

**Energy Briefing
Hawaii: State of Clean Energy
January 21, 2011**

**The Regulatory Environment:
Achievements, Challenges and the
Future**

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PRESENTATION OUTLINE

- Legal & Regulatory Background
- Energy Policy Drivers
- Energy Policy Strategies
- Energy Policy Implementation
- Need to Change Legal & Regulatory Structure to Achieve Clean Energy Policy Goals?

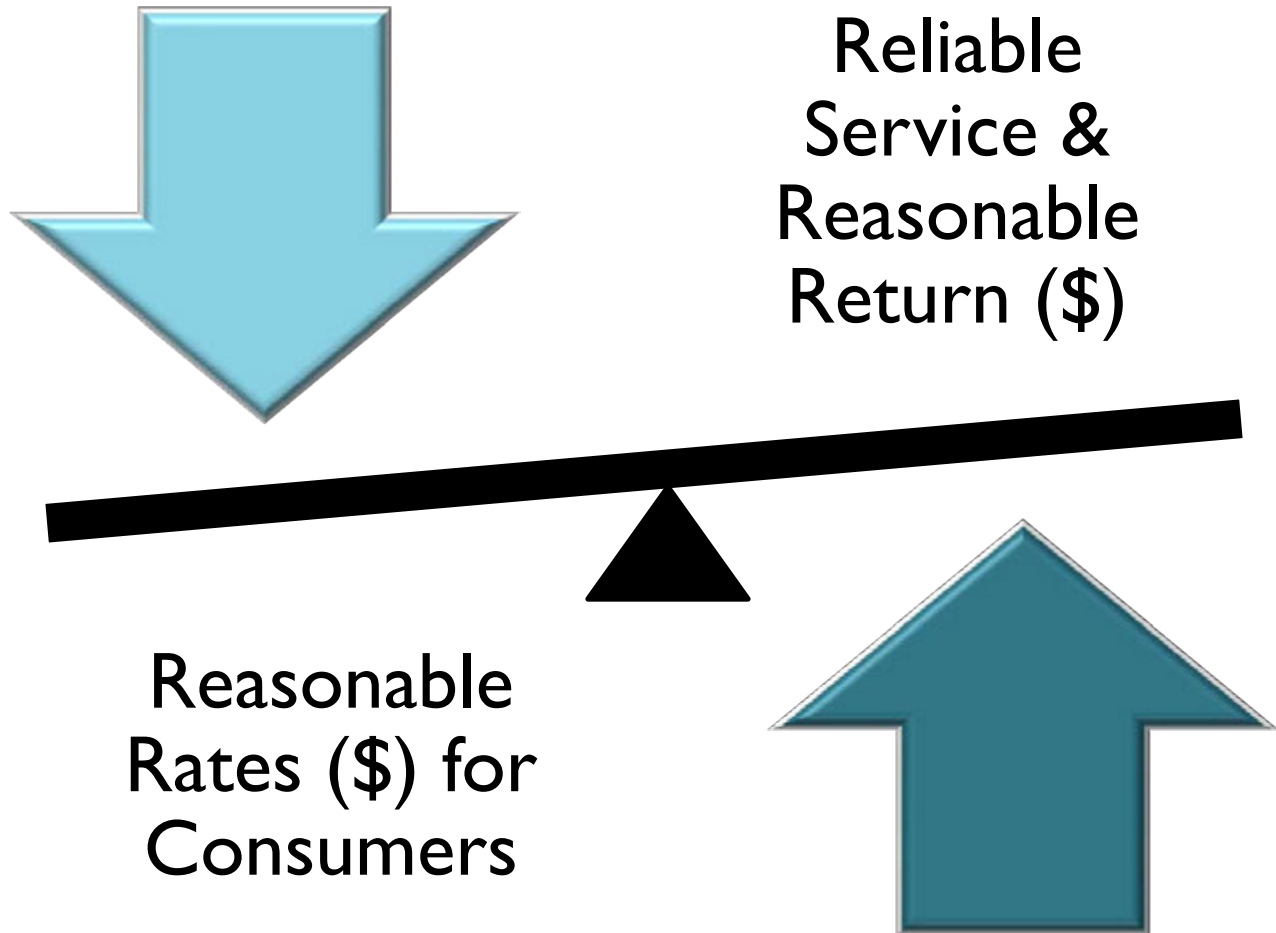
REGULATORY BACKGROUND

- Public Utilities Commission is a creature of Statute
- Regulatory authority over public utilities under Chapter 269, HRS.

