

# Statutory Framework for Renewables: Hawaii Regulation

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*A Tradition of Client Service and Integrity*

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- Disclaimer: Comments made by Mr. Williams are his own, and should not be attributed to his clients

# Hawaii's Clean Energy Objective

- *The objective: 70% Clean Energy by 2030*
- *The means: Implementation of energy efficiency and renewable energy resources*

# Who are the Players?

- U.S. Congress
- Federal Executive Branch (DOE)
- Hawaii Legislature
- State Administration (DBEDT)
- Hawaii PUC (HPUC)
- Hawaii Consumer Advocate
- Hawaii Electric Utilities
- Non-utility Generators (NUGs)
- Electric Consumers
- Distributed Generators
- Renewable Energy Industry
- Environmental Groups
- Public Interest Groups
- Counties
- Financing Parties
- Affected Communities

## Focus on

- Hawaii Legislature
- Hawaii PUC (HPUC)
- Hawaii Electric Utilities
- Non-utility Generators (NUGs)

# Legislative Functions

- State Policy
- Cost Responsibility
- Responsibilities of Other Government Agencies
- Requirements for Non-utilities

# Legislative Mechanisms

- Set High-Level Policy
- Empower HPUC
- Delegate to HPUC
- Establish Task Force to Report
- Provide Resources to Accomplish Task

## Act 177 (2007)

- HPUC may consider the need for increased renewable energy in rendering decisions on utility matters

## Possible Degrees of Delegated Authority

- To set requirements
- To modify requirements
- To set subsets of requirements
- To enforce requirements
- To regulate manner in which requirements are met

## Renewable Portfolio Standards (RPS) [HRS §§269-91 to 95]:

- Sets RPS for electric utilities of 10% of net sales by 2010, 15% by 2015, 25% by 2020 and 40% by 2030 [HRS §269-92(a)]
- HPUC is required to establish and enforce penalties, taking into account circumstances beyond the utility's reasonable control [HRS §269-92(c)]

# Renewable Portfolio Standards (RPS)

- HPUC is required to contract with the HNEI to conduct independent studies regarding the capability of Hawaii electric utilities to achieve RPS in a cost-effective manner, assessing factors such as impact on consumer rates, utility system reliability and stability, costs and availability of appropriate renewable energy resources and technologies, permitting approvals, effects on the economy, balance of trade, culture, community, environment, land, and water, climate change policies, demographics and other factors deemed appropriate [HRS §269-95(3)]

# Renewable Portfolio Standards (RPS)

- HPUC is required to evaluate the Renewable Portfolio Standards (RPS) every five years, beginning in 2013, and may revise the standards based on best information available at the time to determine if standards remain effective and achievable [HRS §269-95(4)]

# Energy-Efficiency Portfolio Standards (EEPS) [HRS §269-96]:

- HPUC is required to establish energy-efficiency portfolio standards (EEPS) and requires that the EEPS be designed to achieve 4,300 GWh of electricity use reductions statewide by 2030, with interim HPUC-established goals for 2015, 2020, and 2025

## Energy-Efficiency Portfolio Standards (EEPS) [HRS §269-96]:

- HPUC is required to evaluate the EEPS every five years, beginning in 2013
- HPUC may adjust the 2030 EEPS to maximize cost-effective energy-efficiency programs and technologies

# Net Energy Metering (NEM) [HRS §§269-101 to 111]:

- Allows electric utility customers to use net energy metering to measure electricity usage for billing purposes
- Specifies maximum generating capacity per customer of 50 kW, but authorizes HPUC to increase maximum generating capacity [HRS §269-101.5]
- Provides cap on total power producing capacity of eligible customer generators at 0.5% of an electric utility's peak demand, but authorizes HPUC to increase the total [HRS §269-102, 104]

## What's the best solution?

- Accomplishes intended objective
- Avoids unintended consequences
- Accounts for characteristics of
  - Hawaii electric grids
  - Investor owned utilities
  - Third party project developers
- Takes constraints and hurdles into account

# Hawaii Grid Characteristics

- No interties
- Small systems
- Growing intermittent resources
- Novel grid integration issues

# Characteristics of Investor Owned Utilities (IOUs)

- Obligation to Serve
- Opportunity to Earn a Fair Return
- Implementer of Energy Policy

# Renewable Energy Project Characteristics

- Reliance on Project Financing
- Reliance on Power Purchase Agreement
- Face Cost, Siting and Permitting Hurdles

# Constraints

- Physical "Laws"
- Environmental Laws
- Land Use Laws
- Federal Laws

# Cost, Siting and Permitting Hurdles

- Cost hurdles
  - Tax credits
  - Special Purpose Revenue Bonds
- Siting hurdles
  - Renewable energy zones  
[HRS §196-4(12), (13)]

# Permitting Hurdles

- HRS Ch. 201N: Permit plans provided by Energy Resources Coordinator
- HRS §196-3: The director of DBEDT shall serve as energy resources coordinator HRS §196-1.5: All agencies shall provide priority handling and processing for all state permits required for renewable energy projects [Act 155(2009)]
- HRS §201-12.5: Creates renewable energy facilitator with the duty to facilitate the efficient permitting of renewable energy projects [Act 155(2009)]

