

TESTIMONY BEFORE THE  
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Tuesday, February 10, 2009  
9:00.a.m.  
Conference Room 325, State Capitol

H.B. NO. 1270  
RELATING TO RENEWABLE ENERGY

By: Lisa Kikuta  
Director, Government & Public Affairs  
Hawaiian Electric Company, Inc.

Bill No. 1270

Support  Y  N

Date 2/9/09

Time 3:30P

Cat AF  AS  AX  B  C

Type 1  2  WI

Chair Morita, Vice-Chair Coffman, and Members of the Committee:

My name is Lisa Kikuta, testifying on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd. (collectively, the HECO Companies).

The HECO Companies support this bill, which proposes to delete the provision in HRS § 269-27.2(c) that may cap the price that a utility pays to an independent power producer (IPP) for non-fossil fuel generated electricity at one hundred per cent of the cost that the utility avoids by purchasing the energy rather than producing it. It also proposes to amend the definition of "cost-effective" under HRS § 269-91.

While the current language limits the amount electric customers pay for renewable energy, it may also reduce the amount of renewable energy the utility may purchase from IPPs. For example, in some cases, it may be difficult for an IPP to accept a price to the utility that is no more than the utility's avoided cost, due to complexities and challenges associated with the IPP's particular production site and facilities and use of newer technology. This bill may help to address this concern.

In addition, this bill would clarify the Public Utilities Commission's flexibility to decide whether power purchase agreements between the utility and IPPs are in the public interest. For example, the Commission may be able to approve a power purchase agreement connected to a particular renewable energy project if the overall merits of the project justify a price that is higher than the utility's avoided cost.

For these reasons, we support H.B. No. 1270 and request its passage. Thank you for the opportunity to testify.

**HAWAII RENEWABLE ENERGY ALLIANCE**

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

Bill No. 1270

Support (Y) N

Date 2/9

Time 3:55p

Cat AF AS AX BC

Energy Type (2) WI

**TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION**

**HB 1270, RELATING TO ENERGY RESOURCES**

February 10, 2009

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Warren S. Bollmeier II

Vice-President  
John Crouch

Secretary/Treasurer  
Cully Judd

**Directors**

Warren S. Bollmeier II  
WSB-Hawaii

Cully Judd  
Inter Island Solar Supply

John Crouch  
Sunpower

Herbert M. (Monty) Richards  
Kahua Ranch Ltd.

Chair Morita, Vice-Chair Coffman 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 ("Commission") and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 1270 is to delete the statutory avoided cost ceiling on wholesale energy contracts in HRS§269.27.2 (c). HREA strongly supports this bill for the following reasons:

1. in the past, negotiations for renewable energy sources have been complicated and "drawn out", in part, due to the effort required to determine if a proposed payment, say from a windfarm, is "at" or "below" utility's avoided costs and hence "just and reasonable." Removing the criteria, as proposed, should allow the Parties more latitude in reaching agreement, subject to the approval by the Commission of payments as "just and reasonable;"
2. thus, HREA believes this measure will help facilitate our state's general goal of increasing our use of indigenous resources, such as wind, solar, biomass and other renewables; and
3. removal of the "avoided cost" criteria will help facilitate customer-sited renewable generators. For example, this issue has been identified in the Feed-In Tariff ("FiT") docket before the Commission. Specifically, under current statute, FiT payments above avoided costs would be precluded. However, the proposed amendment would allow the Commission to establish FiT rates above avoided costs, if necessary, to facilitate the implementation of appropriate renewable energy sources.

Thank you for this opportunity to testify.

Bill No. HB 1270

Support  Y  N

Date 2/9

Time 1620

Cat AF AS AX  B C

Type 1  2  WI

**HB 1270**  
**RELATING TO RENEWABLE ENERGY**  
**PAUL T. OSHIRO**  
**MANAGER – GOVERNMENT RELATIONS**  
**ALEXANDER & BALDWIN, INC.**

**FEBRUARY 10, 2009**

Chair Morita and Members of the House Committee on Energy & Environmental

Protection:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 1270, "A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY." We support this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 125 years. While Hawaii's many other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations and the implementation of our diversified bio-production program, to have sustained our operations and continue as a major employer in the State of Hawaii. Today, as we face increasingly lower margins from raw sugar production because of flat commodity prices along with increasing production costs, HC&S is in the process of transitioning from a primary producer of commodity sugar into the production of specialty sugar and bio-based products. In addition to being the sole supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production of our specialty Maui Brand Sugar.

In addition, HC&S generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and also provides electricity to Maui Electric Company (MECO). This biomass electricity is primarily produced by burning bagasse, the residual fiber of the sugar cane plant, as a fuel to generate steam for the production of power. In addition to providing approximately 7% of MECO's electricity, HC&S also serves as a firm power source to MECO, and has played a significant role in the restoration of MECO's electrical service during power outages.

