



**DEPARTMENT OF BUSINESS,
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, March 17, 2009
8:30 a.m.
State Capitol, Conference Room 325

in consideration of

**SB 1671 SD1
RELATING TO FOSSIL FUELS**

Good Morning, Chair Morita, Vice Chair Coffman, and Members of the Committee.

DBEDT asks that this legislation be amended. Senate Bill 1671 SD1 prohibits the permitting of a new electricity generating facility with capacity greater than two megawatts using fossil fuel that is owned by a public utility, and the modification of an existing facility to allow the use of more fossil fuel than is allowed under its permit as of July 1, 2009. The bill exempts electric utility cooperative associations from these prohibitions. While DBEDT supports these prohibitions as necessary to the achievement of the Hawaii Clean Energy Initiative's (HCEI) goal to transition Hawaii's energy sector to 70% non-fossil based sources by 2030, we believe that exempting an electric utility cooperative from these prohibitions will diminish the effectiveness of this bill, and we recommend that this exemption be deleted.

Bill No. 1671
Support Y N
Date 3/16/09
Time 1426
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Type 1 2 WI

This bill will contribute significantly towards achieving Hawaii's energy goals.

Currently, the Hawaii utilities use fossil fuel to generate over ninety per cent of the total electricity they sold, which represents almost twenty-five per cent of Hawaii's total oil imports. Only about nine per cent of the electricity sold is generated from renewable resources. Any new fossil fuel-based generation installed today will have a useful lifetime of 30 to 50 years or more, and will perpetuate Hawaii's dependence on imported oil for another generation, compromising Hawaii's energy security, Hawaii's economy, and Hawaii's environment. More importantly, the economic risks and high price volatility of Hawaii's heavy dependence on imported fossil fuel for electricity generation are currently borne entirely by Hawaii's consumers. To the extent possible, future requirements for energy must be met by electricity generation from clean indigenous renewable resources and increased energy efficiency.

This provision for no new fossil-based electric generating units greater than two megawatts has been agreed to in the Energy Agreement between the State and the HECO companies, and will help promote and accelerate the increased use and development of renewable energy-based power generation.

Thank you for the opportunity to testify.

TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
MARCH 17, 2009

Bill No. 1671

Support Y N

Date 3/16/09

Time 1626

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MEASURE: S.B. No. 1671 S.D.1
TITLE: Relating to Fossil Fuels

Chair Morita and Members of the Committee:

DESCRIPTION:

This bill amends chapter 342B, Hawaii Revised Statutes ("HRS"), by adding a new section providing that as of July 1, 2009, 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 2015, the Commission may approve such applications when submitted by an electric utility cooperative association.

POSITION:

The Commission supports the intent of this bill to align the State's energy policy with the State's preferred clean energy future by prohibiting new or expanded fossil fuel power plants.

COMMENTS:

- The Commission sees no reason to make exemptions for electric utility cooperative associations as is proposed in this bill. 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.

Thank you for the opportunity to testify.

LINDA LINGLE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
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Bill No. 1671

Support Y N

Date 3/16/09

Time 1735

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Type 1 2 WI

CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

In reply, please refer to:
File:

HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

S.B. 1671, SD1, SSCR 739, RELATING TO FOSSIL FUELS

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

March 17, 2009
8:30 a.m.

1 **Department's Position:** The Department of Health strongly supports the intent of this measure that
2 contributes towards Hawaii's energy goal of 70% non-fossil sources by 2030 and its pollution control
3 goal of reducing greenhouse gas emissions down to 1990 levels by 2020. We note that the bill proposes
4 a novel role for the Department's air pollution control program to prohibit new, fossil-fuel electric
5 generating facilities.

6 **Fiscal Implications:** None.

7 **Purpose and Justification:** In an effort to transition Hawaii away from fossil fuel dependency and to
8 combat global warming, this bill prohibits the Department of Health, effective July 1, 2009, from
9 permitting any new fossil fuel electric generating facility rated more than two megawatts, and from
10 permitting any existing fossil fuel electric facility of the same rating to burn more fossil fuel than
11 already allowed. The bill also includes similar provisions for the public utilities commission to disallow
12 new fossil fuel electric facilities.

13 First, we appreciate that the bill supports the Hawaii Clean Energy Initiative (HCEI) goal of
14 70% renewable Hawaii energy by 2030 and greenhouse gas emission reduction goal of reaching 1990
15 levels by 2020. We understand the serious nature of Hawaii's dependence on imported oil and the
16 urgency to move towards renewable energy whose increasing use will benefit not only Hawaii's energy

1 security but its environment and economy as well. We understand that the Energy Agreement between
2 the State and the HECO companies provides for no new fossil-based electric generating units greater
3 than two megawatts. Although they have different goals, both the HCEI work groups and the
4 Greenhouse Gas Emission Reduction Task Force do have some objectives and actions which cross and
5 complement each other. The Greenhouse Gas Task Force will be making their recommendations to the
6 legislature at the end of the 2009 calendar year.

