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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813

Written Testimony Only

HB2506, HD1
RELATING TO REORGANIZATION OF STATE AGENCIES

Testimony by the Legislative Reference Bureau
Ken H. Takayama, Acting Director
or Charlotte Carter-Yamauchi
Assistant Director for Legislative Research

Presented to the House Committee on Finance

Wednesday, February 20, 2008, 4:30 p.m.
Conference Room 308

Chair Oshiro and Members of the Committee:

Thank you for this opportunity to testify on H.B. No. 2506, H.D. 1. The Bureau takes no position for or against the measure but submits the following comments.

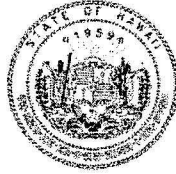
This bill calls for the Legislative Reference Bureau (Bureau) to conduct a study to recommend the most effective and efficient options for reorganizing the state agencies responsible for issues relating to energy. The bill also appropriates funds to enable the Bureau to hire a contractor for the study. Findings and recommendations are required to be submitted prior to the convening of the 2009 regular session of the Legislature.

As always, if the Legislature really wants us to do this study, we will do it to the best of our abilities with the resources that we have and are otherwise provided us.

As amended, this H.D. 1 version of the bill provides straightforward direction for a study that appears to be manageable in scope

Thank you very much for this opportunity to testify.

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
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WRITTEN TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE
WEDNESDAY, FEBRUARY 20, 2008
4:30 P.M.

HOUSE BILL NO. 2506, H.D. 1
RELATING TO REORGANIZATION OF STATE AGENCIES

Chairperson Oshiro and Members of the Committee:

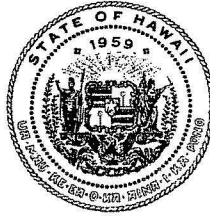
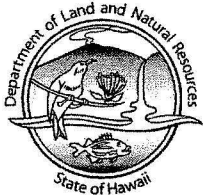
Thank you for the opportunity to testify on House Bill No. 2506, H.D. 1 that directs the Legislative Reference Bureau to conduct a study on Hawaii's options to reorganize state agencies tasked with issues relating to energy self-sufficiency and security and environmental protection. The Department of Agriculture believes that the bill is premature and recommends that Act 253 be allowed to proceed to completion before a reorganization study is commissioned. We also wish to note that the requirement that the Legislative Reference Bureau complete the study 20 days before the convening of the 2009 legislative session will preclude the inclusion of the findings and recommendations from Act 253 in the report to the legislature.

The Department of Business, Economic Development and Tourism (DBEDT) is currently developing a comprehensive renewable biofuels framework, pursuant to Act 253 that was passed by the 2007 legislature. Upon completion, the master plan will include a Hawaii renewable biofuels program to manage the State's transition to energy self-sufficiency based in part on biofuels for power generation and transportation. The components of the plan include establishing strategic partnerships for the research, development, testing, and deployment of renewable biofuels technologies and production of biomass crops; evaluation of Hawaii's potential to rely on biofuels as a

significant renewable energy resource; supporting biofuels demonstration projects, including infrastructure for production, storage, and transportation of biofuels; promoting Hawaii's renewable biofuels resources to potential partners and investors for development in Hawaii as well as for export purposes; and developing a plan or roadmap to implement commercially viable biofuels development.

Completion of the plan will identify many of the key issues that need to be addressed and should be the basis for changes in government operations to support energy self-sufficiency and environmental protection.

LINDA LINGLE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

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Chairperson
Board of Land and Natural Resources
Commission on Water Resource Management

Russell Y. Tsuji
First Deputy

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Deputy Director - Water

Aquatic Resources
Boating and Ocean Recreation
Bureau of Conveyances
Commission on Water Resource Management
Conservation and Coastal Lands
Conservation and Resources Enforcement
Engineering
Forestry and Wildlife
Historic Preservation
Kahoolaʻawe Island Reserve Commission
Land
State Parks

**TESTIMONY OF THE CHAIRPERSON
OF THE BOARD OF LAND AND NATURAL RESOURCES**

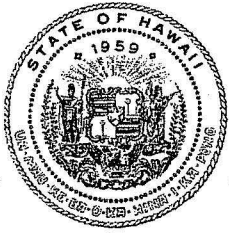
on House Bill 2506 House Draft 1 – Relating To Reorganization Of State Agencies

**BEFORE THE HOUSE COMMITTEE ON
FINANCE**

February 20, 2008

House Bill 2506 House Draft 1, directs the legislative reference bureau to conduct a study of agencies relating to environmental protection and energy self-sufficiency and to identify the most effective and efficient options of reorganizing State agencies tasked with issues related to energy and environmental protection appropriately. The Department of Land and Natural Resources (Department) does not support this measure as the Department believes that there are other initiatives that could accomplish what this measure intends, that have not yet had the chance to come to fruition.

