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LAWRENCE M. REIFURTH
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RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

THURSDAY, APRIL 2, 2009
10:00 A.M.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS TO THE HONORABLE ROSALYN BAKER, CHAIR, AND MEMBERS OF
THE COMMITTEE

HOUSE BILL NO. 1270, HD1, SD1 – RELATING TO RENEWABLE ENERGY.

DESCRIPTION:

This measure removes the requirement that the Hawaii Public Utilities Commission (“Commission”) establish the rate for purchase of electricity by a public utility at an amount not more than one hundred percent of the cost avoided by the utility.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) supports the measure.

COMMENTS:

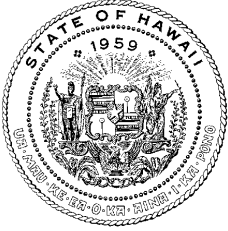
Removal of the avoided cost limitation on purchased power pricing will provide the Commission with greater flexibility when it establishes such pricing terms, and will enable the Commission to be better able to consider the long-term benefits of a purchased power contract (especially when the record demonstrates that over the short-term the prices exceed the utility’s current avoided costs).

It is important that consumers are provided with accurate information about the rate impacts that may be experienced over the short-term. That is, a change in the

H.B. No. 1270 HD1, SD1
Senate Committee on Commerce and Consumer Protection
Thursday, April 2, 2009, 10:00 A.M.
Page 2

infrastructure used to produce electricity will need to occur, which may be costly over the short-term. Such a shift is necessary as it will provide our community with a greater number of options and increased energy security over the long-term.

Thank you for this opportunity to testify.



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Thursday, April 2, 2009
10:00 A.M.
State Capitol, Conference Room 229

in consideration of
HB 1270 HD1 SD1
RELATING TO RENEWABLE ENERGY

Good morning, Chair Baker, Vice Chair Ige, and Members of the Committee.

DBEDT supports HB 1270 HD1 SD1 which removes the link between the purchase power rates payable by the utility for nonfossil fuel generated electricity, and the prices of fossil fuels. It amends Section 269-27.2 (c), Hawaii Revised Statutes (HRS), by deleting the provision that limits the rate for purchase of nonfossil fuel generated electricity by a public utility to no more than 100 per cent of the utility's avoided cost. It also amends the definition of "Cost-effective" in Section 269-91, HRS, to remain consistent with the methodology set by the Public Utilities Commission (PUC).

Removing the limit on the purchase power rates based on the utility's avoided cost provides the PUC with greater flexibility in determining just and reasonable purchased power rates, and will more likely promote the development of renewable energy resources.

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
SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION
APRIL 2, 2009**

MEASURE: H.B. No. 1270 H.D. 1 S.D.1
TITLE: Relating to Renewable Energy

Chair Baker and Members of the Committee:

DESCRIPTION:

This bill amends Section 269-27.2, Hawaii Revised Statutes (“HRS”), by removing the avoided cost limit on the rate for purchase of electricity by a public utility when the utility purchases electrical energy. In addition the bill amends the definition of “cost effective” in Section 269-91, HRS.

POSITION:

The Commission has no objections to the proposed amendments.

COMMENTS:

The Commission defers to the Legislature’s judgment as to whether the avoided cost limit on the rate that an electric utility must pay for nonfossil fuel generated electricity should be eliminated.

The Commission appreciates the Legislature’s proposed amendment to the definition of “cost effective” as contained in HRS Section 269-91, to remain consistent with the methodology set by the Commission:

Thank you for the opportunity to testify.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawai'i Energy Policy Forum