7 Second, the Department's air pollution control program currently has a different purpose than
8 this bill provides. It serves to protect public health and the environment by evaluating a given facility
9 for its air quality impacts primarily from what the U.S. Environmental Protection Agency classifies as
10 "criteria pollutants" for which national health and welfare based standards have been set. The
11 department regulates facilities to ensure their operations will be within those established standards. A
12 facility will be disapproved if the Department has determined that the operation will have an adverse
13 impact on the ambient air quality.

14 HRS 342B, Air Pollution Control, has not been used to prohibit outright the construction or
15 modification of any specific source category, particularly fossil fuel electric facilities which Hawaii
16 currently depends on for its energy. A prohibition such as the one proposed, may be more appropriately
17 left to an entity involved with Hawaii's energy, development, and growth policies because it will be
18 better able to assess the state's overall resources and energy needs, technology advancements, and
19 economic effects on the state.

20 The department supports the approach taken in the Administration Bill, S.B. 870, Relating to
21 Hawaii's Clean Energy Initiative in Electric Generation and Delivery. This bill includes changes to the
22 renewable energy portfolio standards in chapter 269, Hawaii Revised Statutes, which deals with the
23 Public Utilities Commission.

24 Thank you for this opportunity to testify.

25

Before the House Committee
on
Energy and Environmental Protection

Testimony on SB 1671, SD 1 - Relating to Fossil Fuels

Tuesday, March 17, 2009
8:30 a.m., Conference Room 229

By
Steven J. Oppenheimer
Associate General Counsel
Hawaiian Electric Company, Inc.

Bill No. 1671
Support Y N
Date 3/16/09
Time 1606
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Chair Morita, Vice-Chair Coffman, and Members of the Committee:

My name is Steven Oppenheimer. I am an Associate General Counsel at Hawaiian Electric Company, Inc. I am testifying on behalf of Hawaiian Electric and its subsidiaries, Hawaii Electric Light Company and Maui Electric Company, collectively, the Hawaiian Electric Companies.

As stated in the October 2008 *Energy Agreement* that the Hawaiian Electric Companies entered with the Governor, the Consumer Advocate and the Department of Business, Economic Development and Tourism, the Hawaiian Electric Companies are committed to move "decisively and irreversibly away from imported fossil fuel for electricity and transportation and towards indigenously produced renewable energy and an ethic of energy efficiency". We therefore support the intent of SB1671, SD 1 with suggested amendments.

Commitment and Needs: To meet the ambitious goals of the *Energy Agreement*, the Hawaiian Electric Companies have agreed, among other things, to meet a significantly more robust Renewable Portfolio Standard, to integrate large amounts of intermittent renewable resources such as wind and solar generated electricity into the companies' systems¹ and to transition to the use of biofuels.² In addition, the Hawaiian Electric Companies agreed to not add any new "fossil-based generation over two megawatts" to the systems beyond those already under construction or approved by the Public Utilities Commission.

¹ As much as 1000 megawatts (MW) of renewable resources on Oahu including 400 MW of wind power from Lanai or Molokai; 60 MW on the Big Island; and 50 MW on Maui.

² In the *Energy Agreement* the Hawaiian Electric Companies agree that the move to biofuels is not intended to slow the implementation of existing or future non-fuel renewable energy projects.

To ensure system reliability and stability while integrating intermittent renewable resources, the Hawaiian Electric Companies will need to use fuel burning equipment capable of quickly responding to fluctuations in the intermittent renewable energy output. This will include existing units and in some cases new combustion units such as “distributed generation” (DG) located on either company or customer property. An important feature of DG is that it can provide energy security and reliability under emergency circumstances. For example, in the case of a widespread system emergency, the DG units can be “islanded” so that they provide electricity directly to the facilities where they are located.³ For this reason, the U.S. Department of Defense promotes DG at its facilities.

Issues: Currently, the amount of DG and other quick start combustion generation on the Company systems, particularly on Oahu, is insufficient to provide system stability for all the intermittent resources we are committed to integrating into the system. At the same time, biofuels resources are limited.

Until there are reliable, sustainable sources of biofuels, new and existing combustion units will need dual fuel capabilities. Biofuels are the fuel of preference, but if there are not enough biofuels for all the units, some may need to burn biofuel-fossil fuel mixes.

As currently worded, SB1671, SD 1 would prohibit permitting of new dual-fuel covered sources or permit revision for an existing unit to allow operational changes which might burn more fuel, including fossil fuels under conditions of limited biofuel availability.

