

WRITTEN ONLY

TESTIMONY OF CARLITO P. CALIBOSO  
CHAIRMAN, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII

Bill No. SB 2357

TO THE  
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION  
MARCH 9, 2010

Date 3/9

Time 542

MEASURE: S.B. No. 2357 SD2  
TITLE: Relating to Renewable Energy

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Chair Morita and Members of the Committee:

**DESCRIPTION:**

This bill adds a new section to Chapter 269, HRS, to require natural gas utility companies to submit an annual report to the Public Utilities Commission ("Commission") that contains:

- The percentage of produce natural gas, biogas, biofuels, or biofeedstocks sold and distributed in Hawaii derived from fossil fuels;
- The percentage of natural gas, biogas, biofuels, or biofeedstocks sold and distributed in Hawaii derived from renewable energy;
- The quantity and energy value of natural gas, biogas, biofuels, or biofeedstocks sold and distributed in Hawaii from fossil fuels; and
- The quantity and energy value of natural gas, biogas, biofuels, or biofeedstocks sold and distributed in Hawaii from renewable energy.

The bill also adds the requirement that the Commission submit the first report to the Legislature no later than December 15, 2011.

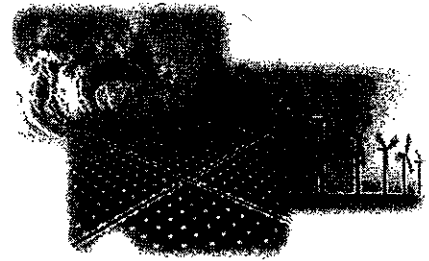
**POSITION:**

The Commission supports this bill.

**COMMENTS:**

The Commission is supportive of this bill, as the Commission would like to further understand The Gas Company's use of renewable energy sources in its feedstock or end product to determine whether or not The Gas Company has the ability to meet certain renewable portfolio standards ("RPS") to ultimately achieve the Hawaii Clean Energy Initiative goal of 70 percent clean, renewable energy by 2030.

Thank you for the opportunity to testify.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION Bill No. SB 2359

March 9, 2010, 9:00 A.M.

Room 325

(Testimony is 3 pages long)

Date 3/8

TESTIMONY IN SUPPORT OF SB 2357 SD2, SUGGESTED AMENDMENTS

Time 1559

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Chair Morita and members of the Committee:

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The Blue Planet Foundation supports Senate Bill 2357 SD2, a measure that would establish reporting requirements for natural gas utility companies to disclose the mix of feedstocks used to create the natural gas sold in Hawai'i. While we fully support these reporting requirements as a minimum to help our state track progress toward our clean energy goals, Blue Planet respectfully requests that this measure be amended back to its original form. That form of the bill would expand the benefits of the renewable portfolio standard to natural gas utility companies. Such a standard will help to wean Hawai'i from imported oil while helping to avoid a distorted energy market as the electric utilities are required to comply with a renewable portfolio standard.

Blue Planet applauds the Gas Company for its stated efforts to produce more of its synthetic natural gas (SNG) from renewable and plant-based sources. By using local sources to create SNG, Hawai'i can reduce its carbon emissions while weaning itself from fossil fuel. Further, the new renewable gas feedstock market may help support local agricultural operations and waste recycling operations.

The Gas Company has suggested that it is prepared to aggressively move forward to use more plant-based and renewable sources as SNG feedstock. The attached *Honolulu Advertiser* article from November 22, 2009 (with emphasis added) discusses the Gas Company's plans and their belief that integrating high amounts of local feedstock is a good business decision and may save gas customers money.

Thank you for the opportunity to testify.

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NOVEMBER 22, 2009

# GAS COMPANY SETS PLANS TO TURN FAT INTO FUEL

By Greg Wiles

Hawai'i's sole producer of synthetic natural gas is turning to the barnyard as it looks to go greener with renewable fuel sources.

[REDACTED]

It's drawn up plans to turn fats such as beef tallow, poultry fat and choice white grease from pigs into biomethane, a gas that's chemically identical to natural gas. Currently the company uses petroleum byproducts from local refineries for its feedstock.

"We hope to in five years be about 50 percent renewables in our system," said Jeffrey Kissel, president and chief executive officer of the Honolulu-based company.

"As we ramp up, I hope we create demand for local production so we can buy the majority of our material from local resources."

[REDACTED]

[REDACTED]

The effort is in keeping with goals by the state of weaning itself off petroleum for economic and security reasons. Oil accounts for almost 90 percent of all energy consumed in Hawai'i, making the state more dependent on imported petroleum than anywhere in the country. Three-quarters of the state's electricity is generated using oil as a fuel.