Traditional Regulatory Objectives, HRS ch. 269

- Utility Provides Reliable Electricity Service
- Just and Reasonable Rates
- Opportunity to Earn Reasonable Rate of Return for Utility
- Protection of Consumers

Balancing Regulatory Objectives

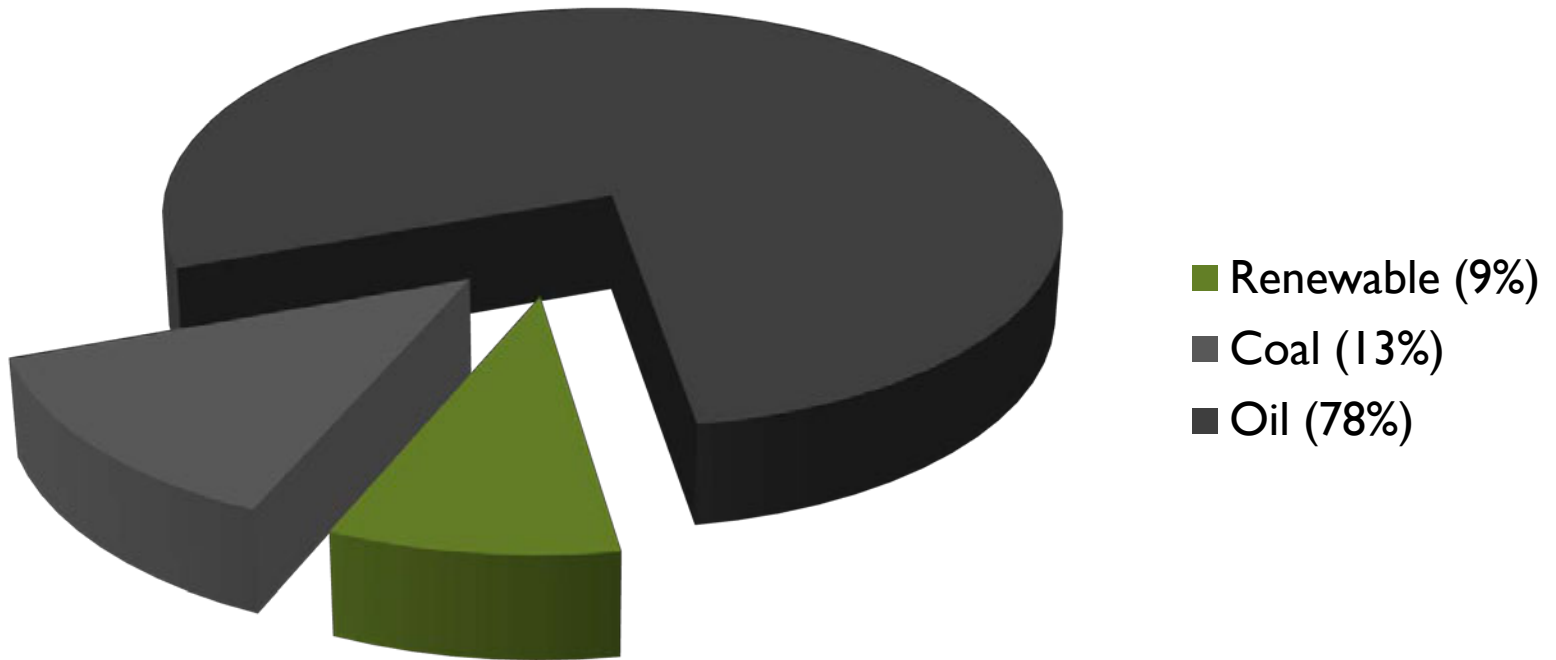


CLEAN ENERGY POLICY DRIVERS

- Climate Change
- Energy Security
 - Price Volatility
 - Reliability of Supply
 - Economic Development

