

HB 1464



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

LATE

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON WAYS AND MEANS

Friday, April 3, 2009
9:45 a.m.
State Capitol, Conference Room 211

in consideration of
HB 1464 HD3 SD1
RELATING TO ENERGY RESOURCES.

Good Morning, Chair Kim, Vice Chair Tsutsui, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports this bill with some amendments. House Bill 1464, HD3, SD1 establishes comprehensive measures to promote the increased use and development of renewable energy resources as well as energy efficiency that will greatly benefit the State's economy, environment, energy security and sustainability. DBEDT strongly supports this bill, and we would like to recommend some changes relating to Hawaii's Renewable Portfolio Standards (RPS), the permit processing facilitation in HRS Section 201N-4, the energy efficiency portfolio standards in Section 269, and the administration of the variance applications relating to solar water heater systems in Act 204 as provided in Section 14 of this bill. DBEDT's proposed modifications are aimed at clarifying and strengthening the provisions of this bill, to effectively achieve its intent to promote the increased use and development of renewable energy resources and energy efficiency.

This bill provides significant amendments to Hawaii's Renewable Portfolio Standards (RPS) law mandated in Section 269-91, HRS, (1) to require that the electrical energy savings from efficiency measures shall not count towards the RPS starting in 2015; (2) to increase the RPS goal from twenty per cent to twenty-five per cent of net electricity sales by December 31, 2020; and (3) to establish a forty per cent RPS goal by 2030. This bill requires that beginning 2015, one hundred per cent of the renewable portfolio standards shall be met by electrical generation from renewable energy resources. DBEDT strongly supports these amendments to Hawaii's RPS law, and to further promote the use of renewable resources, we would like to recommend that the amendment to §269-91 (2) is changed to read as follows: **"... provided that, beginning January 1, 2015, electrical energy savings except those that are brought about by customer-sited, grid-connected renewable energy systems shall not count toward renewable energy portfolio."**

Another major provision in this bill which supports the achievement of the HCEI goal is the creation and designation of renewable energy zones to increase the use and development of renewable energy resources, as well as the identification and qualification of transmission projects and infrastructure crucial to the development of renewable energy resources which may receive assistance in accessing the use of special purpose revenue bonds for financing. We strongly support the bill's proposed inclusion of these statutory functions of creating and designating renewable energy zones, and identifying, qualifying, and assisting access to the use of special purpose revenue bonds to finance transmission projects and infrastructure, in the Energy Resources Coordinator's statutory roles and functions as established in Section 196-4, Hawaii Revised Statutes.

DBEDT supports the amendment provided in Section 7 of this bill to expand the definition of “qualified business” in Section 209E-2, Hawaii Revised Statutes, to include businesses engaged in development or production of various types of renewable energy which may qualify for State enterprise zone tax incentives and regulatory flexibility which stimulate business, agricultural, and industrial growth in areas that would result in neighborhood revitalization. Adding other forms of renewable resources including sun, falling water, biogas, geothermal, ocean water, currents, and waves, biomass, biofuels and hydrogen production from renewable energy sources into the Enterprise Zone (EZ) program is consistent with the current approved business activities which presently include wind energy production. The incentives provided for in the EZ program will provide the impetus to help attract these businesses to Hawaii.

Another major amendment provided by this bill relates to the renewable energy projects’ permitting and facilitation. DBEDT supports Section 8 of this bill which proposes to expand the duties of the renewable energy facilitator by specifying the inclusion of renewable energy facilities’ land parcels, production structure or equipment, transmission lines, and on-site infrastructure necessary for the development of renewable energy resources, in the definition of renewable energy projects that are qualified for the facilitator’s services.

DBEDT supports Part V of this bill, which amends the definition of a “Renewable energy facility” in Section 201N-1, HRS. However, DBEDT recommends that the Committee restore the language from Section 10 of HB1464, HD3 which has been removed in the current bill, HB1464, HD3, SD1. That language promotes the expeditious processing of permits for renewable energy projects by amending Section 201N-4 (g), HRS to require the pertinent permitting agency to provide the Energy Resource Coordinator with the report identifying

diligent measures by the agency to process and act upon the permit, within thirty days following the twelfth month after any permit which is part of an approved permit plan has not yet been approved or denied. For clarity, we would also recommend the inclusion of the following language in Section 201N-4 before the last sentence of subsection (g): “If no further processing and action are reported by the permitting agency within five months, the coordinator may deem the permit approved.”

