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

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



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

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



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

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

19 Fair compensation mechanisms are also essential to
20 incentivize the widespread adoption of distributed energy
21 resources and maximize their value to customers and the grid.



1 These mechanisms must include sufficiently valued crediting for
2 exported energy as a minimum customer protection and capacity
3 and performance payments for the provision of grid services by
4 distributed energy resources and virtual power plants. Such
5 compensation ensures equitable returns on customer investments
6 while enhancing grid reliability and resilience.

7 The purpose of this Act is to:

- 8 (1) Establish an installation goal for customer-sited
9 distributed energy resources in the State;
- 10 (2) Require the public utilities commission to use tariffs
11 for grid services programs, microgrids, and community-
12 based renewable energy;
- 13 (3) Ensure that sufficient compensation is provided to
14 distributed energy resources exports as part of grid
15 service programs and require the public utilities
16 commission to establish grid service compensation
17 values;
- 18 (4) Clarify when a person who constructs, maintains, or
19 operates a new microgrid is not considered a public
20 utility; and



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

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

"§269-A Distributed energy resources installation goal.

(a) The public utilities commission shall establish a goal of installing fifty thousand new installations of customer-sited distributed energy resources in the State by December 31, 2030.

(b) The public utilities commission may use tariffs for grid services programs and community-based renewable energy with fair compensation to achieve the goal in subsection (a).

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

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

(2) Include provisions that allow aggregators to:

(A) Participate in grid service programs;



1 (B) Automatically enroll and manage their customers'
2 participation;

3 (C) Receive dispatch signals and other communications
4 from the electric utility;

5 (D) Deliver performance measurement and verification
6 data to the electric utility; and

7 (E) Receive grid service program payments directly
8 from the electric utility; and

9 (3) Provide for measurement and verification of energy
10 storage device performance directly at the device
11 without the requirement for the installation of an
12 additional meter, and other measurement standards for
13 non-energy-storage and electric vehicle technologies
14 for approval by the commission.

15 **\$269-B Tariffs; requirements.** (a) The public utilities
16 commission shall use tariffs for grid services programs,
17 microgrids, and community-based renewable energy.

18 (b) Any tariffs or tariff amendments filed pursuant to
19 this section shall:

20 (1) Include a rider for new and existing energy storage
21 devices;



- 1 (2) Include provisions that allow aggregators to:
- 2 (A) Participate in grid service programs;
- 3 (B) Automatically enroll and manage their customers'
- 4 participation;
- 5 (C) Receive dispatch signals and other communications
- 6 from the electric utility;
- 7 (D) Deliver performance measurement and verification
- 8 data to the electric utility; and
- 9 (E) Receive grid service program payments directly
- 10 from the electric utility; and
- 11 (3) Provide for measurement and verification of energy
- 12 storage device performance directly at the device
- 13 without the requirement for the installation of an
- 14 additional meter, and other measurement standards for
- 15 non-energy-storage and electric vehicle technologies
- 16 for approval by the commission.
- 17 (c) This section shall not apply to a member-owned
- 18 cooperative electric utility.

19 **§269-C Compensation for solar and energy storage exports.**

- 20 (a) Notwithstanding any law to the contrary, energy exported to
- 21 the electric grid past a participating customer-generator's



1 point of common coupling from photovoltaic solar systems paired
2 with energy storage as part of a grid service program shall be
3 credited at a rate of electricity to be established by the
4 public utilities commission for the relevant time period. The
5 rate shall be sufficient to encourage deployment of customer-
6 sited distributed energy resources in order to meet the goal
7 established in section 269-A.

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

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

15 **\$269-D Microgrids; public utility; exception.**

16 Notwithstanding any other law to the contrary, a person that
17 constructs, maintains, or operates a new microgrid shall not be
18 considered a public utility under section 269-1 solely as a
19 result of furnishing service through that new microgrid to
20 participating consumers. This section shall not apply to a
21 member-owned cooperative electric utility.



1 **§269-E Intragovernmental wheeling; renewable energy;**

2 **rules.** (a) Notwithstanding any provision of this chapter to
3 the contrary, the authorization for wheeling under this chapter
4 shall be restricted to intragovernmental wheeling of renewable
5 electricity.