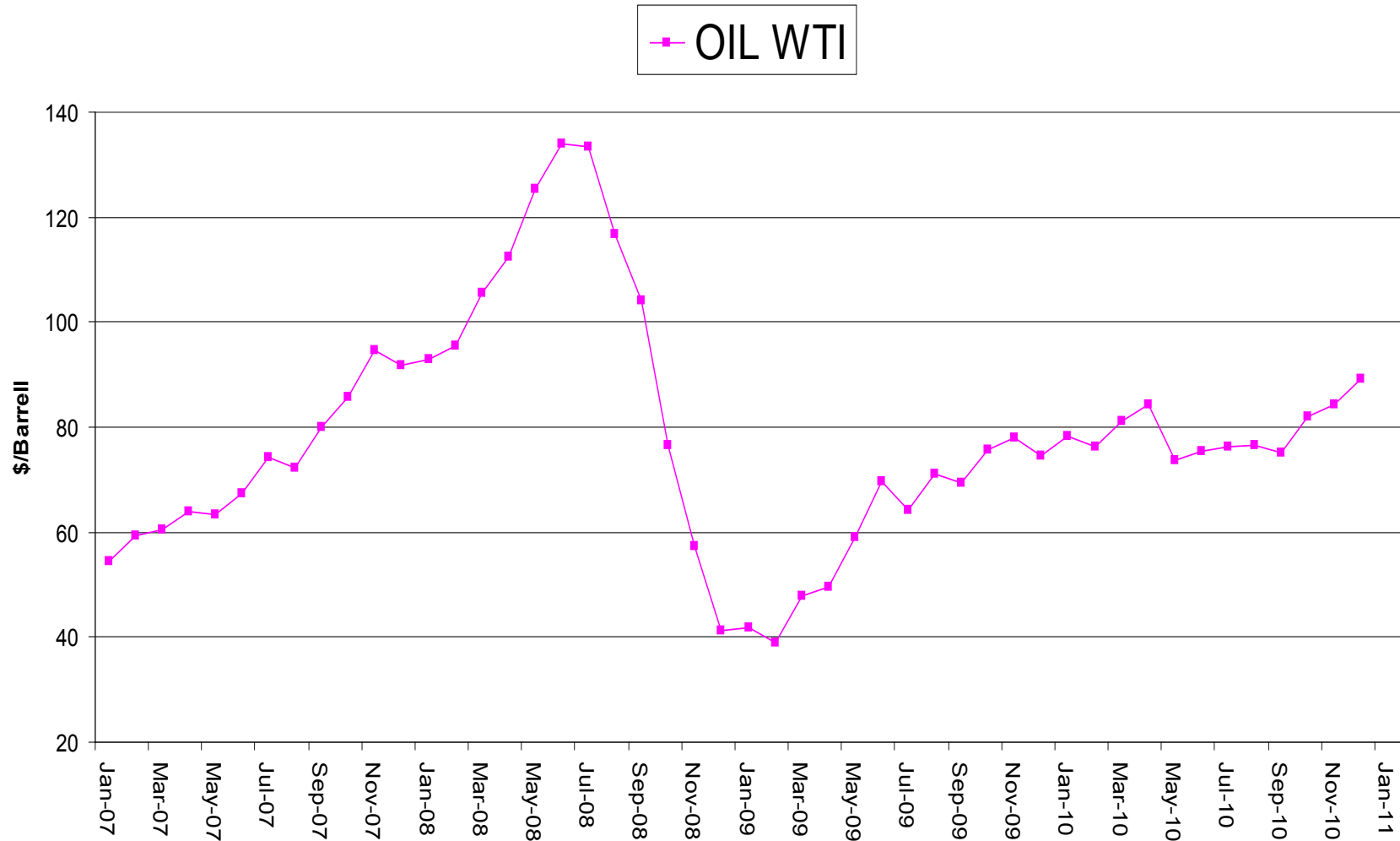
Addicted to Oil

Hawaii Electricity Generation Fuels



Energy Security – Oil Price Volatility

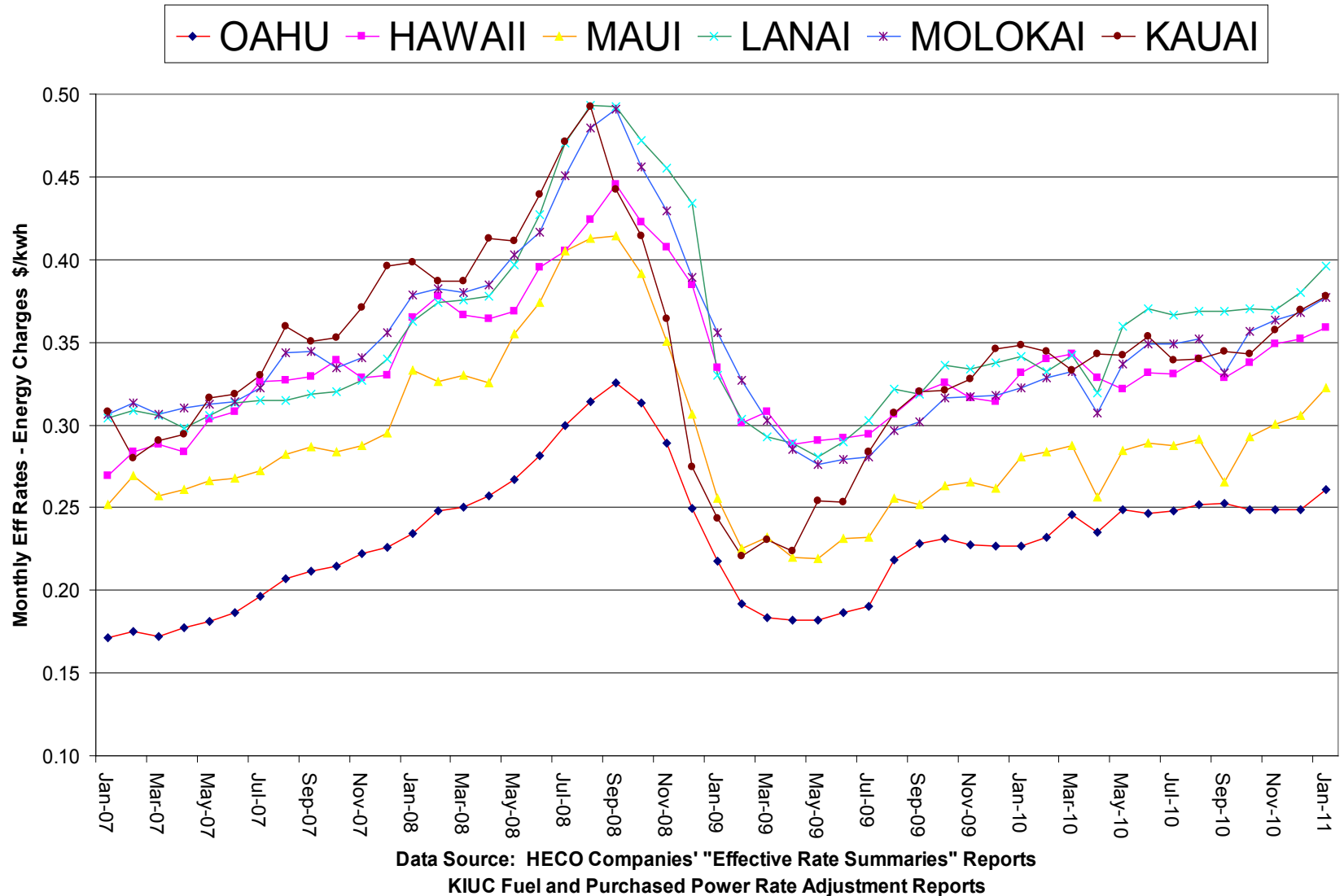
OIL PRICES (WTI)



Data Source: U.S. DOE Energy Information Administration
http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_m.htm

Electricity Rates

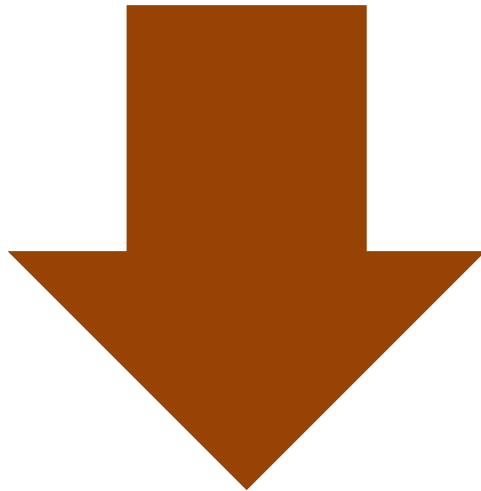
EFFECTIVE RATES



CLEAN ENERGY POLICY STRATEGIES



Increase
Renewable
Energy



Reduce Energy
Use with Energy
Efficiency

Discretionary Authority to Increase Renewable Energy

- “The public utilities commission may consider the need for increased renewable energy use in exercising its authority under this chapter.” HRS §269-6(b). Act 177 (SLH 2007).

