JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA

GOV. MSG. NO. 1369

EXECUTIVE CHAMBERS
KE KE'ENA O KE KIA'ĀINA

July 2, 2025

The Honorable Ronald D. Kouchi
President of the Senate,
and Members of the Senate
Thirty-Third State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Nadine Nakamura
Speaker, and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Aloha President Kouchi, Speaker Nakamura, and Members of the Legislature:

This is to inform you that on July 2, 2025, the following bill was signed into law:

S.B. NO. 589, S.D. 1, H.D. 3, C.D. 1 — RELATING TO RENEWABLE ENERGY. **ACT 266**

Mahalo,

Josh Green M.D.

Josh Green, M.D.
Governor, State of Hawai'i

Approved by the Governor

on JUL 2 2025

THE SENATE
THIRTY-THIRD LEGISLATURE, 2025
STATE OF HAWAII

ACT 266

S.B. NO. 589 S.D. 1 H.D. 3 C.D. 1

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.

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

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

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

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

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

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

The purpose of this Act is to:

(1) Require the public utilities commission to establish an installation goal for new customer-sited distributed energy resources in the State;

(2) Require the public utilities commission to establish tariffs to achieve the installation goal and for grid services programs, microgrids, and community-based renewable energy;

(3) Ensure that sufficient compensation is provided to distributed energy resources exports as part of grid 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).

(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;

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

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

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

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

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

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

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

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

§269-C Microgrids; public utility; exception. Notwithstanding any other law to the contrary, a person that constructs, maintains, or operates a new microgrid shall not be considered a public utility under section 269-1 solely as a

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

§269-D Wheeling; renewable energy; rules. (a) Notwithstanding any provision of this chapter to the contrary, the authorization for wheeling under this chapter shall be restricted to wheeling of renewable electricity.

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

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

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

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

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

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

""Public utility":

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

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

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

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

(2) Shall not include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(M) Any person who:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

S.B. NO. 589 S.D. 1 H.D. 3 C.D. 1

APPROVED this 2nd day of July , 2025

GOVERNOR OF THE STATE OF HAWAI'I

THE SENATE OF THE STATE OF HAWAI'I

Date: April 30, 2025
Honolulu, Hawai'i 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirty-Third Legislature of the State of Hawai'i, Regular Session of 2025.

President of the Senate

Clerk of the Senate

SB No. 589, SD 1, HD 3, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 30, 2025
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirty-Third Legislature of the State of Hawaii, Regular Session of 2025.

Nadine K. Nakamura
Speaker
House of Representatives

Brian L. Takeshita
Chief Clerk
House of Representatives