

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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

HOUSE COMMITTEE ON FINANCE

Tuesday, March 3, 2009

11:00 a.m.

State Capitol, Conference Room 308

in consideration of

HB 1051 HD1

RELATING TO ENERGY EMERGENCY PREPAREDNESS.

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

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports HB 1051 HD1, an administration bill, which comprehensively addresses deficiencies in Hawaii's Energy Emergency Preparedness program. However, we prefer amending the bill so that it shall take effect upon its approval.

This bill seeks to amend chapter 125C, Hawaii Revised Statutes, to establish this Chapter as the enabling statute for the State's energy emergency preparedness program's coverage of all forms of energy emergencies.

The Director of DBEDT, as the Energy Resources Coordinator, is the Governor's authorized representative for energy emergency preparedness and management. The Department of Defense's (DoD) emergency response plans incorporate DBEDT as the primary and coordinating State agency for energy-related Emergency Support Function (ESF) #12.

This responsibility engages when an energy incident is triggered either by a natural disaster or other energy supply disruption caused by market fluctuations, resource availability or other related occurrence.

The completely voluntary Hawaii State Energy Council (EC) is the key coordinating mechanism under the ESF #12 structure. The EC is not statutorily created, and does not have any authority to collect information that the DoD may need or request in an emergency. Not all Hawaii energy companies choose to be members of the EC.

The timely and consistent flow of energy information is essential to ensure the efficient operation of ESF #12. Without it, the ERC cannot effectively develop current and comprehensive energy reports that are critical for managing an immediate or protracted statewide energy shortages.

Currently, during a declared energy emergency only importers of petroleum products are subject to reporting requirements, and only report supply and demand information. Real-time operational and infrastructure information from other major energy companies are critical during emergency situations and they are not currently available to the ERC.

These restrictions preclude an understanding of the severity and impacts of an energy emergency on a statewide basis, and the ERC's ability to determine what response measures may be necessary in a timely fashion.

DBEDT and the Public Utilities Commission (PUC) have distinctive, non-redundant energy-related missions and functions. They implement different analytic support functions to produce

different kinds of information for differentiated purposes. Most of the information the PUC collects under the Petroleum Industry Monitoring, Analysis, and Reporting Program is focused on petroleum prices and petroleum industry profits, not substantively supportive of DBEDT's analytic functions needed for energy emergency preparedness. In addition, this information is time lagged 7 weeks or more. We are aware of no other state that compels an energy-coordinating agency to obtain information essential to the performance of their statutory responsibility, from a regulatory agency during a crisis.

Industry should not expect these reporting requirements to present a large additional administrative burden as once baseline data is compiled, only real-time data will be requested during an emergency or when there is a significant risk of an energy shortage.

In recognition of the potential proprietary nature of some of the data and information that will be required, this bill has included protective language that will ensure the confidential nature of the data.

In conclusion, we believe the ERC needs the statutory authority to obtain the necessary data and information from the energy companies to fulfill its emergency preparedness obligations and be able to provide necessary critical information to key decision-making stakeholders in times of emergency. This bill provides that statutory authority to the ERC.

Thank you for the opportunity to testify.

STATE OF HAWAII
DEPARTMENT OF DEFENSE

TESTIMONY ON HOUSE BILL 1051 HD1
A BILL RELATING TO ENERGY EMERGENCY PREPAREDNESS

PRESENTATION TO THE
COMMITTEE ON FINANCE

BY

MAJOR GENERAL ROBERT G. F. LEE
DIRECTOR OF CIVIL DEFENSE

March 3, 2009

Chair Oshiro and Committee Members:

I am Bob Lee, Director of Civil Defense, State Department of Defense. I am providing written testimony in support of House Bill 1051 HD1.

As the lead State agency for energy preparedness, the Department of Business, Economic Development and Tourism (DBEDT) is responsible for up-to-date information, estimates, assessments of energy sector capabilities, the coordination of energy resources during emergencies and disasters, and for the development of strategic planning with regard to the restoration of energy facilities and systems following a major disaster.

House Bill 1051 HD1 will provide DBEDT the authority to obtain critical data and information from the various industries in the energy sector to perform the aforementioned responsibilities. This information is needed now to determine our statewide capabilities in energy preparedness and will be needed during and after disasters strike.

We recommend that in SECTION 19 be the effective date be changed back to "upon its approval".

Thank you for the opportunity to provide written testimony in support of this measure.



Western States Petroleum Association

March 3, 2009
11:00 a.m.
House Committee on Finance
Room 308

Re: HB 1051 HD1 Relating to Energy Emergency Preparedness.

Western States Petroleum Association is a non-profit trade association representing a broad spectrum of petroleum companies in Hawaii and five other western states.

We are respectfully opposed to HB 1051 HD1 in its current form.

Petroleum companies in Hawaii and elsewhere in the U.S. are required to provide an enormous amount of information – some of it proprietary and competitively sensitive – to a long list of state and federal agencies. For example, these companies provide more than 42 separate reports containing large amounts of information to the U.S. Energy Information Administration on a weekly, monthly and annual basis.

In Hawaii, members of the petroleum industry participate in the state's Energy Council. Recently, the industry members successfully contributed to the council's understanding of and handling of the electricity black out on Oahu.

The petroleum industry in Hawaii is already required to comply with the Petroleum Industry Monitoring and Reporting Act, submitting volumes of information on at least 23 different aspects of their business activities, to the Public Utilities Commission. Providing this information on weekly and monthly reports consumes a considerable amount of time and resources.