CLEAN ENERGY POLICY IMPLEMENTATION

Renewable Portfolio

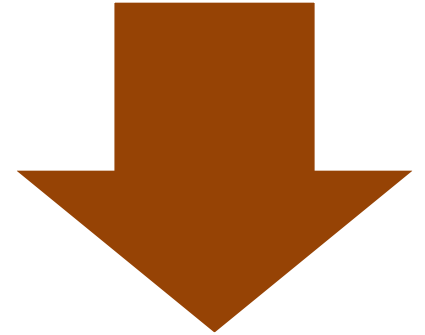
Standards HRS ch. 269 part V



- RPS, HRS §269-92, amended (Act 155 (2009))
 - 10% by 2010 (max 50% EE)
 - 15% by 2015 (no EE)
 - 25% by 2020
 - 40% by 2030
- **Penalties Established for RPS at \$20 per MWh of deficiency (Docket 2007-0008)**

CLEAN ENERGY POLICY IMPLEMENTATION

Reducing Energy Use: Energy Efficiency

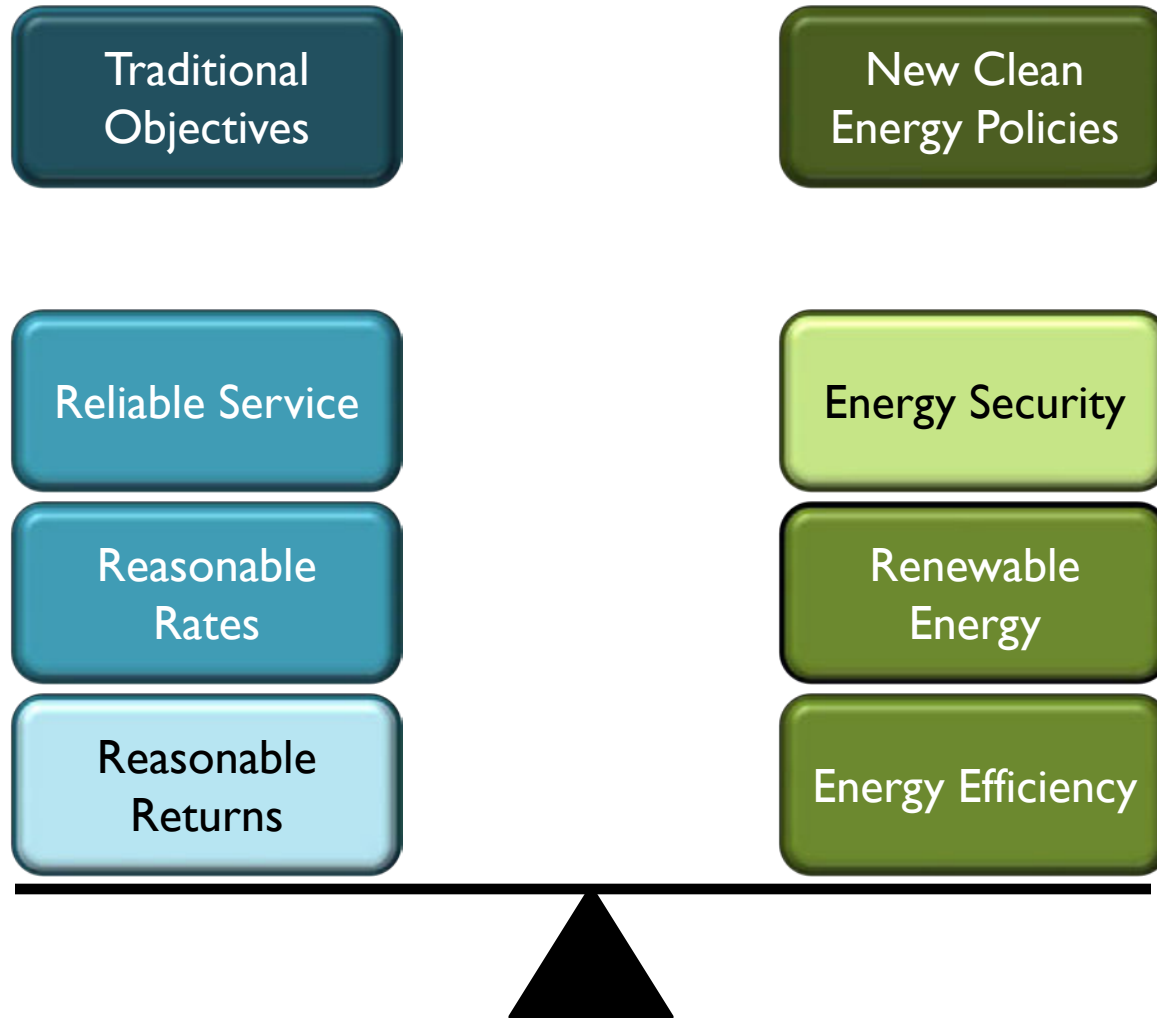


