

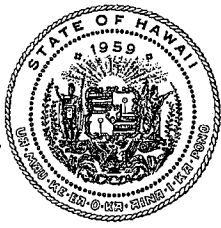
SB 1173

Department of Taxation

Position Summary

Senate Committee on Ways & Means/March 5, 2009

Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
SB 1173 SD 1	ENERGY EFFICIENCY	Support.	No technical comments.	DBEDT estimates the revenue loss for the net zero building tax credit at \$450,000 in FY10 and \$900,000 per year for FY11 through FY15.	The Department concurs with DBEDT's estimates.



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

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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**
Thursday, March 5, 2009
10:20 a.m.
State Capitol, Conference Room 211

in consideration of
SB1173 SD1
RELATING TO ENERGY EFFICIENCY.

Chair Kim, Vice Chair Tsutsui, and members of the committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB1173 SD1, which embodies many of the proposals initiated in an Administrative bill. We support the proposals for energy efficiency portfolio standards, public buildings and benchmarking, energy efficiency consumer information in the sale or lease of real property, tax credit for net-zero energy buildings, renewable energy technologies income tax credits, and requirements for the Public Benefits Fee Administrator.

Regarding Part II, Section 2, Energy Efficiency Portfolio Standard, of SB1173 SD1, we strongly recommend that the following be included:

"Beginning in 2015 electrical energy savings brought about by the use of renewable displacement or off-set technologies,

including solar water heating and sea-water air-conditioning district cooling systems, shall count toward this standard."

We recommend the inclusion of renewable substitution technologies starting in 2015 since SB1258 SD1, relating to renewable portfolio standards, which we support, allows for inclusion of renewable substitution technologies until 2014. Therefore, in 2015 there will be a transition of renewable displacement technologies moving from the Renewable Portfolio Standards to the Efficiency Portfolio Standards.

Regarding Part II, page 6, lines 12 and 13, relating to Public Buildings; benchmarking, since benchmarking will be a responsibility of the Energy Resources Coordinator, we recommend deleting the phrase: "as determined by the public benefits fee administrator".

Regarding Part III, page 26, item (i), lines 15 and 16, since item (i) refers to section 196-6.5, we recommend deleting the phrase: "authorized by a building permit issued on or after January 1, 2010."

Finally, we also strongly support and recommend that the Public Benefits Fee Administrator (PBFA) administer the variances for the mandatory solar installations. The PBFA is charged with developing, managing, evaluating, and establishing program criteria for energy efficiency programs. Energy efficiency programs for the island of Kauai are not administered by the PBFA and this is recognized and addressed in item (c). Therefore, we strongly recommend that the following be inserted:

Section 196-6.5, Hawaii Revised Statutes, is amended to read as follows:

"[+] §196-6.5[+] **Solar water heater system required for new single-family residential construction.** (a) On or after January

1, 2010, [~~no building permit shall be issued for~~] a new single-family dwelling [~~that does not~~] shall include a solar water heater system that meets the standards established pursuant to section 269-44, unless the [~~energy resources coordinator~~] public benefits fee administrator approves a variance. A variance shall only be approved if an architect or engineer licensed under chapter 464 attests that:

- (1) Installation is impracticable due to poor solar resource;
 - (2) Installation is cost-prohibitive based upon a life cycle cost-benefit analysis that incorporates the average residential utility bill and the cost of the new solar water heater system with a life cycle that does not exceed fifteen years;
 - (3) A substitute renewable energy technology system, as defined in section 235-12.5, is used as the primary energy source for heating water; or
 - (4) A demand water heater device approved by Underwriters Laboratories, Inc., is installed; provided that at least one other gas appliance is installed in the dwelling. For the purposes of this paragraph, "demand water heater" means a gas-tankless instantaneous water heater that provides hot water only as it is needed.
- (b) A request for a variance shall be submitted to the [~~energy resources coordinator~~] public benefits fee

administrator on an application prescribed by the
[~~energy resources coordinator~~] public benefits fee
administrator and shall include, but not be limited
to, a description of the location of the property and
justification for the approval of a variance using the
criteria established in subsection (a). A variance
shall be deemed approved if not denied within thirty
working days after receipt of the variance
application.

- (c) 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.

Thank you for the opportunity to provide this testimony.

**Testimony Before the Senate Committees
On
Ways and Means**

March 5, 2009 (10:20 AM)

S.B. 1173 SD1 RELATING TO ENERGY EFFICIENCY

**By: Alan Hee
Energy Services Department
Hawaiian Electric Company, Inc.**

Chair Kim, Vice Chair Tsutsui, and Members of the Committees:

My name is Alan Hee, and I represent Hawaiian Electric Company (HECO) and its subsidiary utilities, Hawaii Electric Light Company (HELCO) and Maui Electric Company (MECO). I appreciate the opportunity to present testimony on S.B. 1173 SD1.