Regarding Part VI, Energy Efficiency Portfolio Standards, Section 11:

We recommend the following amendment replace Section 11, starting on page 20, line 12:

“§269- Energy efficiency portfolio standards. (a) The State shall set an energy efficiency portfolio standard with the goal of off-setting forecasted load growth in the electricity sector from 2009 to 2030. The statewide target shall be 4,300 gigawatt-hours of electricity saved in 2030.

(b) The public utilities commission shall establish energy-efficiency portfolio standards that will maximize cost-effective energy-efficiency programs and technologies.

(c) The energy-efficiency portfolio standards shall be designed to achieve four thousand three hundred gigawatt hours of electricity use reductions statewide by 2030; provided that the commission shall establish interim goals for electricity use reduction to be achieved by 2015, 2020, and 2025 and may also adjust the 2030 standard by rule or order to maximize cost-effective energy-efficiency programs and technologies.

(d) The commission shall establish incentives and penalties based on performance in achieving the energy-efficiency portfolio standards by rule or order.

(e) The public utilities commission shall evaluate the energy-efficiency portfolio standard every five years, beginning in 2013, and may revise the standard, based on the best information available at the time, to determine if the energy-efficiency portfolio standard established by this section remains achievable. The commission shall report its findings and revisions to the energy-efficiency portfolio standard, based on its own studies and other information, to the legislature no later than twenty days before the convening of the regular session of 2014, and every five years thereafter.

(f) Beginning in 2015, electric energy savings brought about by the use of renewable displacement or off-set technologies, including solar water heating and seawater air conditioning district cooling systems, shall count toward this standard.

(g) An electric utility company and its electric utility affiliates may aggregate their efficiency portfolios to achieve the energy-efficiency portfolio standard.

Regarding Section Part VII, Solar Water Heater System, Section 13:

We strongly support this section which transfers approval of applications for variances for solar water heating mandatory installations to the Public Benefits Fee Administrator (PBFA).

The transfer of function reflects an agreement reached with the Governor's Policy Office, the Public Utilities Commission (PUC), and DBEDT.

The transfer of function also follows existing statutes. The PUC authorized utilities to collect from ratepayers a demand-side management surcharge and has transferred these funds collected to a third-party administrator, known as the PBFA and contracted by the PUC. The moneys transferred, known as the Public Benefits Fee, are used to support energy-efficiency and demand-side management programs and services, subject to the review and approval of the PUC. Statutes also authorize the PUC to adopt or establish standards for solar water heating systems for use of the Public Benefits Fee. Therefore, we support transfer of variance approval to the PBFA and offer an amendment to address any utility which collects the demand-side management surcharges but is not affected by the PBFA.

We offer the following amendment for Part VII, Section 13, to clarify administration of the variance by utilities not served by the PBFA:

"For any utility which has received public utility commission approval to collect a demand side management surcharge from ratepayers, and which is not served by the public benefits fee administrator, the utility shall administer the variance and any standards established for solar water heating systems."

Since the surcharge is used to support utility energy-efficiency and demand-side management programs, including solar water heating programs and standards, administration of the variance is in accord with these programs.

Regarding Section Part VII, Solar Water Heater System, Section 14:

We strongly recommend language presently in SB464, HD1, relating to tax credits and refundable tax credits.

Thank you for the opportunity to testify.