6 (b) No later than _____, 2025, the public utilities
7 commission shall establish, by rule or order, policies and
8 procedures to implement intragovernmental wheeling and microgrid
9 service tariffs that include appropriate charges for
10 intragovernmental wheeling participants and any consumer
11 protection measures the commission deems necessary.

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

14 (d) For the purposes of this section, "intragovernmental
15 wheeling" means retail wheeling where the buyer and seller are
16 agencies or departments of the State or any county government."

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

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



1 "Retail wheeling" means the transmission of electric power
2 from a storage or energy generation system through the utility
3 meter for consumption by a separate utility account holder."

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

5 ""Public utility":

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



1 (A) An owner or operator of a private sewer company
2 or sewer facility; and

3 (B) A telecommunications carrier or
4 telecommunications common carrier; and

5 (2) Shall not include:

6 (A) An owner or operator of an aerial transportation
7 enterprise;

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

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

16 (D) Persons engaged in the business of warehousing or
17 storage unless the commission finds that
18 regulation is necessary in the public interest;

19 (E) A carrier by water to the extent that the carrier
20 enters into private contracts for towage,
21 salvage, hauling, or carriage between points



1 within the State; provided that the towing,
2 salvage, hauling, or carriage is not pursuant to
3 either an established schedule or an undertaking
4 to perform carriage services on behalf of the
5 public generally;

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

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

13 (H) A telecommunications provider only to the extent
14 determined by the public utilities commission
15 pursuant to section 269-16.9;

16 (I) Any person who controls, operates, or manages
17 plants or facilities developed pursuant to
18 chapter 167 for conveying, distributing, and
19 transmitting water for irrigation and other
20 purposes for public use and purpose;



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

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

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

16 (iii) The facility does not make sales of water to
17 residential customers;

18 (iv) The facility may distribute and sell
19 recycled or reclaimed water to entities not
20 covered by a state or county service
21 contract; provided that, in the absence of



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

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

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

19 (L) Any person who owns, controls, operates, or
20 manages plants or facilities primarily used to



1 charge or discharge a vehicle battery that
2 provides power for vehicle propulsion;

3 (M) Any person who:

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

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

19 (N) Any person who owns, controls, operates, or
20 manages a renewable energy system that is located
21 on ~~[such]~~ the person's property and provides,



1 sells, or transmits the power generated from that
2 renewable energy system to an electric utility or
3 to lessees or tenants on the person's property
4 where the renewable energy system is located;
5 provided that:

6 (i) An interconnection, as defined in section
7 269-141, is maintained with an electric
8 public utility to preserve the lessees' or
9 tenants' ability to be served by an electric
10 utility;

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

15 (iii) At the time that the lease agreement is
16 signed, the rate charged to the lessee or
17 tenant for the power generated by the
18 renewable energy system shall be no greater
19 than the effective rate charged per kilowatt
20 hour from the applicable electric utility



1 schedule filed with the public utilities
2 commission;

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

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

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



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

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

17 If the application of this chapter is ordered by the
18 commission in any case provided in paragraph (2) (C), (D), (H),
19 and (I), the business of any public utility that presents
20 evidence of bona fide operation on the date of the commencement
21 of the proceedings resulting in the order shall be presumed to



1 be necessary to the public convenience and necessity, but any
2 certificate issued under this proviso shall nevertheless be
3 subject to terms and conditions as the public utilities
4 commission may prescribe, as provided in sections 269-16.9 and
5 269-20."

6 SECTION 4. In codifying the new sections added by section
7 2 of this Act, the revisor of statutes shall substitute
8 appropriate section numbers for the letters used in designating
9 the new sections in this Act.

10 SECTION 5. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act shall take effect on July 1, 3000.



Report Title:

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

Description:

Establishes an installation goal for customer-sited distributed energy resources in the State. Requires the Public Utilities Commission to use tariffs 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 intragovernmental wheeling of renewable energy and requires the Public Utilities Commission to establish policies and procedures to implement intragovernmental wheeling and microgrid service tariffs. Effective 7/1/3000. (HD3)

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