

SB 2331

WRITTEN ONLY

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
FEBRUARY 24, 2010**

**MEASURE: S.B. No. 2331 S.D.1
TITLE: Relating to Renewable Energy**

Chair Baker and Members of the Committee:

DESCRIPTION:

This bill would require that by 2015 a minimum of two per cent of each utility's renewable portfolio standard ("RPS") be from biofuel or from agricultural producers.

POSITION:

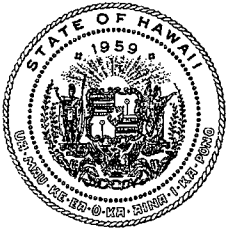
The Public Utilities Commission ("Commission") supports this bill.

COMMENTS:

The Commission appreciates the amendments made to the measure in the Committee on Energy and the Environment to address our now former concern that electric utilities could have been responsible for using a specific percentage "agricultural energy" when they have no control over agricultural production.

Also, as a further note, the electric utilities have been investigating the use of biofuel even in some of their older generation fleet, and could well exceed the proposed two per cent mandate.

Thank you for the opportunity to testify.



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

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

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Wednesday, February 24, 2010
10:00 a.m.
State Capitol, Conference Room 229

in consideration of
SB 2331 SD1
RELATING TO RENEWABLE ENERGY.

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

The Department of Business, Economic Development, and Tourism (DBEDT) offers comments on SB 2331, SD1, which would modify the statutory renewable portfolio standards under section 269-92, Hawaii Revised Statutes, to require the combustion of agricultural products. We prefer the language and approach proposed in the Administration measure, SB 2671, for the reasons noted below.

The stated purpose of the bill is to support Hawaii's farmers and agricultural producers. We believe that SB2331 SD1 could be revised to be much more supportive of Hawaii's farmers and agricultural producers. For example, it would be helpful to farmers to require that their electricity be preferred by the utility. It would not be helpful to become mired in a debate over whether a fuel produced outside of the state would meet the requirement.

Electricity sold to the utility is guaranteed to be locally produced, since it cannot be shipped into Hawaii.

Therefore, requiring the utility to purchase electricity from an agricultural producer eliminates any debate about -- or even explicit requirement for -- in-state production.

A long term contract for the sale of electricity could provide an agricultural producer with a stable source of additional income. This would strengthen our agricultural sector.

Therefore, we recommend that the bill be revised to require that 2% of net electricity be obtained from Hawaii's agricultural producers. This would provide agricultural producers with the benefits of electricity production contracts; support food and energy security; provide economic diversification; and keep dollars circulating within Hawaii's economy.

Therefore, we recommend that section 1 of the bill be revised to read as follows:

SECTION 1. The legislature finds that a strong agricultural sector is essential for Hawaii's food security and can be an integral part of Hawaii's energy security. Long-term contracts for sales of electricity can improve agricultural producers' economic position while contributing to Hawaii's energy diversification.

The purpose of this Act is to modify the renewable portfolio standards to specify that beginning January 1, 2015, a minimum of two per cent of electrical power generation, as measured by kilowatt hours, be met from renewable power generated by facilities that commercially produce food products or biofuels in tandem with the production of electrical power.

We also recommend that Section 2 of the bill be revised to read:

SECTION 2. Section 269-92, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

"(b) The public utilities commission may establish standards for each utility that prescribe what portion of

the renewable portfolio standards shall be met by specific types of renewable energy resources; provided that:

- (1) Prior to January 1, 2015, at least fifty per cent of the renewable portfolio standards shall be met by electrical energy generated using renewable energy as the source, and after December 31, 2014, the entire renewable portfolio standard shall be met by electrical generation from renewable energy sources;
- (2) Beginning January 1, 2015, electrical energy savings shall not count toward renewable energy portfolio standards;
- (3) Where electrical energy is generated or displaced by a combination of renewable and nonrenewable means, the proportion attributable to the renewable means shall be credited as renewable energy; [and]
- (4) Where fossil and renewable fuels are co-fired in the same generating unit, the unit shall be considered to generate renewable electrical energy (electricity) in direct proportion to the percentage of the total heat input value represented by the heat input value of the renewable fuels[-]; and
- (5) Beginning January 1, 2015, at least two per cent of net electrical power generation, as measured by kilowatt-hours, shall be met from electrical power generated by facilities that commercially produce biofuels or food, feed, or wood products in tandem with the production of electrical power. For the purposes of this section, a facility engaged in the commercial production of biofuels is one that produces over five hundred thousand gallons of biofuel per year; a facility engaged in the

commercial production of food, feed, or wood products is one that produces over fifty thousand pounds of saleable product per year."

We encourage the Committee to incorporate our recommended revisions. Thank you for the opportunity to offer these comments.

LINDA LINGLE
Governor



SANDRA LEE KUNIMOTO
Chairperson, Board of Agriculture

DUANE K. OKAMOTO
Deputy to the Chairperson

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512

**WRITTEN TESTIMONY OF SANDRA LEE KUNIMOTO
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION
WEDNESDAY, FEBRUARY 24, 2010
10:00 A.M.
ROOM 229**

**SENATE BILL NO. 2331, SD1
RELATING TO RENEWABLE ENERGY**

Chairperson Baker and Members of the Committee:

The purpose of this bill is to require that by 2015, a minimum of two percent of each utility's renewable portfolio standard be from biofuel or from agricultural producers. The Hawaii Department of Agriculture (HDOA) offers comments.

HDOA is a strong supporter of the State's energy diversification efforts and appreciates the intent of this Act to establish a minimum use of agricultural products for electrical energy production. However, we question the need to limit the source of agricultural feedstock to commercial agricultural enterprises that produce more than one million pounds of products or commodities per year. There are a limited number of commercial agricultural enterprises in Hawaii who can meet this level of production and it would be more beneficial, in our view, to encourage production from a number of different sources. Allowing the marketplace to determine the suppliers through competition fosters innovation, job creation, and lower costs.