Department of Taxation

Position Summary

Senate Committee on Ways & Means/April 3, 2009

Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
HB 1464 HD3 SD1	ENERGY RESOURCES (Provides for and encourages renewable energy use and development, and energy efficiency)	Comments on Renewable Energy Technologies Income Tax Credit. Defers to the DBEDT with regard to other provisions of the bill.	With regard to Section 14 of this bill (changes to the Renewable Energy Technologies income tax credit), the Department prefers the language of SB 464 HD1, which is the same as Part III of SB 1173 SD2.	The net loss of tax revenue is \$3.1 million in FY10, \$4.0 million in FY11, and \$5.3 million per year in FY12, FY13 and FY15.	<p>It is assumed that one company a year will qualify for the EZ tax benefits, proposing to construct a system costing \$100 million. It is assumed that the cost of each system is distributed as follows: 1st year, 80%; 2nd year, 12%; 3rd year, 8%. The total gross income for a 3-year period is assumed to be 35% of the total system cost. The gross income is distributed as follows: 1st year, 0%; 2nd year, 33%; 3rd year, 67%. The GET rate is 4%. The total net income for a 3-year period is assumed to be 5% of the total gross income. The net income is distributed as follows: 1st year, 0%; 2nd year, 25%; 3rd year, 75%. The average income tax rate is 6%. The annual amount of employment security contributions is assumed to be 1% of the total gross income. The premium tax rate is 2.5%. The business tax credit equals 80% of tax liability in the 1st year, 70% in the 2nd year, and 60% in the 3rd year. The loss of tax revenue is \$3.2 million in FY10, \$4.2 million in FY11, and \$5.5 million per year in FY12, FY13 and FY15.</p> <p>There is a revenue gain of \$0.2 million per year (half of it for FY10) as a result of mandating solar water heaters. The assumption is that the mandate will decrease solar tax credit by 5% below the solar tax credit of \$4.1 million in 2006.</p>

HB 1491 HD2 SD1	ETHANOL FACILITY TAX CREDIT (Caps the total annual amount of ethanol facility tax credits allowed)	Defer to DBEDT regarding the effect the cap reduction will have on incentivizing the construction of an ethanol facility.	No technical comments.	No impact in FY 2010, FY 2011 or FY 2012.	It would take at least two years to build a facility. We do not expect any facility to produce ethanol before 12/31/2012.
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LATE

SENATE COMMITTEE ON WAYS AND MEANS

February 5, 2009, 2:45 P.M.
(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 1464, HD3, SD1

Aloha Chair Kim and Members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, generally supports HB 1464, HD3, SD1, regarding Hawai'i's energy future. As with any legislation, however, improvements and tweaks could be made to ensure this legislation accomplishes its goals: to move Hawai'i to a clean, renewable energy future.

To this end, the Sierra Club suggests the following amendments:

Section 1:

The intent of Section 1 was to establish a historic step towards a renewable energy future -- stopping the development of any new fossil fuel electricity generating facilities. A ban, however, works only if it is state-wide. Omitting Kaua'i and limiting the proposed ban to "public utilities" ensures that loopholes will be exploited and the status quo maintained.

We respectfully ask this Committee amend this bill back to its original form. This would be a historic and significant step towards moving Hawai'i to a fossil free future. Let's be the first state in the nation to draw a line in the sand and state our preferred choice is clean, indigenous, renewable sources of electricity.

Section 12:

The Sierra Club supports the amendments made by the Senate Committee on Energy and Environment, particularly with respect to the gas variance requirements. Freely

allowing the installation of a gas heater runs counter to the general principle of the Solar Roofs Act, to wit, to reduce our dependence on fossil fuels and lower our carbon emissions. Only if the the first and second variances are met should a developer be permitted -- and perhaps required -- to install an on-demand gas heater.

We fear without these amendments, developers in the future will be enticed into using fossil fuel heaters, instead of allowing the eventual consumer to obtain cheaper and completely renewable solar energy.

Further, the Sierra Club supports:

- **Clarifying the Solar Tax Credit.** We believe the Solar Roofs act is fairly clear, however to remove any ambiguity, a clarification could be made that the solar tax credit for homes constructed prior to January 1, 2010 remain in place.
- **Inspections.** The Sierra Club supports having some form of inspections to ensure quality solar water heater installations occur.

Thank you for the opportunity to testify.



LATE

SENATE COMMITTEE ON WAYS AND MEANS

April 3, 2009, 9:45 A.M.