- Public Benefits Fee Administrator – For Energy Efficiency Programs (Docket 2007-0323)
- Energy Efficiency Portfolio Standards. Act 155 (2009); HRS §269-96 (Docket 2010-0037)

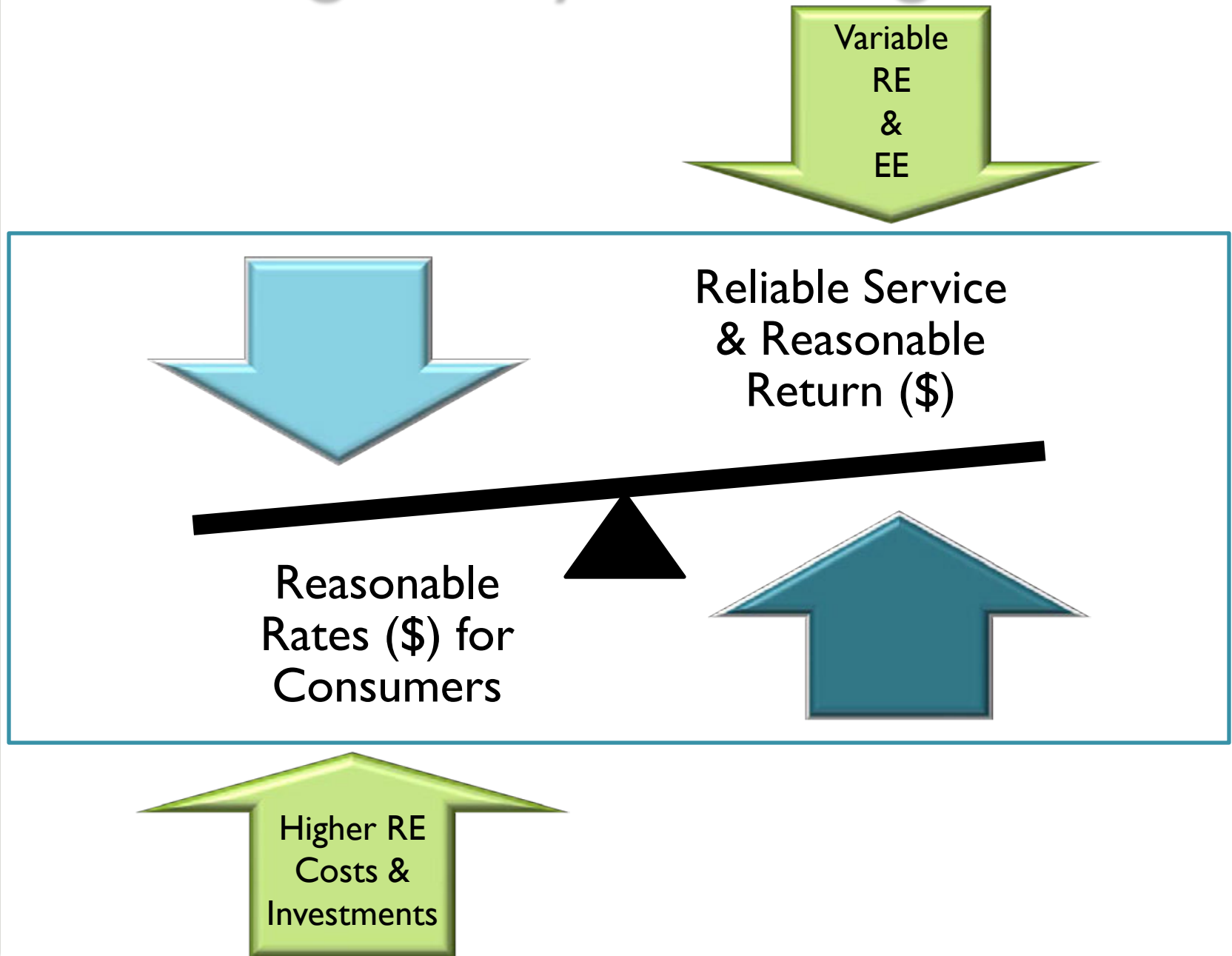
OTHER ENERGY POLICY INITIATIVES

- Net Energy Metering (Docket 2006-0084)
- Feed-in-Tariffs (Docket 2008-0273)
- Renewable Energy Infrastructure Program (Docket 2007-0416)
- Decoupling (Docket 2008-0274) & Various Rate Cases

NEED TO CHANGE LEGAL AND REGULATORY STRUCTURE?