The Department recognizes that there are ongoing actions that are addressing planning & sustainability on multiple fronts. One example is that the Department of Business, Economic Development and Tourism is currently developing a comprehensive renewable biofuels framework, pursuant to Act 253 that was passed by the 2007 legislature. Additionally, an agreement was signed January 28, 2008 for a partnership between Hawaii and the United States Department of Energy to make Hawaii a world model for a clean energy economy. It is unclear how the establishment of a new department would affect such ongoing projects.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Wednesday, February 20, 2008

4:30 P.M.

State Capitol, Conference Room 308

in consideration of

HB2506, HD1
RELATING TO REORGANIZATION OF STATE AGENCIES.

Chair Oshiro, Vice Chair Lee, and Members of the Committee.

HB2506,HD1, Relating to Reorganization of State Agencies, directs the Legislative Reference Bureau to research the responsibilities of state agencies that are integral to achieving state energy objectives; identify any duplication or deficiency in the state agencies responsibilities; research how other states address similar deficiencies in the administration of their energy policies; and make recommendations regarding how the state agencies can be reorganized to advance the long-term energy strategy.

The Department of Business, Economic Development, and Tourism understands the concept behind HB2506,HD1. However, we respectfully cannot support this bill because of the significant resource implications of such a study, including staff time and

attention and funding that will of necessity be diverted from the programs whose missions are to achieve the objectives sought by the proposed measure.

The department respectfully suggests that the Legislature's goals of advancing a comprehensive long-term energy strategy and to achieve the state energy objectives are already within the scope of the existing agencies, and that better collaboration among agencies is more effective than a study.

Thank you for the opportunity to offer these comments.

HAWAII RENEWABLE ENERGY ALLIANCE

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Warren S. Bollmeier II

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Cully Judd
Inter Island Solar Supply

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Sunpower

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII
RENEWABLE ENERGY ALLIANCE BEFORE THE
HOUSE COMMITTEE ON FINANCE

HB 2506 HD1, RELATING TO ENERGY

February 20, 2008

Chair Oshiro, Vice-Chair Lee and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of HB 2506 HD1 are to direct the Legislative Reference Bureau to conduct a study on Hawaii's most effective and efficient options to reorganize state agencies tasked with issues relating to energy and environmental protection. HREA strongly supports this bill with the following comments:

1. Priority. Our state's need to reduce its dependence on imported energy and to increase its energy security is a very high priority. In that regard, we recommend that the Legislative Reference Bureau ("LRB") focus its attention on the formation of a state Department of Energy;
2. Coordination. HREA also believes coordination among all state agencies with energy objectives and/or activities is a high priority, and consider recommending that the Dept. of Energy be given the key role coordination role; and
3. Accountability. Finally, we recommend that LRB examine the role the new Dept. of Energy would have in implementing state energy policy, and specifically with respect to the existing roles of the Public Utility Commission and Division Consumer Advocacy (Dept. of Commerce and Consumer Affairs).

Thank you for this opportunity to testify.

LIFE OF THE LAND

Ua Mau Ke Ea O Ka 'Aina I Ka Pono

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COMMITTEE ON FINANCE

Chair: Rep. Marcus R. Oshiro

Vice Chair: Rep. Marilyn B. Lee,

WEDNESDAY, February 20, 2008

4:30 P.M.

Conference Room 308

FINtestimony@Capitol.hawaii.gov.

HB 2506 HD1 RELATING TO GREENHOUSE GAS EMISSIONS REDUCTION

Aloha Chair Oshiro, Vice Chair Lee and Members of the Committee,

Life of the Land is Hawai'i's own environmental and community action group advocating for the people and the 'aina since 1970. Our mission is to preserve and protect the life of the land through sustainable land use and energy policies and by promoting open government through research, education, advocacy, and litigation.

HB 2506 HD1 is a bill that focuses on rearranging the deck chairs on the Titanic in the face of the climate iceberg that has arrived. Using a consistent definition, our use of renewable energy has not increased in five decades. The use of renewable energy to power transportation is flat (0% in 1970 and 0% today). The use of renewable energy to make electricity is flat (7% in 1970 and 7% today). If it could be fixed by waving a wand, doing a report, then reorganizing governmental structures, it would have been done decades ago. Focusing on the deck chairs, and not the iceberg, will not work.

