that  
3 the term shall include:

4 (A) An owner or operator of a private sewer company  
5 or sewer facility; and

6 (B) A telecommunications carrier or  
7 telecommunications common carrier; and

8 (2) Shall not include:

9 (A) An owner or operator of an aerial transportation  
10 enterprise;

11 (B) An owner or operator of a taxicab as defined in  
12 this section;

13 (C) Common carriers that transport only freight on  
14 the public highways, unless operating within  
15 localities, along routes, or between points that  
16 the public utilities commission finds to be  
17 inadequately serviced without regulation under  
18 this chapter;

19 (D) Persons engaged in the business of warehousing or  
20 storage unless the commission finds that  
21 regulation is necessary in the public interest;



1 (E) A carrier by water to the extent that the carrier  
2 enters into private contracts for towage,  
3 salvage, hauling, or carriage between points  
4 within the State; provided that the towing,  
5 salvage, hauling, or carriage is not pursuant to  
6 either an established schedule or an undertaking  
7 to perform carriage services on behalf of the  
8 public generally;

9 (F) A carrier by water, substantially engaged in  
10 interstate or foreign commerce, that transports  
11 passengers on luxury cruises between points  
12 within the State or on luxury round-trip cruises  
13 returning to the point of departure;

14 (G) Any user, owner, or operator of the Hawaii  
15 electric system as defined under section 269-141;

16 (H) A telecommunications provider only to the extent  
17 determined by the public utilities commission  
18 pursuant to section 269-16.9;

19 (I) Any person who controls, operates, or manages  
20 plants or facilities developed pursuant to  
21 chapter 167 for conveying, distributing, and



1 transmitting water for irrigation and other  
2 purposes for public use and purpose;

3 (J) Any person who owns, controls, operates, or  
4 manages plants or facilities for the reclamation  
5 of wastewater; provided that:

6 (i) The services of the facility are provided  
7 pursuant to a service contract between the  
8 person and a state or county agency and at  
9 least ten per cent of the wastewater  
10 processed is used directly by the state or  
11 county agency that entered into the service  
12 contract;

13 (ii) The primary function of the facility is the  
14 processing of secondary treated wastewater  
15 that has been produced by a municipal  
16 wastewater treatment facility owned by a  
17 state or county agency;

18 (iii) The facility does not make sales of water to  
19 residential customers;

20 (iv) The facility may distribute and sell  
21 recycled or reclaimed water to entities not



1 covered by a state or county service  
2 contract; provided that, in the absence of  
3 regulatory oversight and direct competition,  
4 the distribution and sale of recycled or  
5 reclaimed water shall be voluntary and its  
6 pricing fair and reasonable. For purposes  
7 of this subparagraph, "recycled water" and  
8 "reclaimed water" means treated wastewater  
9 that by design is intended or used for a  
10 beneficial purpose; and

11 (v) The facility is not engaged, either directly  
12 or indirectly, in the processing of food  
13 wastes;

14 (K) Any person who owns, controls, operates, or  
15 manages any seawater air conditioning district  
16 cooling project; provided that at least fifty per  
17 cent of the energy required for the seawater air  
18 conditioning district cooling system is provided  
19 by a renewable energy resource, such as cold,  
20 deep seawater;



1 (L) Any person who owns, controls, operates, or  
2 manages plants or facilities primarily used to  
3 charge or discharge a vehicle battery that  
4 provides power for vehicle propulsion;

5 (M) Any person who:

6 (i) Owns, controls, operates, or manages a  
7 renewable energy system that is located on a  
8 customer's property; and

9 (ii) Provides, sells, or transmits the power  
10 generated from that renewable energy system  
11 to an electric utility or to the customer on  
12 whose property the renewable energy system  
13 is located; provided that, for purposes of  
14 this subparagraph, a customer's property  
15 shall include all contiguous property owned  
16 or leased by the customer without regard to  
17 interruptions in contiguity caused by  
18 easements, public thoroughfares,  
19 transportation rights-of-way, and utility  
20 rights-of-way; and



