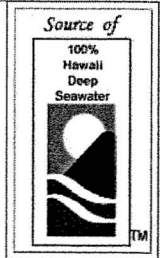




NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Thursday, March 20, 2008
9:30 a.m.
State Capitol, Conference Room 312

in consideration of

HCR0076
RELATING TO REQUESTING THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY TO DEVELOP A STRATEGY TO FULLY TRANSITION ITS FACILITY TO RENEWAL ENERGY

Chair Morita, Vice-Chair Carroll, members of the House Energy and Environmental Protection Committee, I am Ron Baird, Chief Executive Officer of the Natural Energy Laboratory of Hawaii Authority. I heartily urge this committee to recommend issuance of this Concurrent Resolution.

George R Ariyoshi, in a 1974 address delivered to the Circum-Pacific Energy and Mineral Resources Conference, Hilton Hawaiian Village said "Almost all of the energy in Hawaii derives from oil, and all, of necessity, is imported by sea. It is a paradox of the Pacific that oil is now the Pacific's primary source of energy, although oil will not be found in the center of the Pacific Ocean, and these tropical islands are bathed in natural energy as is no other place on earth. It is in the development of natural energy, therefore, that we expect Hawaii to be a leader, both as a locale for energy development and as a place attractive to intellectual leadership."

We all are painfully aware that, as a state and nation, we are hardly any further along in achieving energy independence or less reliance on oil than we were 34 years ago. Nobody in the State is more aware of this than NELHA, which produces no energy yet is a tremendous consumer of electricity to deliver seawater to about 30 companies. Since December 2007, our electric rate has increased 16.4%, from 28 cents per KWH to 34 cents per KWH. With \$110 crude oil and \$5 gallon diesel (which is a fuel used to produce electricity), it is reasonable to project that by fiscal year end, NELHA might be paying 40 cents per KWH.

Our tenants using 85% to 90% of the water we deliver are farmers. They are being crucified on a cross of electricity.

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After 34 years of existence, NELHA should begin to fulfill its destiny of leading the state in the production, distribution and economic utilization of energy. We have three alternative energy demonstration projects funded by private businesses under way. Two more were approved by the Board at its meeting yesterday.

NELHA has an RFP working its way through the DBEDT procurement process for the installation of up to 1.5 megawatts of power – enough for two pump stations. This will have to be privately financed. We, next month, will file an RFP for a 1 megawatt scale-up OTEC plant. This will have to be privately financed.

Why is this resolution important? Because there are other aspects that have to be developed in addition to generation – distribution, moving power between tax map keys, possible power generation for other state facilities, power generation that can benefit NELHA tenants, legal questions as to how to do power purchase agreements and the like.

Using NELHA as a microcosm of what can be done to wean our state can benefit the entire state by leading the way.

Thank you for allowing me to testify. I am ready to answer any questions you may have.