Room 211

(Testimony is 5 pages long)

TESTIMONY IN SUPPORT OF HB 1464 HD3 SD1 WITH AMENDMENTS

Chair Kim and members of the committee:

The Blue Planet Foundation supports House Bill 1464 HD3 SD1, an omnibus energy measure to accelerate clean energy development and efficiency in Hawai'i. **We urge this Committee, however, to some critical amendments to this bill to ensure that it is effective in achieving Hawai'i's clean energy objectives.**

SECTION 1

The first part of HB 1464 HD3 is a weak prohibition of the addition or expansion of any new fossil fuel burning facilities for electricity generation. **We respectfully ask that this committee amend HB 1464 HD3 SD1 back to its original form.** The amendments made in the Senate Draft 1 inappropriately exempt Kaua'i from the fossil fuel prohibition until 2015 and make the prohibition apply only to "public utilities." We are concerned that these exemptions severely weaken the effectiveness of this policy and send a mixed market signal about Hawai'i's preferred energy future.

To ensure that this measure produces the intended outcome—a clear policy signal that fossil fuel is not part of Hawai'i's energy future—it needs to be amended to clearly prohibit future fossil fuel facilities. This prohibition should include facilities of any sort, including those that sell electricity to the utility. Fossil fuels are simply not part of Hawai'i's clean energy future. Hawai'i state policy should reflect our preferred energy future powered by clean, indigenous, renewable sources of electricity.

To be clear, an amended HB 1464 HD3 SD1 is not a prohibition on existing fossil fuel electricity generating facilities; it is prospective in nature, only addressing future projects. It also allows the public utilities commission to grant permits for a fossil fuel facility in extraordinary circumstances—an exemption that can be revisited by the legislature in the future as more capable storage technologies come online or indigenous biofuel sources become more readily available.

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Blue Planet Foundation is committed to creating Hawaii's clean energy future. Our goal is making Hawai'i energy independent by 2020. New fossil fuel facilities *of any sort* play no role in Hawaii's clean energy future.

SECTIONS 2 - 5

Sections 2 - 4 of HB 1464 HD3 SD1 redefines and increases Hawaii's existing renewable portfolio standards. Blue Planet strongly supports this policy in conjunction with the energy efficiency portfolio standards contemplated by another measures pending before this committee. We believe that this percentage is not only achievable, but required given the new realities of fossil fuel prices and global climate change.

The original intent of the bill that became Act 95 in 2004 was to set Hawai'i down the path of producing more renewable power. Unfortunately, the "standard" enacted falls far short. The Act left major loopholes that would allow Hawaii's utilities to meet the standards without ever siting a new renewable power facility.

While Act 95 has been called a Renewable Portfolio Standard (RPS), it would be more accurate to call it an "Efficiency Portfolio Standard." House Bill 1464 HD3 SD1 will create a true RPS to drive the state's clean energy market. While striving to increase the amount of energy conservation in Hawai'i should remain a key component to the State's energy strategy, a policy to incrementally increase the amount of clean, indigenous energy generated within the state will increase Hawaii's economic security and self-sufficiency and reduce the impact of electricity production on our environment.

A true RPS would contain the following elements:

- RPS targets must be achieved only by electricity produced from renewable energy resources, and repeal the definition of energy efficiency gains as renewable resources for the purpose of the RPS;
- Eliminate "off-ramps" for failure to meet the standards; and
- Establish penalties for utilities' non-attainment of RPS target.

Finally, while we appreciate the increased RPS levels set by HB 1464 HD3 SD1, Blue Planet believes Hawai'i can be much more aggressive at increasing clean energy use. We suggest that HB 1464 be amended to contain the following RPS levels:

- **20% of net electricity sales by 2015;**
- **30% by 2020;**
- **40% by 2025; and**
- **50% by 2030.**

Setting an aggressive, clear energy efficiency standard and high renewable portfolio standard will mobilize the whole state to move towards our preferred energy future.

SECTION 6 – 7

Sections 6 and 7 of HB 1464 HD3 SD1 clarifies and further defines the duties and responsibilities of the state energy office and provides clarifying definitions. We view this part of HB 1464 HD3 SD1 as relatively straightforward housekeeping amendments that provide more depth in defining the duties of the increasingly important energy office.

