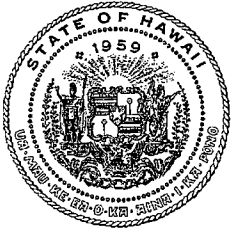


HB 2506 HD2



**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
**SENATE COMMITTEES ON
ENERGY AND ENVIRONMENT
AND
TOURISM AND GOVERNMENT OPERATIONS**
Tuesday, March 18, 2008
3:15 P.M.
State Capitol, Conference Room 414

in consideration of

**HB2506 HD2
RELATING TO REORGANIZATION OF STATE AGENCIES.**

Chairs Menor and Nishihara, Vice Chairs Hooser and Kim, and Members of the
Committees.

HB2506, HD2, 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 must respectfully oppose 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 agencies whose missions are to achieve the objectives sought by the proposed measure.

DBEDT has limited available staff and resources that can be focused on implementation of the Hawaii Clean Energy Initiative (HCEI), as we are still supporting existing federal grant programs such as the State Energy Program and Special Projects grants that support the SEP. Therefore, a Legislative Reference Bureau study at this time may not only be premature, but may take resources away from implementation of the HCEI.

The department respectfully suggests that the Legislature's goal of advancing a comprehensive energy strategy and to achieve the state energy objectives are already within the scope of the existing agencies, and that more can be accomplished now by agencies working together within our existing organizational structure.

Thank you for the opportunity to offer these comments.

LINDA LINGLE
GOVERNOR



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TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
SENATE COMMITTEES
ON
ENERGY AND ENVIRONMENT
AND
TOURISM AND GOVERNMENT OPERATIONS

March 18, 2008

HB 2506, HD 2

RELATING TO REORGANIZATION OF STATE AGENCIES.

Chair Menor, Chair Nishihara and committee members, thank you for the opportunity to testify on HB 2506, HD 2. The State Procurement Office's (SPO) testimony is limited to Section 3, which provides that any contract pursuant to HB 2506, HD 2, shall be a "non-bid" contract exempt from chapter 103D, Hawaii Revised Statutes.

The SPO does not support the language to exempt from HRS chapter 103D, any contract issued pursuant to this bill.

Statutory exemptions are contrary to the Hawaii Public Procurement Code (Code), section 103D-102, HRS, on the applicability of the chapter that states in part "... shall apply to all procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, receipts, or earnings, ..." Any governmental agency with the authority to expend funds should be in compliance with Chapter 103D, which promotes the policy of fair and equitable treatment of all persons who deal with the procurement system; fosters effective broad-based competition; and increases public confidence in public procurement.

The SPO is against statutorily exempting specific purchases from the Code, as it is not in the best interest of government, the business community, and the general public. The Code establishes a time-tested, fair, and reliable set of rules and processes for award of contracts. The competitive

procurement processes of the Code are to insure that all potential providers are afforded the opportunity to compete for the required services. To the extent agencies may need specific purchases to be exempted from Code requirements, the Code provides an exemption process.

The Code should not be viewed as an obstacle to a purchasing agency's mission, but rather as the single source of public procurement policy to be applied equally and uniformly to obtain its requirements. It was the legislature's intent for the Code to be a single source of public procurement policy. If individual agencies are exempted and allowed to develop their own individual processes, it becomes problematic for the administration and vendors/contractors that must comply with a variety of processes. Fairness, open competition, a level playing field, and government disclosure and transparency in the procurement and contracting process are vital to good government. For this to be accomplished, we must participate in the process with one set of statutes and rules.

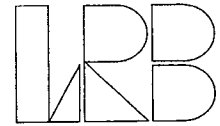
In conclusion, there is no compelling reason to statutorily exempt from the Code any contract pursuant to HB 2506, HD 2. The SPO recommends amending Page 6, line 22 and Page 7 lines 1 and 2, as follows:

Section 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2008-2009 to carry out the purposes of this Act. ~~Any contract issued under this Act shall be exempt from the requirements of chapter 103D, Hawaii Revised Statutes.~~

Thank you.

Ken H. Takayama
Acting Director

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

Written Testimony Only

HB2506, HD2
RELATING TO REORGANIZATION OF STATE AGENCIES

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

Presented to the Senate Committees on Energy and Environment
and Tourism and Government Operations

Tuesday, March 18, 2008, 3:15 p.m.
Conference Room 414

Chairs Menor and Nishihara and Members of the Committees:

Thank you for this opportunity to testify on H.B. No. 2506, H.D. 2. 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 contains an appropriation provision intended 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.

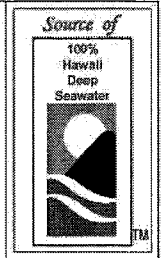
The current draft of the bill provides straightforward direction for a study that appears to be manageable in scope. We note with some concern, however, that the appropriation provision is blank.

Thank you very much for this opportunity to testify.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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



**Statement of
Ronald N. Baird
Chief Executive Officer
Natural Energy Laboratory of Hawaii Authority
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
and the
SENATE COMMITTEE ON TOURISM AND GOVERNMENT OPERATIONS
and the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION
Tuesday, March 18, 2008
3:15 p.m.
State Capitol, Conference Room 414**

**In consideration of
HB 2506, HD 2**

RELATING TO REORGANIZATION OF STATE AGENCIES

Chair Nishihara, Vice-Chair Kim, members of the Senate Committee on Tourism and Government Operations, Chair Fukunaga, Vice-Chair Espero, and members of the Senate Committee of economic Development and Taxation, 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.

Hawaii responded 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.

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- 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.

HAWAII RENEWABLE ENERGY ALLIANCE

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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.