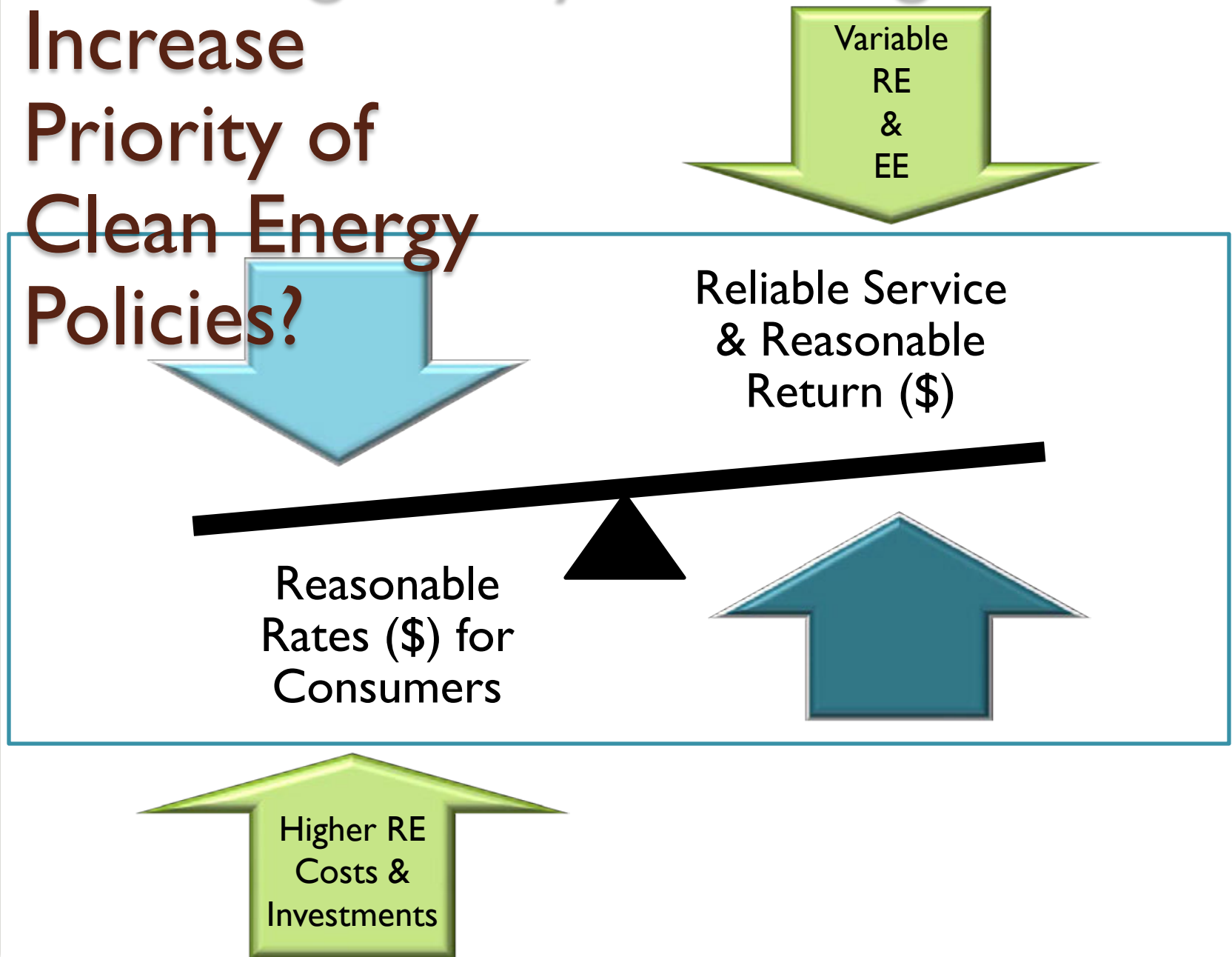


The Regulatory Balancing Act



The Regulatory Balancing Act

Increase Priority of Clean Energy Policies?



