

STAND. COM. REP. NO.

540

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 1866
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committees on Energy and Environment and Education and Economic Development and Taxation, to which was referred S.B. No. 1866 entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose of this measure is to establish the Hawaii Natural Energy Institute at the University of Hawaii, with responsibilities for administering the Energy Development Special Fund.

The measure also creates the Biofuels Development Revolving Loan program to be administered by the Hawaii Strategic Development Corporation.

This measure makes four appropriations as follows:

- (1) Appropriates \$10,000,000 in general funds for fiscal year 2007-2008, for deposit into the Energy Systems Development Special Fund;
- (2) Appropriates \$10,000,000 for fiscal year 2007-2008, out of the Energy Systems Development Special Fund for the purposes of the Special Fund;



- (3) Appropriates \$10,000,000 in general funds for fiscal year 2007-2008, for deposit into the Biofuels Development Revolving Loan Fund; and
- (4) Appropriates \$10,000,000 for fiscal year 2007-2008, on to the Biofuels Development Revolving Loan Fund to be used for the purposes of providing loans in accordance with that fund.

Testimony in support of this measure was submitted by the Hawaii Natural Energy Institute of the University of Hawaii at Manoa; the College of Social Sciences, Hawaii Energy Policy Forum at the University of Hawaii at Manoa; Hawaiian Electric Company, Inc.; Hawaii Strategic Development Corporation; Hawaii Renewable Energy Alliance; and ClearFuels Technology, Inc. Testimony in opposition to this measure was submitted by the Department of Budget and Finance. Comments were submitted by the Department of Business, Economic Development and Tourism, and the Public Utilities Commission.

Your Committees find that Hawaii has struggled for approximately thirty years to develop renewable sources of energy in order to reduce its dependence on imported fossil fuels and imported sources of energy. In 1974, the Legislature passed a series of Acts that recognized the vulnerability of Hawaii's residents to the petroleum industry as a result of its reliance on imported oil for transportation fuels and power generation. Over the thirty years that followed, the Legislature has continued to enact laws and appropriate funds to further develop alternative sources of energy.

Your Committees further find, that the Legislature passed Act 240, in 2006, which was groundbreaking legislation to promote energy self-sufficiency for the State. Act 240 promoted further development of renewable energy, including increased financial incentives, mechanisms for dedicated sources of funding, and development of hydrogen as a renewable energy source. While progress has been made, there is still much to be done.

Your Committees further find, that the Legislature adopted House Concurrent Resolution No. 195, in 2006, calling for a study of the feasibility of development of biofuels as a renewable energy, primarily for electricity generation. The Legislature recognized that land-based development of crops for use in biofuels production for Hawaii would achieve the objective of



energy self-sufficiency. The Legislature also recognized that complex issues relating to land acquisition, water supply, and investment risk would need to be addressed before a viable and cost effective biofuels program could be developed. The Legislature finds that an integrated approach must be undertaken to coordinate the various industries and federal and state agencies to ensure the success of any substantial investment into biofuels development.

The purpose of this Act is twofold. Part I statutorily establishes the Hawaii Natural Energy Institute of the University of Hawaii at Manoa, defines its mission, and creates the Energy Development Special Fund for the development of renewable energy. One of the roles of this Institute will be to manage the portfolio of renewable energy programs to ensure an integrated approach, use its technical expertise to advise state and federal agencies to maximize funding sources and encourage private industry investments, and evaluate Hawaii's efforts undertaken toward energy self-sufficiency.

Part II of this measure creates the Biofuels Development Revolving Loan Fund, administered by the Hawaii Strategic Development Corporation, with technical advice from the Hawaii Natural Energy Institute. The purpose of the loan fund is to provide seed financing for commercially viable biofuel development projects, pending adoption of a comprehensive plan for Hawaii's energy self-sufficiency based, in part, on biofuels.

Your Committees amended this measure by making the following amendments:

- (1) Clarifying and revising the language requiring the director of the Institute to coordinate work with the Energy Resources Coordinator (ERC);
- (2) Deleting the provision requiring technical assistance and advice relating to the use of funds administered by the Hawaii Strategic Development Corporation as unnecessary;
- (3) Removing the reference to the Energy Systems Development Special Fund receiving funding by using fifty per cent of any public benefit fees established by the Public Utilities Commission;



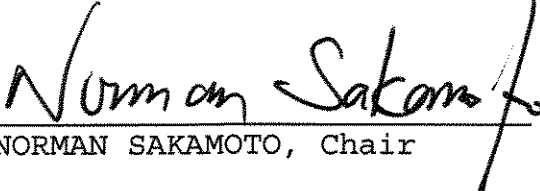
- (4) Removing the provision regarding monitoring state agencies charged with implementing renewable energy projects as unnecessary;
- (5) Clarifying the provision regarding the parameters in conducting an evaluation so it comports with the stated objectives of the special fund;
- (6) Adding language clarifying that the two-person panel conducting the evaluation should be appointed by the Director of Business, Economic Development and Tourism to avoid a conflict of interest;
- (7) Inserting language in the appropriation provision for the Energy Systems Development Special Fund to develop a plan of action in coordination with the ERC to promote effective prioritization and focus on efforts consistent with the State's energy programs; and
- (8) Removing the appropriation amounts to reflect unspecified amounts for further discussion and decision making in the Committee on Ways and Means.

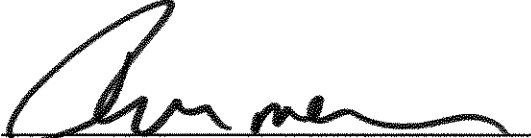
It is the intent of your Committees to establish the Hawaii Natural Energy Institute at the University of Hawaii, with the responsibilities for administering the Energy Development Special Fund and to create a Biofuels Development Revolving Loan program to be administered by the Hawaii Strategic Development Corporation.

As affirmed by the records of votes of the members of your Committees on Energy and Environment and Education and Economic Development and Taxation that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1866, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1866, 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 and
Environment and Education and
Economic Development and
Taxation,


NORMAN SAKAMOTO, Chair



RON MENOR, Chair


CAROL FUKUNAGA, Chair



The Senate
Twenty-Fourth Legislature
State of Hawaii


Record of Votes
Committee on Education
EDU

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 1866	ENE/EDU/EDT, WAMM	02/15/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
SAKAMOTO, Norman (C)	X			
TOKUDA, Jill N. (VC)	X			
CHUN OAKLAND, Suzanne				X
HEE, Clayton				X
NISHIHARA, Clarence K.	X			
TANIGUCHI, Brian T.				X
GABBARD, Mike	X			
TOTAL	4	0	0	3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency		

*Only one measure per Record of Votes

The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

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<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam		✓		
TOTAL	3	1		1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Clerk's Office	Drafting Agency		

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