This bill proposes to remove the dependency of the rate for electrical energy generated from non-fossil fuels from the cost of electrical energy generated from fossil fuels. The result will be a significant reduction of the present linkage between the volatile market price of fossil fuels and the rate for the production of non-fossil fuel generated electricity. By minimizing the potential for fluctuations in the public utility reimbursement rates (which presently occur in conjunction with the fluctuation in the market price of fossil fuels), the prospects of attracting new renewable energy producers and retaining present renewable energy producers will be significantly enhanced. The anticipated result will be an overall lowering of Hawaii's dependence on fossil fuel imports and an increase in the prospects of Hawaii's future energy security.

Based on the aforementioned, we respectfully request your favorable consideration on this bill.

Thank you for the opportunity to testify.



Bill No. 1270

Support  N

Date 2/9/09

Time 5:02p

Cat AF AS AX  BC

Type 1  WI

**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

February 10, 2008, 9:00 A.M.

Room 325

**(Testimony is 2 pages long)**

**TESTIMONY IN SUPPORT OF HB 1270**

Chair Morita and members of the committee:

The Blue Planet Foundation supports House Bill 1270, eliminating an existing constraint to increasing electricity generated from non-fossil sources. By removing the existing "avoided cost cap" in statute, HB 1270 will significantly reduce any linkages between the volatile prices of fossil fuels and the rate for nonfossil fuel generated electricity, potentially enabling utility customers to share in the benefits of price stability and fuel cost savings resulting from the use of non-fossil fuel generated electricity.

Increasing the use of indigenous, renewable resources for electricity generation is crucial to Hawaii's clean, independent, and sustainable energy future. Increased use of nonfossil fuels will strengthen Hawaii's economy and protect our environment. The resilience of the state's economy is compromised by the dependence on the volatile prices of fossil fuels. The state is currently dependent on foreign fossil fuels whose supply is not always secure and predictable.

Existing state law prevents the public utilities commission (PUC) from allowing contracts for clean energy purchased by a public utility at a price that exceeds that utility's "avoided cost" for producing electricity with fossil fuels. Blue Planet believes this existing policy is flawed because:

1. It creates an obstacle to other initiatives to increase clean energy use in Hawaii. A recent study on Feed-in Tariffs conducted by the National Regulatory Research Institute<sup>1</sup> for the PUC suggests that the current law may put a cap on the feed-in tariff price. The existing statute may prohibit a feed-in tariff greater than the current cost of oil-powered electricity.
2. It doesn't necessarily recognize the external values in clean energy production, including less impact to the environment, job creation, less drain on Hawaii's economy to pay for imported fossil fuel, the hedge value in a long term clean energy contract versus volatile fossil fuel prices, and other values.

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<sup>1</sup> National Regulatory Research Institute. Feed-in Tariffs: Best Design Focusing Hawaii's Investigation. December 2008.

**Jeff Mikulina, executive director • [jeff@blueplanetfoundation.org](mailto:jeff@blueplanetfoundation.org)**

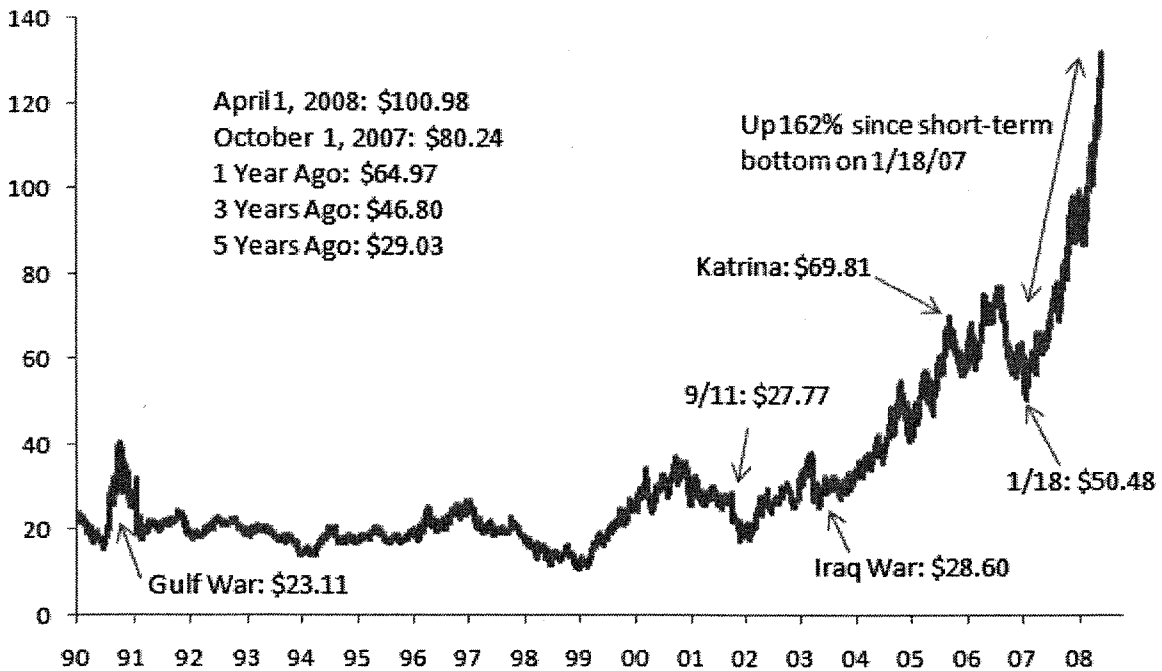
55 Merchant Street 17<sup>th</sup> Floor • Honolulu, Hawaii 96813 • 808-954-6142 • [blueplanetfoundation.org](http://blueplanetfoundation.org)

