LINDA LINGLE
GOVERNOR

BRENNON T. MORIOKA
INTERIM DIRECTOR

Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRIAN H. SEKIGUCHI

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 7, 2008

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 2922

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

We oppose this bill. The fuel tax revenues from non-transportation fuel uses amounted to $1.2 million for fiscal year 2007. At a time when the Highways Division is looking for new ways to generate revenue and maintain current revenue levels, any proposed decrease would be detrimental to the health of the State Highway Fund.

Testimony Before the House Committee on
Energy & Environmental Protection

By: Randall J. Hee, P.E.
President and Chief Executive Officer
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Thursday, February 7, 2008, 8:30 a.m.
Conference Room #312

House Bill No. 2922 – Relating to Fuel Tax

To the Honorable Mina Morita, Chair; Mele Carroll, Vice-Chair,
and members of the Committee:

Thank you for the opportunity to testify before you. I am Randy Hee, President and CEO of the Kaua`i Island Utility Cooperative (KIUC). I am here today to testify on HB 2922 that would clarify the intent of Act 209 of the 2007 regular session that the additional one-cent added to the license tax of diesel fuel was not intended for diesel oil sold or used for power generation purposes.

KIUC believes that the intent of Act 209 was to promote the use of transportation fuels containing alcohol through an exemption of the excise tax on retail sale of fuels containing at least 10% alcohol. Tax revenues would be balanced by an increase in tax of other non-alcohol fuels by an additional one-cent. KIUC believes that the intent was to tax other transportation related non-alcohol fuels by the additional one-cent and believes that the intent was not to increase the tax on fuels used for the generation of electricity by utility power-generating facilities.

KIUC is a member-owned not-for-profit electric cooperative. Margins or what would be considered "profits" by an investor owned company, are invested back into the business by allocating margins to the cooperative's members as capital credit contributions. KIUC has also made annual patronage capital refunds to its members in the amount of 25% of net margins each year since it was founded.

KIUC currently generates about one-half of its annual production of electricity by burning No. 2 diesel fuel. This amounts to an annual usage of about 15 million gallons of diesel. KIUC is a regulated utility and fuel costs are passed on to its customers. The additional one-cent tax adds about $150,000 annual burden to KIUC's ratepayers.

As previously stated, KIUC believes the intent of Act 209 was to increase transportation related fuels by one-cent to off set the exemption of fuel containing alcohol used for transportation. KIUC therefore requests and seeks passage of HB 2922 that could place the tax on diesel used by power generation facilities to produce electricity at one-cent.

For these reasons, KIUC supports HB 2922 and, therefore asks that this bill be passed.

Thank you again for the opportunity to inform you of KIUC's position on this matter.