Blue Planet believes, however, that it may be time to consider elevating the level of energy planning and implementation in Hawai'i. If we are serious about ending our addiction to fossil fuel and seek to be powered by 100% clean, renewable, and indigenous sources, the government office charged with guiding the transition deserves greater standing and funding within state government. We would support the creation of a state Hawai'i Energy Security Authority (HESA), something akin to the existing Hawai'i Tourism Authority (HTA). HESA would be a stand-alone entity, tasked with all aspects of planning, permitting, and implementation of Hawaii's clean energy future. The Authority would be funded solely from a fee on each barrel of oil imported into the state; as dependency on oil decreases, so does the work of the Authority, and the budget decreases accordingly. Given Hawaii's energy independence the status, funding, and prioritization it deserves would help ensure that we achieve our clean energy goals.

Nonetheless, the simple changes in Sections 6 and 7 of HB 1464 HD3 SD1 are supported as an interim step.

SECTIONS 8 - 9

Sections 8 and 9 of HB 1464 HD3 SD1 expands the types of projects that the renewable energy facilitator is asked to address and further defines the facilitation process. Blue Planet generally supports the intent of these changes.

SECTIONS 10 - 11

Blue Planet supports Sections 10 and 11, directing the public utilities commission (PUC) to establish energy efficiency portfolio standards. We greatly appreciate the amendments made by the previous committee on this measure to further refine the energy efficiency portfolio standards and their achievement.

Energy efficiency, unfortunately, is the “dark horse” of clean energy resources. Energy efficiency—efficient lights, appliances, electronics, behavior changes, and the like—is the largest, cheapest, safest, and fastest energy option that Hawai'i can implement. Consider:

- Energy efficiency is the fastest-growing U.S. “energy source” (growth of ~2.5 to 3.5% annually)
- National energy efficiency programs save energy at an average cost of about 3 cents/kWh -- *about 1/10 the average electricity cost in Hawaii*

- Leading states are saving over 1% additional of total electricity sales annually
- Energy efficiency provides major local economic benefits: energy efficiency is 100% obtained from investment in local homes and businesses
- Also the least visible, least understood, and most neglected

The energy efficiency portfolio standard established through HB 1464 HD3 SD1 should complement the true renewable portfolio standard in sections 5 – 6 of this measure. Setting an aggressive, clear energy efficiency standard and high renewable portfolio standard will mobilize the whole state to move towards our preferred energy future.

Blue Planet strongly urges this Committee to amend HB 1464 HD3 SD1 with language from HB 431 (sections 3 and 4) to require stringent building energy codes, thereby accelerating the creation of energy efficient construction in Hawai'i. Due to long building life, getting new buildings built as efficient as possible is critical to achieve energy independence. As buildings are the largest consumer of electricity and the building stock turns over very slowly, requiring high performance buildings for new construction and retrofitting is critical.

Unfortunately, the measure which required the counties to adopt stringent energy codes for new construction based in the International Energy Conservation Code, HB 431, did not receive a hearing. Blue Planet supports the adoption of more aggressive building code standards by the counties—30% higher than the most recent guideline established by International Energy Conservation Code (IECC). Such a stringent building code would yield the construction of high performance buildings in Hawai'i—performance that would result in much lower energy bills over the life of the home or building.

Hawai'i residents and businesses will lose a year of energy efficient and cost-saving buildings if this measure is tabled for this session. Energy efficient buildings are the cornerstone to our clean energy future. Efficiency investments pay back to Hawaii's residents and economy in numerous ways.

1. First, the investment in efficiency pays back in savings during the home or building's occupancy and use.
2. Second, building more high performance buildings is typically more labor and material intensive than structures that are inefficient, resulting in more job creation—the tradeoff being money is directed toward local jobs and contractors instead of going overseas to purchase fossil fuel.
3. Finally, building high performance buildings is the only way for Hawai'i to achieve its clean energy future. We simply cannot meet our growing energy demands in the short term without radically improving the efficiency of our buildings.

Please amend HB 1464 HD3 SD1 with sections 3 and 4 of HB 431 to truly put Hawai'i on course to achieve its energy efficiency and clean energy objectives.

