Hawaiian Electric

NEWS RELEASE

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Three Hawaiʻi Island renewable energy contracts amended, will result in long-term savings for customers

No longer linked to cost of oil, fixed prices will stabilize bills

HILO, May 22, 2023 – Hawaiian Electric has renegotiated three of four renewable energy contracts at fixed rates that can help reduce and stabilize bills, resulting in long-term savings for customers on Hawaiʻi Island.

The current contracts with Puna Geothermal Venture (PGV), Hawi Renewable Development (HRD), and Wailuku River Hydroelectric (WRH) are long-term "avoided cost" contracts with adjustable rates that are tied to oil prices and that fluctuate monthly. Amended contracts were recently filed with the Public Utilities Commission (PUC) for approval.

Based on today's rates, a typical residential customer using 500 kilowatts could see savings ranging from $9 to $13 per month. The amount of savings and the timing depends on when PGV and HRD expand their output, which is expected in 2026; the majority of savings will come from the amended PGV contract.

If the PGV expansion is approved, at least 65% of the island's energy would be generated by renewable resources by 2026.

"We've been working hard with our independent power producers to amend these contracts to provide substantial benefits to our customers on Hawaiʻi Island," said Rebecca Dayhuff Matsushima, Hawaiian Electric's vice president of resource procurement. "Benefits include bill savings, stabilized energy rates, more renewable energy and reliability, and decreased fossil fuel consumption and greenhouse gas emissions.

"This is significant because more than half the island's energy is generated by independent power producers and more than half the electric rate covers fuel and purchased power. These amended contracts have lower cost, fixed pricing delinked from volatile oil prices."

The four original contracts were negotiated in the 1990s and 2000s when laws required utilities to buy energy from renewable energy producers at "avoided cost" – avoiding the use of oil but paying the same rate.

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Avoided cost was seen as an incentive to developers to build renewable energy projects. Today, the market for renewable energy is highly competitive and the law no longer requires avoided cost contracts.

In March 2022, the PUC conditionally approved the Puna Geothermal Venture contract, which would increase the output of the plant and reduce the amount Hawaiian Electric pays for the electricity it produces. The contract is subject to an environmental review and PGV recently submitted a draft Environmental Impact Statement to the County of Hawaiʻi.

A first amendment to the 25-year contract was filed in April 2023 and includes an updated in-service date of September 2026. The facility would be repowered with modern, more efficient generating equipment and provide up to 46 megawatts to the grid.

An amended contract with Hawi Renewable Development, which produces electricity from wind, was filed in December 2021. A first amendment to the 20-year contract was filed in January 2023 and includes modifications to upgrade and to repower the facility which will continue to provide up to 10.56 megawatts to the grid.

Regulators are reviewing a second amendment to the existing Wailuku River Hydroelectric contract, which was extended while the amended contract is being reviewed. Until the amendment is approved, the 12-megawatt run-of-river facility is allowed to continue operations under the existing contract.

Customers could see bill savings from the hydroelectric contract as early as this summer. Savings also will depend on the island’s generation mix at the time and future oil prices. Projected savings are based on a comparison to current oil prices, which may increase or decrease in the future.

The remaining long-term avoided cost contract, Pakini Nui Wind Farm, expires in 2027.

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