

STAND. COM. REP. NO.

2476

Honolulu, Hawaii

FEB 17

2006

RE: S.B. No. 2271
S.D. 1

Honorable Robert Bunda
President of the Senate
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Energy, Environment, and International Affairs and Commerce, Consumer Protection, and Housing, to which was referred S.B. No. 2271 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose of this measure is to establish a strategic framework of integrated measures to encourage and support market-based development of reliable, cost-effective, more self-reliant energy systems.

The Department of Business, Economic Development and Tourism, the Department of Commerce and Consumer Affairs, the Department of Agriculture, the Department of Accounting and General Services, the University of Hawaii, Sierra Club Hawaii Chapter, The Gas Company, Conservation Council for Hawaii, Inter-Island Solar Supply, PowerLight Solar Electric Systems, Rocky Mountain Institute, Maui County Farm Bureau, Life of the Land, Alexander & Baldwin, Inc., Hawaii Farm Bureau, and four individuals submitted testimony in support of this measure. One individual submitted testimony in opposition to this measure. The Public Utilities Commission, the Office of Information Practices, the Hawaii Renewable Energy Alliance, Mid-Pac Petroleum, Kauai Island Utility Cooperative, Hawaii Solar Energy Association, Honolulu Seawater Air Conditioning LLC, Hawaii Energy Policy Forum, and Hawaiian Electric Company, Inc. submitted comments.



Your Committees find that this measure takes a comprehensive approach to reducing the State's dependence upon petroleum. The measure improves the State's energy security and assists the State in becoming more energy self-sufficient.

Upon further consideration, your Committees narrowed and redirected the focus of the measure to:

- (1) Establish a biodiesel preference in Hawaii's procurement law;
- (2) Develop priority processing of state agency permits for renewable energy projects;
- (3) Establish renewable fuel standards for highway fuel demand;
- (4) Extend the exemption for the sale of alcohol fuels from the general excise tax to December 31, 2009;
- (5) Establish a public benefits fund to support demand-side management and renewable energy programs;
- (6) Require a re-evaluation of utility fuel adjustment clauses;
- (7) Establish a methodology of calculating a fixed price for renewable energy power or renewable fuel for power production;
- (8) Establish incentive and penalties relating to renewable portfolio standard requirements;
- (9) Establish a Hawaii renewable hydrogen program and hydrogen investment capital special fund and appropriating funds therefor;
- (10) Clarify the role of the director of business, economic development, and tourism as Hawaii's chief business advocate and state energy resources coordinator; and
- (11) Provide funding for an inventory of state lands available for renewable energy, assistance to the agricultural community for renewable energy development,



and a statewide multi-fuel biofuels production assessment.

Your Committees amended the measure by:

- (1) Deleting provisions pertaining to:
 - (A) Chapters 486H and 486J, Hawaii Revised Statutes, commonly known as The Fair Gasoline Price Law;
 - (B) Energy efficient and alternative fuel vehicles for state fleets;
 - (C) The issuance of special license plates for energy efficient or alternative fuel vehicles;
 - (D) Energy efficiency in state facilities and vehicles; and
 - (E) The repeal of provisions of chapter 196, Hawaii Revised Statutes, that relate to energy resources for government agencies;
- (2) Amending the definition of "biofuel" to include nonpetroleum plant or animal based sources;
- (3) Authorizing, rather than requiring, the Public Utilities Commission to establish the public benefits fund;
- (4) Deleting language from the public benefit fund provisions regarding the volumetric charge to customers to support demand-side management and renewable energy programs and services that meet the requirements of Section 269-92, Hawaii Revised Statutes;
- (5) Deleting the proposed funding source section for the public benefits fund;
- (6) Clarifying that the production of biodiesel from energy crops and cellulosic ethanol from agricultural waste streams is an acceptable renewable energy project that may be developed by the agricultural community;
- (7) Amending the definition of "renewable energy" for purposes of the renewable portfolio standards law;




- (8) Increasing the tax credit for solar thermal energy systems for single-family residential property to \$2,250 and decreasing the tax credit for photovoltaic energy systems for single-family residential property to \$7,500;
- (9) Requiring each electric utility company to achieve a statewide energy efficient portfolio standard;
- (10) Adding definitions of "energy efficiency," "energy efficiency ratio," "net electric sales," and "quantified demand side measures" to chapter 269-91, Hawaii Revised Statutes;
- (11) Adding language to the ratemaking structure section regarding exceptions that are just and reasonable to the consumer and establishing a deadline of December 31, 2007, for the commission to make a determination about the fuel adjustment clause;
- (12) Amending the findings and purpose section of the measure to conform with the changes to the measure; and
- (13) Making technical, non-substantive amendments for clarity and style.

As affirmed by the records of votes of the members of your Committees on Energy, Environment, and International Affairs and Commerce, Consumer Protection, and Housing that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2271, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2271, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committees on Energy,
Environment, and International
Affairs and Commerce, Consumer
Protection, and Housing.



RON MENOR, Chair



J. KALANI ENGLISH, Chair



