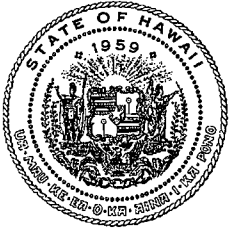


SB 2331



**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 ENERGY AND ENVIRONMENT
Thursday, January 28, 2010
3:00 p.m.
State Capitol, Conference Room 225

in consideration of
SB 2331
RELATING TO RENEWABLE ENERGY.

Chair Gabbard, Vice Chair English, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports SB 2331, which would modify the statutory renewable portfolio standards under section 269-92, Hawaii Revised Statutes, to specify that, beginning in 2015, a minimum of two per cent of electricity generation must be met with renewable electricity generated from facilities that commercially produce food products or biofuels in tandem with the production of electrical power.

Encouraging locally grown food and locally grown fuels can decrease Hawaii's reliance on the importation of food and petroleum. This bill encourages the tandem development of food products and biofuels by allocating a subset of the renewable energy portfolio standards to entities that combine food and fuel production, thereby increasing the economic viability of the operation.

Locally grown food and fuels are essential for Hawaii's energy and food security. Long-term contracts for electricity production can improve project viability and encourage both energy and food security while contributing to Hawaii's energy diversification. This measure will provide a measure of food and energy security; provide economic diversification; and keep dollars circulating within Hawaii's economy.

We encourage your support of this measure. Thank you for the opportunity to offer these comments.

WRITTEN ONLY

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
JANUARY 28, 2010**

MEASURE: S.B. No. 2331

TITLE: Relating to Renewable Energy

Chair Gabbard 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 the intent of this bill, and would defer to the Legislature in this policy determination, but the Committee should be aware of possible issues involved with this proposal.

COMMENTS:

The Commission supports the intent of the measure, but has concerns that electric utilities could be responsible for using a specific percentage "agricultural energy", when they have no control over agricultural production. With other renewable resources, if no developers were to offer to sell electricity, the utility could develop renewable generation projects themselves. However, it is unreasonable probably beyond the intent of this measure to expect electric utilities to begin an agricultural enterprise if other local sources of "agricultural energy" don't materialize. As we have seen with the State's ethanol-gasoline blending requirement, mandating the use of a particular fuel, doesn't necessarily mean that fuel's feedstock production or refining will take place locally.

Further, the electric utilities are 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.

**Testimony before the
Senate Committee on**

Energy & Environment

S.B. 2331 -- Relating Renewable Energy

Thursday, January 28, 2010

3:00 pm, Conference Room 225

**By Arthur Seki
Director, Renewable Technology
Hawaiian Electric Company, Inc.**

Chair Gabbard, Vice-Chair English and Members of the Committee:

My name is Arthur Seki. I am the Director of Renewable Technology for Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO), hereby referred to collectively as the HECO Utilities.

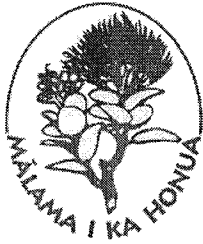
The HECO Utilities are committed to exploring and using agricultural energy (biofuels) in its existing and planned generating units. The use of biomass and biofuels can reduce the State's dependence on imported oil and increase the amount of renewable energy from sustainable resources. This commitment by the HECO Utilities is demonstrated by the following initiatives:

- Purchases 12 MW of bagasse-fired electrical generation from HC&S sugar mill in Puunene, Maui;
- Installed a 113 MW power plant in 2009 at Campbell Industrial Park to be 100% biofueled;
- Signed a 5 MW power purchase contract for waste biomass-fired electrical generation from a plywood veneer facility on the Big Island;
- Negotiating new contract for a biomass to electricity facility on the Big Island;

- Tested biodiesel in its diesel engines and combustion turbine at MECO's Maalaea power plant and planning to conduct further tests;
- Planning for a 30-day test at Kahe 3 biofuel co-firing demonstration in a steam boiler generating unit for late 2010;
- Provided 3 years of seed funding to the Hawaii Agriculture Research Center ("HARC") and the agriculture departments at the University of Hawaii's Manoa and Hilo campuses to conduct biofuel crop research with a 4th year of funding to follow this year; and
- Evaluating micro-algae for biofuels production using power plant emissions.

The HECO Utilities strongly support agricultural energy. However, S.B. 2331, which calls for a 2% agricultural energy renewable portfolio standard ("RPS") to be met by the end of 2014, is inflexible and not dependent on whether 2% agricultural energy is even available. If the Legislature chooses to pursue this path, we would recommend that an availability requirement be included.

Thank you for the opportunity to present this testimony.



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.538.6616 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

January 28, 2010, 3:00 P.M.

(Testimony is 1 page long)

TESTIMONY IN OPPOSITION TO SB 2331

Aloha Chair Gabbard and Members of the Committee:

The Hawai'i Chapter of the Sierra Club opposes SB 2331, which requires a minimum of 2% of each utility's renewable portfolio standard be from biofuel. While we support the intent of encouraging agriculture and developing renewable energy here in Hawai'i, we believe this concept should be connected to a specific energy plan that analyzes the potential impacts of these types of initiatives. To this end, we suspect bioenergy may be better utilized in our transportation system -- such as liquid fuel that can power our vehicles.

The State Department of Business and Economic Development should create a master plan for renewable energy development in Hawai'i. Such a plan should identify specific categories of renewable energy, like distributed energy and biofuels, and determine what role these sectors should play in Hawai'i's renewable future. Some factors to analyze should include greenhouse gas reduction, cost, diversity of our energy portfolio, public support, job creation, and overall environmental benefits to Hawai'i.

Once we develop such a plan, we could then utilize policy tools to encourage specific categories of renewable energy to reach the identified market share. One such tool could be a RPS mandate, as is proposed in SB 2331. Another method would be to encourage the PUC to adopt aggressive feed-in-tariff rates that are designed to create a set level of economic activity.

Without some plan or analysis,¹ we're concerned that the State might establish a boondoggle mandate that doesn't help advance our clean energy goals.

Thank you for this opportunity to provide testimony.

¹ We note that the recently adopted Bioenergy Master Plan does not appear to include the mandate proposed in this bill.