The PUC has the authority to review the information and provide comments, conclusions and analysis, while preserving the confidentiality of competitively sensitive and proprietary information. We are concerned that additional reporting requirements will not enhance the state's ability to gather information, but it will create additional burdens on the industry and expose potentially sensitive information to additional agencies that would be required to maintain that information's confidentiality.

The purpose of requiring additional disclosure of competitively sensitive industry information is ostensibly to address emergency preparedness. However, we believe this kind of information is already disclosed in a variety of ways to government authorities and no additional laws are required.

Page Two

Petroleum companies are understandably concerned that competitively sensitive information be treated as such and that WSPA members want to ensure that the state's reporting requirements do not result in disclosure of competitively sensitive information that could lead to market distortions and negatively impact the companies and consumers. We note that although this bill has confidentiality language, we would want any such provisions to, at a minimum, be consistent with that agreed to by the PUC.

Thank you for the opportunity to testify.

Testimony before the
House Committee on
Finance

H.B. 1051, H.D. 1 – Relating to Energy Emergency Preparedness

Tuesday, March 3, 2009
11:00 am, Conference Room 308

By Dean Mizumura
Manager, Asset Management
Hawaiian Electric Company, Inc.

Chair Oshiro, Vice Chair Lee and Members of the Committee on
Finance

My name is Dean Mizumura and I am testifying on behalf of the Hawaiian Electric Company, Inc. and its subsidiaries, Maui Electric Company, Ltd. and Hawaii Electric Light Company.

This measure grants authority to the director of DBED&T to acquire, use and analyze information on Hawaii's energy resources, systems and markets to respond to and recover from an emergency. This would require information from a broad array of both private and public sector sources.

Hawaiian Electric appreciates and recognizes the importance of being prepared to respond to emergency situations and the need for close coordination with state and county agencies. However, we have very strong reservations regarding the information that is being requested. Not all is relevant to the stated purpose of this measure. This request for information goes beyond what would be required to manage an energy emergency. It involves detailed operational and customer information on command and control centers, load control schemes and customer utilization of

electricity that is of little or no use for the evaluation of energy shortages. In addition, this is highly sensitive information. It involves the data we use to monitor and control generation and transmission of electricity within our grid. Security is essential to prevent cyberterrorism, and the more broadly this information is shared the greater the risk of misuse.

During emergency situations, we work closely with state and county agencies such as State Civil Defense and the Department of Emergency Management to ensure that everyone is informed of what the Companies are doing and to respond to questions or inquiries they may have. HECO is the leading private sector company supporting the emergency preparation efforts of the State Civil Defense and the Department of Emergency Management.

HPD and HFD also partner with HECO by assigning personnel to be present at HECO's dispatch center to stay abreast of a developing situation. In addition, HECO personnel are assigned as liaison to state and city civil defense centers whenever our incident command team is activated. We will continue to give attention to these working relationships and are always open to suggestions in improving the communications between key state and city agencies.

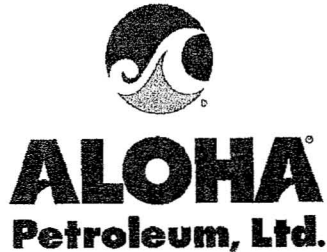
Some of the requested utility information is currently being provided to DBED&T by the Public Utilities Commission. Accordingly, this measure would be duplicative of communications channels already established. Furthermore, energy, fuel, cost and generation capacity information is provided to the Public Utilities Commission, and that information may be shared with DBED&T at the PUC's discretion.

The proposed measure provides the Director of DBED&T with full discretion and authority to require any information pertaining to the utility at any time and within a prescribed time frame as

determined by the Director. This appears to be much broader authority than required for emergency purposes. We have concerns that this broad requirement could result in an administrative burden for the utilities, duplicate efforts already in place with the PUC, and add little if any value to the state's ability to respond to an emergency.

Hawaiian Electric Company, Inc., Maui Electric Company and Hawaii Electric Light Company are active participants in the Energy Council which is lead by DBED&T to address energy shortages or emergencies and where time is of the essence. The Energy Council is one of the emergency support functions, ESF-12, under the State Civil Defense umbrella. This proactive relationship has been in place for many years. It functions very effectively and addresses the needs that are identified in this bill. Thus, there is no need to overlay another process at this time.

We respectfully recommend that H.B. 1051, H.D. 1 be held at this time for further consideration and discussion, of its relationship to existing information channels, reporting obligations, and security sensitivities. In the alternative, we recommend that specific sections and language pertaining to utilities from the proposed measure be deleted as the information requested is overbroad and irrelevant to the purpose of this bill.



**TESTIMONY TO THE
HOUSE COMMITTEE ON FINANCE
ON
HB 1051, HD1 RELATING TO ENERGY EMERGENCY PREPAREDNESS
By
Richard Parry
President and Chief Executive Officer
Aloha Petroleum, Ltd.**

Chair Oshiro and Members of the House Committee on Finance, I am Richard Parry, President and Chief Executive Officer of Aloha Petroleum, Ltd.

Aloha Petroleum supports the intent of House Bill 1051, HD1 to address deficiencies in Hawaii's energy emergency preparedness, but opposes the additional and duplicative reporting requirements on fuel marketers, storers and transporters. Most, if not all, of the requested fuel information is already being provided to DBEDT by the PUC under the Petroleum Industry Monitoring and Reporting Act. If there are gaps in the current PUC reporting system, which we are not aware of, DBEDT should narrow the scope of the information requested in order to reduce the administrative burden and costs on the fuel companies.

Thank you for the opportunity to testify on House Bill 1051, HD1.