Mr. Robbie Alm, HECO
Ms. Amy Asselbaye, Ofc of US Rep.
Neil Abercrombie
Ms. Madeleine Austin, World Business Academy
Ms. Catherine Awakuni, Div. of Consumer Advocacy
Mr. Warren Bollmeier
Hi Renewable Energy Alliance
Mr. Carlito Caliboso, PUC (Observer)
Mr. Albert Chee, Chevron
Mr. Kyle Datta, U.S. Biofuels
Mr. Mark Duda Hi Solar Energy Assoc.
Sen. Kalani English, Hi State Senate
Mr. Mitch Ewan, UH HNEI
Mr. Carl Freedman
Haiku Design and Analysis
Mr. Mark Glick, OHA
Mr. Steve Golden, The Gas Company
Dr. Michael Hamnett, RCUH
Ms. Paula Helfrich, EDAH
Mr. William Kaneko, HI Institute for Public Affairs
Mr. Darren Kimura, Energy Industries Holdings
Mr. Mike Kitamura, Ofc of US Sen. Daniel K. Akaka
Mr. Kal Kobayashi, Maui County
Mr. Laurence Lau, DOH
Ms. Yvonne Lau, Ofc of US Rep. Mazie Hirono
Mr. Allyn Lee, C&C of HNL
Mr. Aaron Leong, Ofc of US Senator Daniel K. Inouye
Dr. Stephen Meder, AIA-Honolulu
Sen. Ron Menor, Hi State Senate
Mr. Robert Harris, Sierra Club
Dr. Bruce Miller, UH Ofc of Sustainability
Dr. Sharon Miyashiro, Social Sciences Public Policy Ctr.
Rep. Hermina Morita, HI State House of Representatives
Mr. Tim O'Connell, USDA/Rural Development
Mr. Richard Paglinawan
Pa Ku'i A Lua
Ms. Melissa Pavlicek, Western States Petroleum Assn
Mr. Randy Perreira, HI State AFL-CIO
Dr. Rick Rocheleau, UH HNEI
Mr. Peter Rosegg, HECO
Mr. Steven Rymsha, KIUC
Mr. Riley Saito, PowerLight Corp.
Mr. Glenn Sato, Kauai County OED
Ms. Carilyn Shon, DBEDT
Mr. Bill Short, BIA of Hawaii
Mr. Ray Starling, HI Energy Grp
Mr. Lance Tanaka, Tesoro HI Corp
Dr. Don Thomas, UH Center for the Study of Active Volcanoes
Mr. Murray Towill, Hawai'i Hotel Assn
Ms. Joan White, Hon Community Action Program

Testimony of
Carl Freedman
Chair, Regulatory Reform Working Group
Hawai'i Energy Policy Forum

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Rosalyn H. Baker, Chair
Senator David Y. Ige, Vice Chair

Thursday, April 2, 2009 10:00 AM.
Conference Room 229

IN SUPPORT OF HB 1270 HD1 SD1 – RELATING TO RENEWABLE ENERGY

I am Carl Freedman, Chair of the Regulatory Reform Working Group of the Hawaii Energy Policy Forum ("Forum"). The Forum is comprised of over forty representatives from the electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. We have been meeting since 2002 and have adopted a common vision and mission, and a comprehensive "10 Point Action Plan," which serves as a framework and guide for meeting our preferred energy vision and goals.

HB 1270 HD1 SD1 would delete the Hawaii State statutory avoided cost ceiling on wholesale energy contracts in section HRS 269-27-2(c) which is currently more restrictive than federal avoided cost limitations. This change would allow the Hawaii PUC to allow renewable energy producers to receive higher than "least avoided costs" when a price is agreed between the utility and the producer and the PUC finds the price to be "just and reasonable". Federal law limiting mandatory enforcement by the PUC of prices above avoided cost would still apply. The need for this change was identified in the Feed-in Tariff docket now in process before the PUC.

HB 1270 HD1 SD1 also amends the definition of "cost effective" in the Renewable Portfolio Standards section HRS 269-91 so that it properly conforms to the amended section HRS 269-27-2(c).

These amendments would allow the PUC to most effectively establish rates that support implementation of appropriate renewable energy resources while maintaining a standard that rates must be just and reasonable.

For the reasons above the Forum supports HB 1270 HD1 SD1.

Thank you for this opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organization

TESTIMONY BEFORE THE
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Thursday, April 2, 2009
10:00 a.m.
Conference Room 229, State Capitol

H.B. No. 1270, H.D. 1, S.D. 1
RELATING TO RENEWABLE ENERGY

By Lisa Kikuta
Director, Government & Public Affairs
Hawaiian Electric Company, Inc.

Chair Baker, Vice-Chair Ige, and Members of the Committee:

My name is Lisa Kikuta, testifying on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd. (collectively, the HECO Companies).

The HECO Companies support this bill, which proposes to delete the provision in HRS § 269-27.2(c) that may cap the price that a utility pays to an independent power producer (IPP) for non-fossil fuel generated electricity at one hundred per cent of the cost that the utility avoids by purchasing the electrical energy rather than producing it. It also proposes to amend the definition of “cost-effective” under HRS § 269-91.

The proposed change may help to address the challenges that may arise during negotiations between the utility and the IPP when it comes to discussing a purchase price that is no more than the utility’s avoided cost. For example, in some cases, it may be difficult for an IPP to accept a price that is no more than the avoided cost, due to complexities associated with the IPP’s particular production site, facilities needed to interconnect the project or use of newer technology.

In addition, this bill would clarify the Public Utilities Commission’s flexibility to decide whether power purchase agreements between the utility and IPPs are in the public interest. For example, the Commission may be able to approve a power purchase agreement connected to a particular renewable energy project if the overall merits of the project, both cost and non-cost, justify a price that is higher than the utility’s avoided cost.

For these reasons, we support H.B. No. 1270, H.D. 1, S.D. 1 and request its passage. Thank you for the opportunity to testify.

