

SB 1065



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AND ECONOMIC DEVELOPMENT AND TECHNOLOGY

THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

TUESDAY, FEBRUARY 10, 2009
3:00 P.M.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS TO THE HONORABLE SENATOR GABBARD, CHAIR, SENATOR
FUKUNAGA, CHAIR, AND MEMBERS OF THE COMMITTEES

**SENTATE BILL NO. 1065 – RELATING TO THE NATURAL ENERGY LABORATORY
OF HAWAII AUTHORITY.**

DESCRIPTION:

This measure exempts the Natural Energy Laboratory of Hawaii Authority (“NELHA”) from regulation by the Hawaii Public Utilities Commission (“Commission”) if sales are made to users located on adjacent property that is under lease from the State.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) offers comments for the Committees’ consideration.

COMMENTS:

To the extent that NELHA may provide electrical services as described by the measure to itself, it need not request such a statutory exemption, since the provision of services to oneself already would be exempt from regulation. If, however, NELHA intends to utilize the utility’s grid to transmit the energy to its neighbors who lease State property, it would not be appropriate for NELHA to wholly be excluded from regulation.

S.B. No. 1065
Senate Committees on Energy and Environment
and Economic Development and Technology
Tuesday, February 10, 2009, 3:00 P.M.
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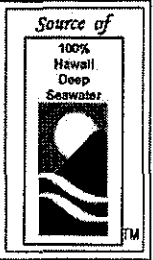
That is, it may be reasonable to exclude NELHA from rate setting, commitment of funds, and other sections applicable to regulating an investor-owned utility, but NELHA should be required to meet the performance and safety standards required for transmission and distribution of energy.

Thank you for this opportunity to testify.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



Statement of
RON BAIRD
CHIEF EXECUTIVE OFFICER
Natural Energy Laboratory of Hawaii Authority
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
and the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
Tuesday, February 10, 2009
3:00 p.m.
State Capitol, Conference Room 225

in consideration of
SB 1065
RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

Chair Gabbard, Vice-Chair English, and members of the Senate Committee on Energy and Environment, Chair Fukunaga, Vice-Chair Baker, and members of the Senate Committee on Economic Development and Technology, I am Ron Baird, Chief Executive Officer of the Natural Energy Laboratory of Hawaii Authority, located in Kailua-Kona.

NELHA is the leader in stimulating the development of alternative energy in Hawai'i. There are currently four alternative energy projects underway; solar thermal, solar concentrating, wind energy, and biofuels from algae. In the past year, the companies pursuing these projects have spent over \$17 million in capital dollars and created 25 new, permanent, high technology jobs in addition to numerous construction jobs. We are presently trying to encourage a renewable waste-to-energy plant to locate at NELHA. It would represent a capital investment of between \$100 and \$150 million, create 29 full-time jobs, produce 6 to 8 megawatts of electrical power and perhaps 140,000 to 190,000 barrels of biodiesel or biojet on an annual basis.

NELHA itself has a request for proposal in the issuance process for private industry to come and build a scale-up OTEC plant, using the \$19.9 million 55" pump system the state built originally for that purpose.

NELHA also had filed a RFP for the construction and operation of a 1 to 3 megawatt photovoltaic array. This unit, if successfully built by private enterprise, would, we believe, significantly reduce the cost of electricity to run the many pumps NELHA operates to bring seawater to its tenants.

About 60% to 70% of the cost of delivering that lifeblood water --- thousands of gallons per minute -- to the tenants is electricity. The phenomenal increase in oil prices last spring and

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summer not only pointed out the state's vulnerability to fuel prices but also NELHA's. In the first quarter, we exceeded our budgeted amount for electricity. Based on tenant projection of water needs, both seawater and fresh water over the next biennium and being sharply aware of the possibility of energy prices rising during that time period, we budgeted for an increase in energy expenses of \$659,190 in the next fiscal year and \$2,041,529 in the second year of the biennium.

The simple fact is, however, most of the tenants are aquaculturalists – farmers – and the cost of this raw material – seawater – is a major item for many of them. Unless some means is found to reduce the cost of production of seawater.....and labor already has been over reduced and maintenance is under budgeted.....these important contributors to the Hawai'ian economy will be slowly lost. Reducing electricity costs through the stimulation of development and sale of alternative energy from NELHA is the most practicable and cost effective manner to achieve this goal.

This Senate Bill 1065 would also make it possible for NELHA to transmit power to adjoining state agencies, reducing their cost of conducting the business of the state.

NELHA supports the passage of this Bill into an Act as NELHA believes its passage and implementation will render the organization more efficient and cost-effective and enable it to better serve its tenants and the state.

Thank you very much for your consideration of my testimony and if you have any questions, I would be happy to take and answer them now to the best of my ability. Thank you again for your time.