

**TESTIMONY TO THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
AND  
COMMITTEE ON CONSUMER, CONSUMER PROTECTION,  
AND AFFORDABLE HOUSING  
ON  
S.B. 2766 RELATING TO ETHANOL**

**LATE**

**By  
Robert Maynard  
President and Chief Executive Officer  
Aloha Petroleum, Ltd.**

Chair Menor and Members of the Senate Committee on Energy and Environment and Chair Kokubun and Members of the Senate Committee on Commerce, Consumer Protection, and Affordable Housing, I am Robert Maynard, President and Chief Executive Officer of Aloha Petroleum, Ltd.

Aloha Petroleum supports Senate Bill 2766, which creates a tax credit for retail stations for the installation of E-85 fueling facilities effective December 31, 2008. However, Aloha Petroleum's application to install an E-85 fueling facility on Oahu was denied by the Honolulu Fire Department because gasoline dispensing equipment has not yet been approved by Underwriters Laboratory ("UL"). Without UL-approved E-85 gasoline dispensing equipment, companies may be reluctant to build and install E-85 fueling facilities in Hawaii.

Thank you for the opportunity to testify in support of Senate Bill 2766.

# LATE TESTIMONY



HAWAII  
BioEnergy

Testimony before the Hawai'i State Legislature on SB2766  
January 31, 2008

My name is Brian Orlopp and I represent Hawai'i BioEnergy LLC.

Thank you for the opportunity to share our position on SB2766 with the Hawai'i State Legislature. As residents of Hawai'i and members of the business community, we are deeply concerned with the issues of climate change and energy security and believe that our state can and should become a green energy leader. This bill will make a significant contribution to reaching that goal.

Green energy presents an opportunity to reduce our heavy dependence on imported oil, to address our unique exposure to the risks of climate change, to revive our agriculture sector and preserve green space, to create new and better jobs, and to become a leader in tropical bio-energy and an incubator of next-generation technologies. Hawai'i has the natural, human, technological and capital resources to achieve green energy leadership.

Our state has already demonstrated its commitment to development of green energy with its 20% renewable energy target and E10 mandate. It is vitally important that our Hawai'i State Legislature expand on these measures to create a legal and regulatory environment that fosters our state's capacity to grow and lead in green energy.

Hawai'i is one of only 9 states without a single E85 station, but we already have over 22,000 flex fuel vehicles on the road. These vehicles are in our state fleet, meeting alternative fuel vehicle requirements, but refueling using standard gasoline blends. These vehicles are owned by private citizens unable to exercise the consumer choice that their cars and trucks allow. Increasing our state-wide blend mandate could require a long term transformation of our vehicle fleet, but flex fuel vehicles and E85 stations offer an immediate and significant opportunity to decrease our oil imports and carbon emissions, and increase our consumer choice.

The primary reason for the lack of E85 refueling infrastructure in our state is the high cost due to permitting and shipping – approximately 100,000 or two times the average cost on the mainland. 25 states have successfully employed incentives to encourage development of E85 refueling infrastructure.

SB2766 will facilitate the construction of refueling infrastructure necessary for development of a market for E85 in Hawaii. To give a sense of the cost, Minnesota, which has one of the longest running and most successful incentive programs, distributed an average of \$1 million in grants per year for E85 infrastructure between 1998 and 2006. It now has 312 E85 stations. Our state would require just a fraction of this infrastructure and cost.

Throughout the US, major gas distributors have opposed the expansion of E85 infrastructure, going so far as to banning E85 in their franchise agreements. We have conducted extensive research and spoken with industry experts to understand the costs and barriers to E85 and appreciate this opportunity to share what we learned with you.

Expensive new terminal tank infrastructure is not required as E85 can be mixed directly in distribution trucks, using the truck's tanks as storage. The E85 could be blended from the same E95 feedstock currently used to create the state-mandated E10 blend, as current models of computer-controlled sequential blenders are able to automatically mix different blends in appropriate proportions. While blender modifications or relatively minor expenditures, such as an extra loading arm may be necessary, major new expenses like dedicated storage tanks are not. This is especially important in Hawai'i, where we face not only higher costs, but space limitations at our ports.

The other important issue we would like to highlight is certification. A certification from Underwriters Laboratories (UL) is required in Hawai'i for new fuel dispensing equipment. UL announced in October 2006 that it was suspending authorization for individual components of fuel-dispensing equipment that referenced ethanol blends of greater than 15% until the organization developed special criteria for use with these higher-level blends. It subsequently developed and released final certification criteria in October 2007. Equipment manufacturers are expected to begin to receive rulings on certification in the next few months and national retail chains are planning to move ahead with plans to provide E85.

E85 is an immediate means of decreasing our oil imports and putting choice in the hands of consumers in our state. Based on statistics from states with an existing E85 infrastructure, the potential market growth of domestically produced fuels is significant.

We are grateful for the opportunity to voice our support for SB2766 and look forward to contributing to the development of green energy leadership in Hawai'i.