1 (N) Any person who owns, controls, operates, or  
2 manages a renewable energy system that is located  
3 on ~~[such]~~ the person's property and provides,  
4 sells, or transmits the power generated from that  
5 renewable energy system to an electric utility or  
6 to lessees or tenants on the person's property  
7 where the renewable energy system is located;  
8 provided that:

9 (i) An interconnection, as defined in section  
10 269-141, is maintained with an electric  
11 public utility to preserve the lessees' or  
12 tenants' ability to be served by an electric  
13 utility;

14 (ii) ~~[Such]~~ The person does not use an electric  
15 public utility's transmission or  
16 distribution lines to provide, sell, or  
17 transmit electricity to lessees or tenants;

18 (iii) At the time that the lease agreement is  
19 signed, the rate charged to the lessee or  
20 tenant for the power generated by the  
21 renewable energy system shall be no greater



1 than the effective rate charged per kilowatt  
2 hour from the applicable electric utility  
3 schedule filed with the public utilities  
4 commission;

5 (iv) The rate schedule or formula shall be  
6 established for the duration of the lease,  
7 and the lease agreement entered into by the  
8 lessee or tenant shall reflect ~~[such]~~ the  
9 rate schedule or formula;

10 (v) The lease agreement shall not abrogate any  
11 terms or conditions of applicable tariffs  
12 for termination of services for nonpayment  
13 of electric utility services or rules  
14 regarding health, safety, and welfare; and

15 (vi) The lease agreement shall disclose: (1) the  
16 rate schedule or formula for the duration of  
17 the lease agreement; (2) that, at the time  
18 that the lease agreement is signed, the rate  
19 charged to the lessee or tenant for the  
20 power generated by the renewable energy  
21 system shall be no greater than the





1 effective rate charged per kilowatt hour  
2 from the applicable electric utility  
3 schedule filed with the public utilities  
4 commission; (3) that the lease agreement  
5 shall not abrogate any terms or conditions  
6 of applicable tariffs for termination of  
7 services for nonpayment of electric utility  
8 services or rules regarding health, safety,  
9 and welfare; and (4) whether the lease is  
10 contingent upon the purchase of electricity  
11 from the renewable energy system; provided  
12 further that any disputes concerning the  
13 requirements of this provision shall be  
14 resolved pursuant to the provisions of the  
15 lease agreement or chapter 521, if  
16 applicable[; and

17 ~~(vii) Nothing in this section shall be construed~~  
18 ~~to permit wheeling].~~

19 If the application of this chapter is ordered by the  
20 commission in any case provided in paragraph (2) (C), (D), (H),  
21 and (I), the business of any public utility that presents



1 evidence of bona fide operation on the date of the commencement  
2 of the proceedings resulting in the order shall be presumed to  
3 be necessary to the public convenience and necessity, but any  
4 certificate issued under this proviso shall nevertheless be  
5 subject to terms and conditions as the public utilities  
6 commission may prescribe, as provided in sections 269-16.9 and  
7 269-20."

8       SECTION 4. In codifying the new sections added by  
9 section 2 of this Act, the revisor of statutes shall substitute  
10 appropriate section numbers for the letters used in designating  
11 the new sections in this Act.

12       SECTION 5. Statutory material to be repealed is bracketed  
13 and stricken. New statutory material is underscored.

14       SECTION 6. This Act shall take effect upon its approval.



**Report Title:**

PUC; Renewable Energy; Customer-Sited Distributed Energy Resources; Installation Goal; Tariffs; Microgrids; Compensation; Wheeling

**Description:**

Requires the Public Utilities Commission to establish an installation goal for customer-sited distributed energy resources in the State. Requires the Public Utilities Commission to establish tariffs to achieve the installation goal and for grid services programs, microgrids, and community-based renewable energy. Ensures that certain levels of compensation are provided for solar and energy storage exports from customer-sited distributed energy resources as part of grid service programs and requires the Public Utilities Commission to establish grid service compensation values. Clarifies when a person who constructs, maintains, or operates a new microgrid is not considered a public utility. Authorizes wheeling of renewable energy and requires the Public Utilities Commission to establish policies and procedures to implement wheeling and microgrid service tariffs. (CD1)

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