Senate Committee on Commerce and Consumer Protection
HB1270, HD1, SD1 RELATING TO ENERGY EFFICIENCY

Chair Baker, Vice-Chair Ige and Committee Members:

Introduction: My name is Riley Saito Senior Manager, Hawaii Projects for the SunPower Systems Corporation. Thank you in advance for accepting these few comments on **HB1270, HD1, SD1**.

SunPower Systems Corporation ("SunPower") has been a member of the Hawaii Energy Policy Forum since it convened in 2003 and a member of the HCEI Energy Generation group over the past year. SunPower is in the business of designing, manufacturing, and delivering the highest efficiency solar electric technology worldwide. One of our latest projects was the 1.2 megawatt La Ola solar farm on Lanai with Castle & Cooke Hawaii.

SunPower supports HB1270, HD1, SD1 because in late 2008 the Hawaii Public Utilities Commission initiated a Docket into the investigation of Feed-in Tariffs in Hawaii. Although the PUC investigation is still ongoing, research has shown that one of the key elements in a successful feed-in tariff program is to have flexibility in regards to pricing that would encourage renewable energy investors to enter the market. The current language limits the rates to 100% of avoided cost. This limitation will not allow the PUC to have the flexibility to set the proper rate structure to reduce Hawaii dependency on fossil fuels.

The amendments proposed in this bill will allow the PUC the flexibility in determining a just and reasonable rate for non-fossil fuel generated electricity, not coupled with avoided cost based on a centralized fossil fuel generation, and (hopefully) lead to more non-fossil fuel distributed generated electricity in the Hawaii market.

Mahalo for the opportunity to submit testimony.

**HB 1270 HD1 SD1
RELATING TO RENEWABLE ENERGY**

**PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.**

APRIL 2, 2009

Chair Baker and Members of the Senate Committee on Commerce & Consumer Protection:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 1270 HD1 SD1, "A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY." We support this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 125 years. While Hawaii's many other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations and the implementation of our diversified bio-production program, to have sustained our operations and continue as a major employer in the State of Hawaii. Today, as we face increasingly lower margins from raw sugar production because of flat commodity prices along with increasing production costs, HC&S is in the process of transitioning from a primary producer of commodity sugar into the production of specialty sugar and bio-based products. In addition to being the sole supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production of our specialty Maui Brand Sugar.

In addition, HC&S generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and also provides electricity to Maui Electric Company (MECO). This biomass electricity is primarily produced by burning bagasse, the residual fiber of the sugar cane plant, as a fuel to generate steam for the production of power. In addition to providing approximately 7% of MECO's electricity, HC&S also serves as a firm power source to MECO, and has played a significant role in the restoration of MECO's electrical service during power outages.

This bill proposes to remove the dependency of the rate for electrical energy primarily generated from non-fossil fuels from the cost of electrical energy generated entirely from fossil fuels. The result will be a significant reduction of the present linkage between the volatile market price of fossil fuels and the rate for the production of electricity primarily from non-fossil fuels. By minimizing the potential for fluctuations in the public utility reimbursement rates (which presently occur in conjunction with the fluctuation in the market price of fossil fuels), the prospects of attracting new renewable energy producers and retaining present renewable energy producers will be significantly enhanced. The anticipated result will be an overall lowering of Hawaii's dependence on fossil fuel imports and an increase in the prospects of Hawaii's future energy security.

Based on the aforementioned, we respectfully request your favorable consideration on this bill.

Thank you for the opportunity to testify.

**DOWLING
COMPANY, INC**

Room # 229 10:00 AM April 2, 2009

**SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
HB1270, HD1, SD1 RELATING TO ENERGY EFFICIENCY**

Chair Baker, Vice-Chair Ige and Committee Members:

My name is Jennifer Stites and I am the Green Development Manager for Dowling Company, Inc. ("DCI"). DCI is a Maui-based real estate development company that is committed to sustainable development. To guide this effort and determine our performance metrics, we have adopted the nationally recognized U.S. Green Building Council's ("USGBC") Leadership in Energy and Environmental Design ("LEED") rating system. We are especially proud and excited that DCI's first USGBC LEED certified project is our own office located in Wailuku, Maui. Our office was also the first USGBC LEED certified office on Maui.

DCI supports HB1270, HD1, SD1 because in late 2008 the Hawaii Public Utilities Commission initiated a Docket into the investigation of Feed-in Tariffs in Hawaii. Although the PUC investigation is still ongoing, research has shown that one of the key elements in a successful feed-in tariff program is to have flexibility in regards to pricing to encourage renewables to enter the market. The amendments proposed in this bill will allow the PUC the flexibility in determining a just and reasonable rate for nonfossil fuel generated electricity which in turn will hopefully lead to more nonfossil fuel generated electricity in the Hawaii market.

Thank you for the opportunity to submit testimony.