SECTIONS 12 - 15

The 2008 Solar Roofs Act, Act 204, was a critical step forward toward Hawaii's clean energy future as it ensures that nearly every new home will be equipped with a solar water heater. While we strongly support the existing law, we believe that it could be improved.

Blue Planet strongly supports the amendments made by the Senate Committee on Energy and Environment (Senate Draft 1), particularly those regarding the gas variance requirements. To avoid the situation of fossil fuel-water heaters on new homes statewide, the on-demand gas variance option should be allowed only if the first and second variances are met—that is, the home has poor solar resource and solar would fail the cost-effectiveness test. The variances should only be exercised in rare circumstances where solar doesn't make sense or is not cost effective. We fear that the current language in the law may provide a loophole and create new all-gas subdivisions (particularly if the Gas Company provides infrastructure to new developers to encourage gas use).

Additionally, Blue Planet supports the language in the current draft of the bill:

1. **Blue Planet supports charging the new public benefits fund administrator with the duty to accept and issue variances** instead of the energy resources coordinator at the Department of Business, Economic Development, and Tourism. This task is aligned with the existing duties of the demand side management entity. The public benefits fund administrator should have an up-to-date understanding of the solar technology and the basis for granting or denying waivers.
2. **Blue Planet strongly supports clarifying that the solar tax credits for homes built prior to January 1, 2010, remain in place.** We believe this was the clear intent of the original Act, but making this policy abundantly clear is critical to provide comfort and certainty in the industry.
3. **Blue Planet supports using a portion of the demand side management surcharge for establishing and maintaining a post-installation inspection process.** Such an inspection would verify that the solar water heater was installed in accordance with the quality and performance standards established in §269-44.

Solar water heating is a foundation block in building Hawaii's clean energy future. A solar water system is the most basic renewable energy device to harness the clean energy from the sun. The technology is mature, tested, and works. Solar water heaters provide the greatest energy savings per dollar for reducing substantial residential energy demand. The amendments offered in this draft of HB 1464 HD3 SD1 ensure that the vast majority of new homes come equipped with this clean energy device and helps to smooth the transition toward zero-energy homes of the future.

Thank you for the opportunity to testify.

LATE

WRITTEN ONLY

TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON WAYS & MEANS

APRIL 3, 2009

MEASURE: H.B. No. 1464 H.D.3 S.D.1
TITLE: Relating to Energy Resources.

Chair Kim and Members of the Committee:

DESCRIPTION:

This bill establishes measures to increase the production and use of renewable energy in the State by, among other things, proposing to amend chapter 342B, Hawaii Revised Statutes ("HRS"), by adding a new section stating that no new electricity generating covered source owned by an electricity-generating public utility ("Generating Source"), as defined in section 269-1, HRS, with a rated capacity of more than two megawatts, may generate electricity from fossil fuel sources. This bill exempts electric utility cooperative associations from this restriction until July 1, 2015. Additionally, this bill amends section 342B-1, HRS, by adding a new definition that "electric utility cooperative association" means the same as defined under section 421C-1, HRS.

This bill further prohibits any greater than two megawatt capacity generating source existing on July 1, 2009 from being modified to allow it to use more fossil fuel than allowed under its permit as of July 1, 2009, but exempts electric utility cooperative associations from this restriction by allowing them to modify their facilities existing on July 1, 2009, to use more fossil fuel as a source of electricity generation than is allowed under its permit as of July 1, 2015.

The bill also amends section 269-92, HRS, to prohibit the Public Utilities Commission ("Commission") from approving any application by a public utility as defined in section 269-1, HRS, to build a new generating source of a rated capacity greater than two megawatts that uses fossil fuel to generate electricity, but provides that between July 1, 2009 and July 1, 2015, the Commission may approve such applications when submitted by an electric utility cooperative association. The same HRS section is further amended to increase renewable portfolio standards ("RPS") from twenty to twenty-five percent of net electricity sales by December 31, 2020, and to forty per cent of net electricity sales by December 31, 2030, with at least fifty per cent of the RPS generated using renewable energy prior to January 1, 2015, and thereafter the entire RPS shall be met by electrical generation from renewable energy sources.

