

DATE

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEES ON ENERGY AND ENVIRONMENT
AND
COMMERCE AND CONSUMER PROTECTION
FEBRUARY 05, 2009**

MEASURE: H.B. No. 1173
TITLE: Relating to Hawaii's Energy Efficiency.

Chairs Gabbard and Baker and Members of the Committees:

DESCRIPTION:

This bill proposes a comprehensive package to study and increase energy efficiency throughout the state.

POSITION:

The Commission supports the intent of this bill to meet the state's goals in energy efficiency efforts and programs. However, sections 1, 2, 3, 4, 11, 12, and 16 of this bill may not be necessary as the Legislature has already given the Commission broad guidelines in establishing energy efficiency programs with the PBF Administrator and need not delineate specific energy efficiency programs for implementation. The Commission defers Sections 5, 6, 7, 8, 9, 10, 13, 14, 15, and 17 of the bill to the committee.

COMMENTS:

- **Currently, part VII, chapter 269, HRS, provides that the Commission may, by order or rule, require that all or a portion of the moneys collected by Hawaii's electric utilities from its ratepayers through a demand-side management surcharge ("Public Benefits Fee" or "Fee") be transferred to a Commission-contracted PBF Administrator to be used to support energy-efficiency and demand-side management programs and services.**
 - After conducting a competitive bidding process in 2008 for a PBF Administrator, the Commission made its selection in December 2008 and is scheduled to enter into a contract with the winning bidder, Science Applications International Corporation (or "SAIC") by the end of this month. Thus, SAIC will be the PBF Administrator which will provide energy efficiency programs in the HECO Companies' service territories.
 - The Legislature has already given the Commission sufficient guidance in establishing the PBF Administrator's duties and responsibilities as delineated in HRS § 269-123(b):

(b) The public benefits fee administrator's duties and responsibilities shall be established by the public utilities commission by rule or order, and may include:

(1) Identifying, developing, administering, promoting, implementing, and evaluating programs, methods, and technologies that support energy-efficiency and demand-side management programs;

(2) Encouraging the continuance or improvement of efficiencies made in the production, delivery, and use of energy-efficiency and demand-side management programs and services;

(3) Using the energy-efficiency expertise and capabilities that have developed or may develop in the State and consulting with state agency experts;

(4) Promoting program initiatives, incentives, and market strategies that address the needs of persons facing the most significant barriers to participation;

(5) Promoting coordinated program delivery, including coordination with electric public utilities regarding the delivery of low-income home energy assistance, other demand-side management or energy-efficiency programs, and any utility programs;

(6) Consideration of innovative approaches to delivering demand-side management and energy-efficiency services, including strategies to encourage third-party financing and customer contributions to the cost of demand-side management and energy-efficiency services; and

(7) Submitting, to the public utilities commission for review and approval, a multi-year budget and planning cycle that promotes program improvement, program stability, and maturation of programs and delivery resources.

- Thus, the PBF administrator will also be required to review and develop new and innovative programs, including those proposed in this bill. For example, the pay-as-you save program, household replacement programs and the consumer information program as described in sections 11, 12 and 16 respectively of this measure, could presumably be one of the specific types of programs to be administered by the PBF Administrator.
- Although it is within the Legislature's prerogative to prescribe in detail specific energy efficiency programs like the program described in this bill, it would be

doing so in a vacuum without a deliberate consideration of its costs and benefits of the proposed program relative to other energy efficiency opportunities that may also be available.

- It is important to remember that the PBF Administrator is under contract to the Commission; it is not a governmental agency, and any additional duties and responsibilities to be given to the PBF Administrator by the Commission will require either further contractual negotiations and compensation or the retention of another program administrator. The additional costs cannot be determined at this time.
- The Commission recommends the committee allow the Commission to work with the PBF Administrator to aggressively develop these programs and to determine what energy efficiency programs would be the most effective and in the public interest.
- In addition, the Commission's contract with the PBF Administrator will include performance requirements (including energy savings and total resource benefits) that the PBF administrator must meet in order to receive incentives. The PBF administrator's performance will be independently analyzed and verified to determine compliance with the requirements, and the requirements themselves will be reviewed and updated at least every two years.
- While some states, including New York and Illinois, have, or are in the process of creating or studying, energy efficiency portfolio standards and accompanying interim targets for energy efficiency, other states have opted to take a broader policy approach and require by law that electricity resource needs be met first through all available energy efficiency and demand reduction resources that are cost-effective or less expensive than supply.
- The Commission prefers the latter approach and would strongly support statutory language that provides policy direction to the Commission to acquire all cost-effective energy efficiency working in conjunction with the PBF Administrator. This would have the benefit of allowing the Commission to balance net resource benefits, savings to customers, rate impacts and other considerations.
- The approach taken by section 1 of this measure may be difficult to administer as it would require the Commission to identify all parties and stakeholders that would be responsible for each element of the energy efficiency portfolio and establish incentive and penalties based on performance, but it may be unclear whether the Commission will have jurisdiction to award incentives and impose penalties on various parties and stakeholders that may include various state and county government agencies and companies and industries that may not be currently regulated by the Commission.

- The bill is also unclear in that the base time and data from which energy efficiency savings should be calculated, among other detail and operational issues that may need to be addressed.
- Should the Legislature prefer that specific energy efficiency standards as described in this bill be set by the Commission, we will defer to that determination and we should be able to incorporate the standards into energy efficiency program goals and requirements. In addition, the Commission requests that it be allowed to determine whether the 4300 gigawatt hours of electricity savings by 2030 specified in this measure is an appropriate mandate, and that the Commission be authorized to further implement this mandate by rule or order.

Thank you for the opportunity to testify.