Energy Efficiency Portfolio Standard

HECO supports the development of an energy efficiency portfolio standard. It reflects the commitment of the state to energy efficiency and creates a yardstick against which we can measure our progress as a community towards energy independence.

However, HECO also supports giving the PUC the authority to establish the energy efficiency portfolio standard. It is the right agency to administer this standard because it has been involved in the utilities' integrated resource planning and demand-side management programs for over 13 years.

We therefore request an amendment to the bill. Rather than quantifying the energy efficiency portfolio standard by legislation, HECO suggests that the level of the standard be set by the PUC after it has had an opportunity to review recommendations from the public benefits fund administrator, who will be administering the energy efficiency programs later this year. Other industry participants, including the electric utilities, should also be asked to provide input to quantifying this standard.

For example, the bill requires a reduction of 4,300 GWH. It is not clear whether the 4,300 GWH is cumulative or incremental. HECO also questions the basis and the methodology used to determine the 4,300 GWH figure.

Cost Effective Resources

HECO supports establishing aggressive, cost effective, energy efficiency plans. However, HECO is concerned with the definition of energy efficiency "cost-effectiveness" included in this bill (page 14, lines 11-17), which is different from the definition used by the utilities and the PUC since 1996. The language for "cost effectiveness" used in this bill considers only the perspective of the person or business installing the measure. However, ratepayers are funding the energy efficiency programs, and their costs and benefits should also be considered.

For example, it is conceivable that an energy efficiency measure meets the proposed cost-effectiveness requirement only because other ratepayers are paying nearly the full incremental cost of the measure through rebates. This would not be fair to the ratepayers who do not benefit from the energy savings in their bills. HECO therefore requests that the definition

of “cost effectiveness” proposed in this measure not be adopted and that the current definition of “cost effectiveness” be retained.

On-bill Financing of Energy Efficiency

HECO supports the intent of this bill to provide on-bill financing options to encourage consumer acquisition of more efficient major electrical appliances, solar water heaters, and photovoltaic systems. The bill proposes that this program be administered by the Public Benefits Fund (“PBF”) Administrator.

Currently, the utilities are responsible for administering an on-bill financing pilot program for residential solar water heaters. However, it should be noted that this type of financing program is costly for the utility as it is not set up as a loan servicing organization. The PBF Administrator may be in a better position to administer and track these types of transactions. HECO would continue to provide billing and payment support.

Furthermore, the Public Utilities Commission (“Commission”) will be executing the PBF Administrator contract shortly. The PBF Administrator will be required to develop and propose a PV rebate program to the Commission in 2009. The PBF Administrator will also be required to review and develop new programs, which could include energy efficient appliance incentives programs.

HECO recommends the committee allow the Commission to work with the PBF Administrator to develop these types of programs, which may include financing options.

Solar Water Heating Tax Credit for Homes Built After December 31, 2009

Finally, HECO supports the language in Section 5, page 26, lines 11-16, that clarifies the ineligibility of single family homes built on or after January 1, 2010 for renewable energy technology tax credits.

In summary, HECO supports SB 1173 SD1, but has several recommendations that would enhance the proposed language. Thank you for this opportunity to testify on this measure.

WRITTEN ONLY

TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE WAYS AND MEANS
MARCH 5, 2009

MEASURE: S.B. No. 1173 S.D. 1
TITLE: Relating to Energy Efficiency.

Chair Kim and Members of the Committee:

DESCRIPTION:

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

POSITION:

The Commission supports this bill to further develop state energy policy and to help meet the state's goals in energy efficiency efforts and programs. However, the Commission recommends a correction to the bill that would have the energy resources coordinator develop the benchmarking process for public buildings, as well as provide training for benchmarking as currently provided in the bill.

Comments:

In Section 2, under a proposed new section, "Public Buildings; benchmarks," state departments will be required to benchmark existing public buildings larger than 5,000 square feet or use more than 8,000 kWh of electricity, by December 31, 2010. As currently drafted, the method to benchmark the buildings is to be determined by the public benefits administrator and the energy resources coordinator will provide training to the state departments on the benchmarking tool.

The Commission recommends that the bill be amended to authorize the energy resources coordinator to both 1) establish the benchmarking tool and 2) provide the training to the state departments on the benchmarking tool.

Thus, this provision of the bill should provide as follows:

§ - Public buildings; benchmarks. (a) By
December 31, 2010, each state department with

responsibilities for the design and construction of public buildings and facilities shall benchmark every existing public building that is either larger than five thousand square feet or uses more than eight thousand kilowatt-hours of electricity or energy per year, and shall use the benchmark as a basis in determining the State's investment in improving the efficiency of its own building stock. Benchmarking shall be conducted using the ENERGY STAR portfolio management tool or an equivalent tool, as determined by the ~~public benefits fee administrator~~ **energy resources coordinator**. The energy resources coordinator shall provide training to affected departments on the ENERGY STAR portfolio management tool or an equivalent tool.

Thank you for the opportunity to testify.