It would start in motion a long, involved, complicated, multi-year process that, if successful, would delay the actual steps needed to bring about change.

What we need:

- (1) RPS is a MANDATE, a REQUIREMENT rather than a GOAL
- (2) renewable energy does not include fossil fuel
- (3) Creating an Energy Efficiency Portfolio Standard REQUIREMENT of 20 percent by 2020.
- (4) Joining the 16 states that are suing the EPA re adoption of California's tailpipe emission standard

Hawaii could also join with the other 16 states which are suing the US EPA so that they can adopt California's tailpipe emission standard.

Instead, there are those in Hawaii who are dreaming of Hawai'i achieving the first palm oil to electricity facility in the world, which, when life cycle analysis is used, will make the entire planet worse off.

The fault has never been the structure of the Executive Branch, under this Administration or the previous ones. That has always been the excuse. The problem is that we must walk rather than talk. That requires the desire to walk. The desire to change. With the pending climate disaster, change is coming.

Mahalo,
Henry Curtis
Executive Director



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



**Statement
Ron Baird, Chief Executive Officer
Natural Energy Laboratory of Hawaii Authority
Before the
House Committee on Finance
February 20, 2008**

Chair Oshiro, Vice-Chair Lee, and members of the House Finance Committee, I am Ron Baird, Chief Executive Officer of the Natural Energy Laboratory of Hawaii Authority.

I want to speak to you today on the important subject regarding the reorganization of state agencies specifically as the subject relates to energy. One way or another, from the investment banking business to the traditional petroleum industry, to working on a gas-to-liquids conversion plant with the world leader Sasol, I have been involved in both domestic and international energy for nearly 40 years. Over 30 years ago, we received a wake-up call when OPEC embargoed the United States, which had just become a net importer of oil the year before, and prices of oil and gas skyrocketed to \$9.00 or \$10.00 per barrel. Yesterday, oil closed over \$100 per barrel.

Hawaii responded in the 1970s by forming the Natural Energy Laboratory of Hawaii, which later became NELHA, to promulgate energy research and development from the ocean. We all know, but tend to forget, that the ocean is the largest reservoir of solar power in the world. Brilliant financial engineering by OPEC in the mid-1980's drove the price of oil down, almost to single digit prices. This enabled world economies to recover, increase their usage of oil, and reduce their own supplies of petroleum. This has enhanced the value of OPEC reserves, which have nearly 30 years' remaining life at current *world* consumption rates and prices!

But, that down turn in oil prices led to false hopes that prices would stay low forever:

- 1.) Look at our own government oil price forecasts back then.
- 2.) Alternative power projects such as ocean thermal energy conversion at NELHA were no longer funded.
- 3.) Research into alternative sources stopped or slowed so dramatically that progress was virtually nil as it pertained to methodological improvements.
- 4.) A new generation of citizens matured without ever feeling the financial pain of rising oil prices, gasoline prices, and just fatalistically accepting the situation as it is.

I have long advocated that our national approach to the severe problem facing us regarding energy is too lackadaisical. In the past 30 years, we have built an economy based on *services*, not the production of *goods*. We are a developed economy, one that cannot afford to pay as much for energy (of any kind) compared to a *developing* economy. The current majority of our citizens have not been through a situation where one has to make a decision of putting gas

in the tank to get to work or paying the electric bill versus buying a new computer game or big truck.

What is needed is an energy program similar to the Manhattan Project during the Second World War. We need to galvanize awareness, we need to cut through red tape, and we need action, not words.

I personally believe that all energy activities within the State should be within a single department – a Department of Energy. This department would have as its single purpose the evaluation, financing, construction, and control of energy activities that benefit the citizens of this great state. It would have just this single purpose and mission: free Hawaii from fossil fuels and their resultant high costs to all the citizens. Ideally, such a department would be a stand alone department, but that would require a great leap of faith to authorize and create. An alternative would be for the legislature to create an Energy Authority. An authority similar to NELHA would have statewide power granted it by the legislature to engage in intense and rapid alternative energy development. It would answer ideally to the legislature as to its progress in achieving the goals set for it.

If you have any questions that I might be answer, I would be happy to take and answer them now to the best of my ability. Thank you again for your time.