

STAND. COM. REP. NO.

1492

Honolulu, Hawaii

MAR 21, 2025

RE: S.B. No. 1501
S.D. 2
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 1501, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Allow the State to enter into step-in agreements for payment obligations arising under certain power purchase agreements;
- (2) Establish the Power Purchasing Costs Trust Fund;
- (3) Establish that revenues from on-bill charges for power purchase agreements and accompanying reserves shall be held in trust by the State, and that independent power producers shall hold a beneficial interest in the revenue and reserve to the extent of the amounts owed under the covered power purchase agreements; and
- (4) Appoint, authorize, and empower an electric utility to serve as the billing, collection, payment, and managing agent of the Department of Budget and Finance in the service of performing step-in agreements.

2025-2840 SB1501 HD1 HSCR HMSO



Your Committee received testimony in support of this measure from the Public Utilities Commission; Ulupono Initiative; TerraForm Power; AES Hawai'i; Hawaiian Electric; Clearway Energy Group LLC; Climate Hawai'i Initiative of the Hawai'i Executive Collaborative; Longroad Energy; Plus Power; Ameresco; Blue Planet Foundation; General Contractors Association of Hawaii; and Nexamp. Your Committee received comments on this measure from the Department of the Attorney General; Department of Commerce and Consumer Affairs; and Department of Budget and Finance.

Your Committee finds that it is imperative to enable the development of affordable clean energy resources in the State. Your Committee further finds that an investor-owned electric utility's sub-investment-grade status has led independent power producers to raise concerns about the reliability of payment by the utility, risking the cancellation of renewable energy projects. This measure helps ensure payments to independent power producers through step-in agreements.

Your Committee has amended this measure by deleting its contents and inserting the contents of H.B. No. 974, H.D. 2, a substantively similar measure, and further amending it by:

- (1) Clarifying that "power purchase costs" include termination payments payable by an electric utility in connection with the termination of a power purchase agreement;
- (2) Allowing the Department of Budget and Finance to conduct due diligence investigations prior to entering into a step-in agreement;
- (3) Limiting remedies available against the Department of Budget and Finance for failure to comply with a step-in agreement or breach of an agency agreement to an order directing specific performance of the step-in agreement or agency agreement, respectively;
- (4) Clarifying that the obligee of a covered power purchase agreement shall only have a claim or lien on monies attributable to covered power purchased agreements and that the obligee shall remain entitled to all payments



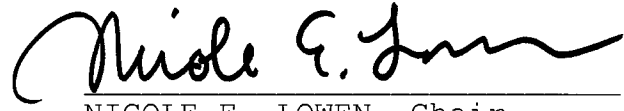
for power purchase costs owed under the covered power purchase agreement;

- (5) Prohibiting the Department of Budget and Finance from imposing certain conditions on a step-in agreement that adversely affect the Department's obligation to make payments for power purchase costs;
- (6) Clarifying that monies in the account established under the Power Purchasing Costs Trust Fund related to reserve fees will remain with the Department of Budget and Finance;
- (7) Removing language specifying procedures for the failure of the electric utility to timely file a submission for monthly rate adjustments;
- (8) Clarifying that the electric utility is required to transfer all revenues from the power purchase charges one day, instead of two days, after the utility receives notice of a default of a covered power purchase agreement;
- (9) Requiring the Department of Budget and Finance to establish two separate accounts within the Power Purchase Costs Trust Fund;
- (10) Clarifying that the Department of Budget and Finance is not under obligation to make payment to any obligee in excess of the monies in the Power Purchase Costs Trust Fund;
- (11) Clarifying that the Public Utilities Commission is required to create reserve fees, which are a utility-wide nonbypassable surcharge, by August 1, 2025;
- (12) Prohibiting the electric utility from accessing the reserve account except if authorized;
- (13) Changing its effective date to July 1, 3000, to encourage further discussion; and
- (14) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1501, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1501, S.D. 2, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



NICOLE E. LOWEN, Chair