Establish Higher Priority for Implementing Clean Energy Policies?

- “Notwithstanding any provision to the contrary, ~~T~~the public utilities commission ~~may consider~~ shall give the need for increased renewable energy use and the need to implement the State’s clean energy policies its highest priority in exercising its authority under this chapter.” HRS §269-6(b).

ESTABLISH CLEAR LEGISLATIVE MANDATE

- Need to establish mandate no matter what agency is given decision-making authority
- Determine what priority should be given to implementing Clean Energy Policy
- Direct Commission (or other decision-making agency) to Implement Clean Energy Policies according to established mandate and priorities

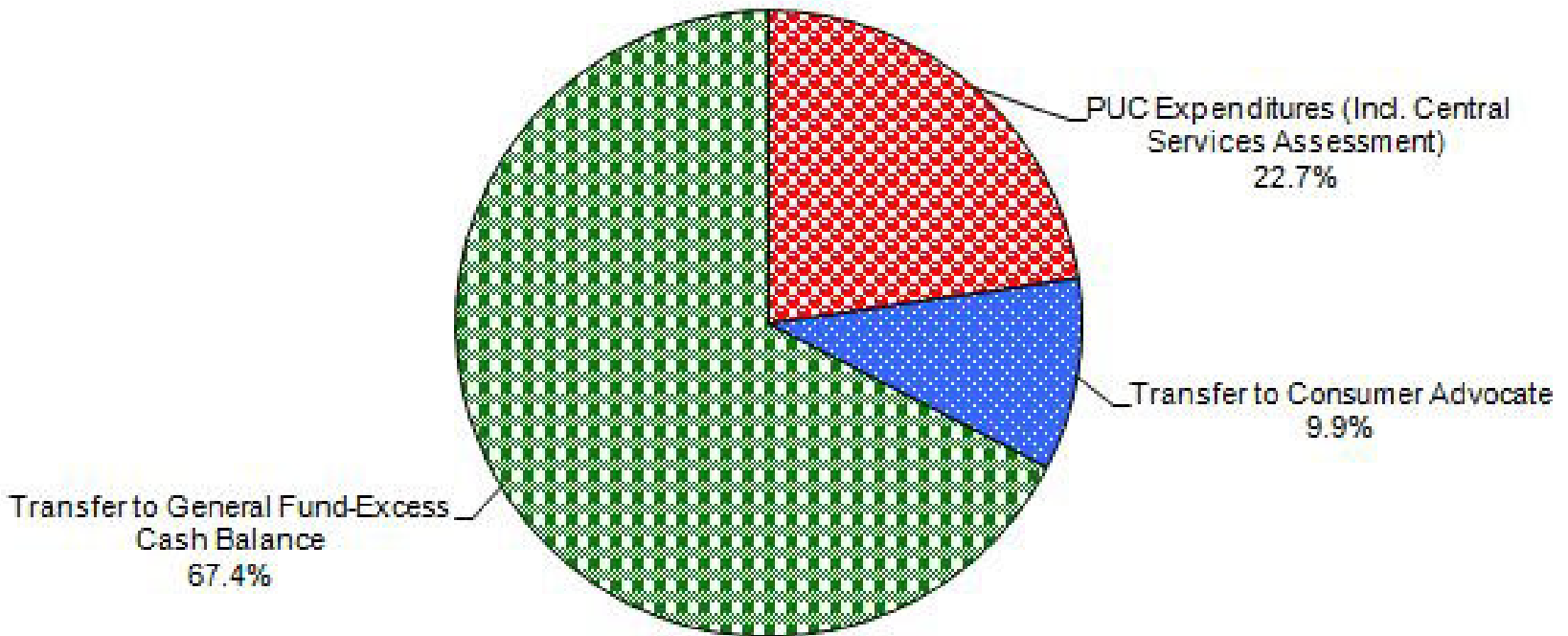


FOCUS ON CLEAN ENERGY

- Enable Commission to focus on Clean Energy Policy Implementation
- Remove lower priority responsibilities

INCREASE COMMISSION RESOURCES TO IMPLEMENT ENERGY POLICY

- Implement restructuring plan
- Control of Special Fund



MAHALO