3. It is difficult to quantify due to the volatility in the price of fossil fuels, making contracting with clean energy producers more difficult. As the oil price chart at the bottom of this page makes clear, a decision about "avoided cost" made in 2002 given the fossil fuel price at the time would be off by 400% six years later.

House Bill 1270 corrects this existing policy by eliminating the requirement that the PUC not exceed the avoided cost of electricity in determining the price for clean energy providers. Passage of HB 1270 helps to align state energy policy with Hawaii's preferred clean energy future by eliminating this constraint to increasing electricity generated from nonfossil fuels.

Thank you for the opportunity to testify.

### Oil Prices, 1990 - 2008





**Hawaii Solar Energy Association**  
Serving Hawaii Since 1977

Feb. 10, 2009  
Room 325  
9:00 A.M

House  
Committee on Energy and Environmental Protection  
HB 1270

Mark Duda  
President

Bill No. 1270

Support  Y  N

Date 2/9/09

Time 11:24p

Cat AF AS AX  B  C

Type 1  2  WI

**Testimony Support**

**Chair Morita, Vice Chair Coffman, and Members of the Committees:**

HSEA supports HB1270. As an intervener in the PUC's Feed-in Tariff docket (2008-0273), HSEA is aware that potential tariff regimes yielding financially viable projects would, in all likelihood, require the PUC to have significant latitude in pricing. Although the PUC investigation is still ongoing, research has shown that one of the key elements in a successful feed-in tariff program is to have sufficient pricing flexibility to encourage renewables to enter the market. The amendments proposed in this bill will allow the PUC this flexibility and, as such, are an important element of the legislative and regulatory infrastructure necessary for renewable energy in Hawaii.

Thank you for the opportunity to submit this testimony.

**About the Hawaii Solar Energy Association**

*Hawaii Solar Energy Association (HSEA) was founded in 1977 and is comprised of more than 30 installers, distributors, manufacturers and financiers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. The organization's primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.*

P.O. Box 37070 Honolulu, Hawaii 96837  
**SOLAR HOTLINE (808)521-9085**

# SUNPOWER

Room # 325 9:00 AM February 10, 2009

**House Committee on Energy and Environmental Protection**  
**HB1270 RELATING TO ENERGY EFFICIENCY**

**Chair Morita, Vice-Chair Coffman and Committee Members:**

Introduction: My name is Riley Saito Senior Manager, Hawaii Projects for the SunPower Systems Corporation. Thank you in advance for accepting these few comments on **HB1270** **at AF AS AX** **(B)**

SunPower Systems Corporation ("SunPower") has been a member of the Hawaii Energy Policy Forum since it convened in 2003 and a member of the HCEI Energy Generation group over the past year. SunPower is in the business of designing, manufacturing, and delivering the highest efficiency solar electric technology worldwide. One of our latest projects was the 1.2 megawatt La Ola solar farm on Lanai with Castle & Cooke Hawaii. **Type 1 (2) WI**

SunPower supports HB1270 because in late 2008 the Hawaii Public Utilities Commission initiated a Docket into the investigation of Feed-in Tariffs in Hawaii. Although the PUC investigation is still ongoing, research has shown that one of the key elements in a successful feed-in tariff program is to have flexibility in regards to pricing that would encourage renewable energy investors to enter the market. The current language limits the rates to 100% of avoided cost. This limitation will not allow the PUC to have the flexibility to set the proper rate structure to reduce Hawaii dependency on fossil fuels.

The amendments proposed in this bill will allow the PUC the flexibility in determining a just and reasonable rate for non-fossil fuel generated electricity, not coupled with avoided cost based on a centralized fossil fuel generation, and (hopefully) lead to more non-fossil fuel distributed generated electricity in the Hawaii market.

Mahalo for the opportunity to submit testimony.

Bill No. 1270

Support  Y  N

Date 2/9/09

Time 11:49p