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

Reliable Service & Reasonable Return ($)

Reasonable Rates ($) for Consumers
CLEAN ENERGY POLICY DRIVERS

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

Hawaii Electricity Generation Fuels

- Renewable (9%)
- Coal (13%)
- Oil (78%)
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

Data Source: HECO Companies' "Effective Rate Summaries" Reports
KIUC Fuel and Purchased Power Rate Adjustment Reports
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).
Renewable Portfolio Standards

  - 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)
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?

- Traditional Objectives
- Reliable Service
- Reasonable Rates
- Reasonable Returns

- New Clean Energy Policies
- Energy Security
- Renewable Energy
- Energy Efficiency

Reasonable Returns
Reasonable Rates
Energy Security
Renewable Energy
Energy Efficiency
The Regulatory Balancing Act

Reliable Service & Reasonable Return ($)

Reasonable Rates ($) for Consumers

Higher RE Costs & Investments

Variable RE & EE
The Regulatory Balancing Act

Increase Priority of Clean Energy Policies?

Reliable Service & Reasonable Return ($)

Reasonable Rates ($) for Consumers

Higher RE Costs & Investments

Variable RE & EE
“Notwithstanding any provision to the contrary, the public utilities commission may consider 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
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