This bill also amends section 269-91, HRS, by changing the definition of "renewable electrical energy" to provide that beginning January 1, 2015, electrical energy savings shall not count toward the renewable energy portfolio standards, nor are the standards to include those savings from customer-sited grid-connected photovoltaic systems, and the section's definition of "renewable energy" is amended to include ocean thermal energy conversion.

The bill also adds a new section to chapter 269, Hawaii Revised Statutes ("HRS"), requiring the Public Utilities Commission ("Commission") to establish energy efficiency portfolio standards ("EPS" or "Standards") that will maximize cost-effective energy efficiency programs and technologies. These EPS standards shall be designed to achieve four-thousand three-hundred gigawatt hours of electricity use reductions by 2030, and allows the Commission to establish interim goals for energy use reduction to be achieved by years 2015, 2020, and 2025. The bill authorizes the Commission to adjust the 2030 standard by rule or order to maximize cost-effective energy efficiency programs and technologies.

This bill also proposes to amend provisions of Act 204, Session Laws of Hawaii ("SLH"), 2008, and section 196-6.5, HRS, to move the duty of processing variances for mandatory solar water heating installations from the energy resources coordinator to the Public Benefits Fee ("PBF") Administrator under chapter 269, HRS, Part VII, and requires the PBF Administrator to conduct post-installation verification inspections of the solar water heaters installed.

In addition, this bill amends section 269-44, HRS, by changing the date by which the Commission solar water heater system standards are to be established from July 1, 2009 to January 1, 2010, and allows the Commission to contract with the public benefits fee ("PBF") administrator for the development of those system standards.

This bill also amends section 235-12.5, HRS, relating to tax credits available for solar thermal energy systems.

POSITION:

The Commission supports the intent of this bill to increase the production and use of renewable energy in the State, but has several comments and recommendations.

COMMENTS:

- This bill, among other things, provides that chapter 342B, HRS, be amended by adding a new section that prohibits new and existing electricity generating covered sources from using fossil fuel for generation of electricity as of July 1, 2009. The bill also amends chapter 269-92, HRS, by restricting the Commission from approving any application to build a new generation facility of the same two megawatt or greater size that uses fossil fuel as the source of electricity generation as of the same date. Both of these amendments include exemptions for electric utility cooperative associations.

- The Commission sees no reason to make exemptions for electric utility cooperative associations as proposed. The Commission supports the State's move to clean energy generation and would recommend the exemption for electric utility cooperative associations be removed from this bill.
- With respect to this bill's proposal to add a new section to chapter 269, HRS, requiring the Commission to establish energy efficiency portfolio standards, the Commission is in support with this goal and appreciates the flexibility provided in setting the interim standards, and the ability to adjust the long-term goal if doing so is appropriate. The Commission understands the importance of energy efficiency as a low-cost, green resource, and is doing all it can to maximize the implementation of these types of cost-effective measures. Setting the EPS policy in statute with a long range goal should assist the Commission and other stakeholders in doing all they can to achieve savings for electricity consumers throughout the state.
- On the other hand, with respect to this bill's section 13 proposal to amend provisions of Act 204, SLH 2008, and section 196-6.5, HRS, to require that the PBF Administrator conduct post-installation verification inspections, the Commission would like the Committee to be aware that this proposal will add to the duties and responsibilities of the PBF Administrator, which will be funded by ratepayers under chapter 269, HRS, Part VII. In addition, requiring the PBF Administrator to conduct the post-installation inspections of mandatory solar water heater installations would divert more funding that could be used to achieve greater energy savings through more innovative energy efficiency programs.
- During the current period of the State's economic distress, and as this portion of section 13 of the bill will increase the responsibilities and workload of the PBF Administrator and ultimately be paid for by the ratepayers, the Commission has serious reservations about supporting the requirement that the PBF Administrator to conduct the post-installation inspections.
- The Commission has no objection to section 16 of this bill proposing to amend section 269-44, HRS, relating to the Commission being authorized to contract with the PBF administrator to develop standards for solar water heater systems.
- The Commission has no comments regarding the remaining sections and elements of this bill.

Thank you for the opportunity to testify.