Potential unintended consequences of SB 1671, SD 1 are: (1) The inability to integrate intermittent resources into the system as quickly or efficiently as anticipated, and (2) the inability to provide energy security to military and other operations requiring the ability to operate 24/7 under emergency conditions.

Recommendation: The Hawaiian Electric Companies therefore respectfully recommend the following changes to SB1671, SD 1:

- Revise the language in Section 2 subsection (a) to read "Effective July 1, 2009, no new covered source that is owned or operated by an electricity-generating public utility, as defined in section 269-1, with a rated capacity of more than two

³ For example, the Airport DG project, which is permitted to burn both biodiesel and fossil fuels, is designed to dedicate its output to Honolulu International Airport in the case of a system emergency.

megawatts shall be permitted to generate electricity solely from fossil fuel sources..."

- Add language at the end of Section 2 subsection (b) that reads "Effective July 1, 2009, no covered source that is owned or operated by an electricity-generating public utility, as defined in section 269-1, with a rated capacity of more than two megawatts and existing on July 1, 2009, except for an electric utility cooperative association, shall be modified in any manner that allows it to use more fossil fuel as a source of electricity generation than is allowed under its permit as of July 1, 2009.; provided that any such existing covered source that is permitted to burn both biofuels and fossil fuels may be modified to allow it to use more fossil fuels in the case of an emergency or a shortage of biofuels."
- Revise the language in Section 3 (b)(4) to read "Effective July 1, 2009, the public utilities commission shall not approve any application by a public utility as defined in section 269-1 to build a new generation facility with a rated capacity greater than two megawatts that uses solely fossil fuel as the source of electricity generation..."

Thank you for the opportunity to present testimony on SB1671, SD 1.



Sierra Club Hawai'i Chapter

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Bill No. 1671

Support Y N

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HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION Type 1 2 WI

March 17, 2009, 8:30 A.M.
(*Testimony is 2 pages long*)

TESTIMONY IN SUPPORT OF SB 1671 SD1, WITH AMENDMENTS

Aloha Chair Morita and Members of the Committee:

The Sierra Club, Hawaii Chapter, with 5500 dues paying members statewide, ***strongly supports*** the intent of SB 1671 SD1, banning the addition or expansion of any new fossil fuel burning facilities for electricity generation. This is a bold policy directive that indicates our state's preferred choice is clean, indigenous, renewable sources of electricity. We can be the first in the nation to draw the line and say "no more fossil fuels."

This measure is grounded in sound reasoning; we simply cannot continue our dependence on imported oil. Hawai'i imports more oil -- ***by far*** -- than any other state in the nation. Some 50 million barrels are imported annually, nearly 80% of which originate from foreign sources. In addition, over 805,000 tons of coal are imported into our state. These sources provide power for over 92% of Hawaii's electricity generation. The combustion of these resources also contributes over 23 million tons of climate changing greenhouse gas into our atmosphere annually.

We cannot sustain Hawai'i's demand for oil. The potential consequences of inaction are dire. Our economy will increasingly be strained by the rising cost of oil and, at some point, Hawai'i will no longer be able to afford the oil necessary to keep the lights on in our home and businesses.

Hawaii's economic, environmental, and energy security demand that we reduce the amount of fossil fuel imported and consumed in Hawaii. This bill takes a half-hearted step in that direction, but it could go much further. Rather than acknowledging our incredible dependence on fossil fuels and stating "six years from now we'll stop permitting more fossil fuel plants," ***we need to draw the line today***. We already supply ninety-two percent of our energy demand from fossil fuels. It's time to say that we've built enough fossil fuel plants.

Accordingly, the Sierra Club suggests the following amendments :

- On page 3, lines 6-8, omit the following language “provided that electric utility cooperative associations shall be exempt from the requirements of this subsection until July 1, 2015.”
- On page 3, lines 12-13, omit the following language “except for an electric utility cooperative association,”
- On page 3, lines 16-21, omit the following language “No covered source that is owned or operated by an electric utility cooperative association with a rated capacity of more than two megawatts and existing on July 1, 2009 shall be modified in any manner that allows it to use more fossil fuel as a source of electricity generation than is allowed under its permit as of July 1, 2015.”
- On page 5, lines 3 -7, omit the following language “provided that, between July 1, 2009 and July 1, 2015, the Public Utilities Commission may approve such applications when the application is submitted by an electric utility cooperative association.”

If we're going to be serious about our efforts to reduce our carbon dependence and greenhouse gas emissions, we need make bold steps today. A line drawn six years in the future is woefully inadequate, particularly when we already rely on fossil fuels for 92% of our energy needs.

Thank you for this opportunity to provide testimony.