The problems with this addiction were apparent last year when crude oil spiked to \$147 a barrel in July 2008, sending Hawai'i's nation-leading gasoline and electricity prices to record highs. The oil shock drove home an already stated goal by Gov. Linda

Lingle of converting Hawai'i into a renewable energy model for others to emulate. Lingle set a target of having 70 percent of the state's energy come from renewables by 2030. Hawai'i's electric utilities have signed on to the effort, while there's been a jump in interest in solar photovoltaics, wind energy and geothermal endeavors. Not-so-well-known alternate energy technologies such as wave power and ocean thermal energy conversion are also receiving serious consideration.

"We need to create an energy system that will survive," said Ted Peck, state energy administrator.

"It makes sense from an energy security standpoint. At \$75 a barrel it makes sense from a business standpoint."

[REDACTED]

[REDACTED]

The project uses technology that's been around for years. But there's been renewed interest of late in using animal and other fats to produce fuels. Pacific Gas & Electric on the Mainland is looking at a pilot project, and in Louisiana, Tyson Foods and Syntroleum Corp. formed a company to produce biodiesel and jet fuels from chicken fat and other animal oils.

In Hawaii, Hawaiian Electric Co. will do testing of its new \$137 million generator using biodiesel from Renewable Energy Group, an Iowa-based company that will provide fuel made from animal fats.

While Hawaii's use of natural gas is lowest of any state, it still has a good market among hotels and restaurants that use the gas on O'ahu as a more efficient alternative for heating water and cooking compared to electricity. The Gas Co., formed in 1904, maintains 1,100 miles of pipelines that deliver synthetic natural gas to 28,000 customers.

Kissel said the company has the only operating SNG plant in the U.S. and provides an advantage for the renewable venture since The Gas Co. won't have to invest millions into building a plant. Instead, he said existing equipment will be converted to accommodate the new feedstock at a cost of less than \$10 million that will be funded out of the company's operations.

The company has formed a joint venture with energy and power industry contractor Primoris Services Co. of Lake Forest, Calif., to work out processes for the renewable project. Hawaii's SNG customers pay the highest rates in the country, with local prices quoted by the U.S. Energy Information Administration being more than two times the next closest state's average.

[REDACTED]

Moreover, the venture could provide a catalyst for more cattle ranching or agriculture operations in the state. It also could take methane gas produced by landfills or use algae as a feedstock, Kissel said.

"If we provide a market for local commodities we'll be generating more jobs here and making Hawaii more sustainable from a food-producing standpoint," he said.

Then there are the environmental benefits of reducing the state's carbon footprint by switching from oil. It won't process used restaurant oil that's currently refined by Pacific Biodiesel Inc. on Maui and O'ahu for transportation fuel. The initial concentration will be on use of animal and fish fats.

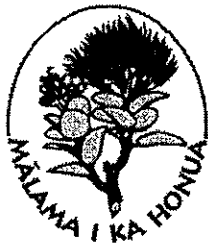
"If the Gas Company has found a local supply, we would look favorably on that," said Henry Curtis, executive director of Life of the Land, a nonprofit environmental group following the state's energy issues.

"It's important to reuse this material."

The renewable process will also produce propane that can eventually be sold to the company's customers on the Neighbor Islands, as well as hydrogen. Kissel said the surplus hydrogen is being investigated for possible uses as a transportation fuel or fuel cells.

"What the Gas Company is doing is just tremendously exciting," said Peck, the state's energy czar.

"They're really moving and we're thrilled."



# Sierra Club Hawai'i Chapter

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Bill No. SB 2357

Date 3/8

Time 1752

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## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

March 9, 2010, 9:00 A.M.  
(Testimony is 2 pages long)

### TESTIMONY IN SUPPORT OF SB 2357 (SD2), WITH A PROPOSED AMENDMENT

Aloha Chair Morita and Members of the Committee;

The Sierra Club, Hawai'i Chapter supports SB 2357 (SD2), which creates a reporting requirement with regard to the Gas Company's move towards renewable energy resources. We suggest, however, that this measure be amended to reflect the original Senate version to create an actual, enforceable renewable portfolio standard ("RPS").

#### I. RPS Provides Economic Security.

With 67,000 customers<sup>1</sup> (more than the County of Kauai), we know that the Gas Company has a very real impact on Hawai'i's energy security and greenhouse gas production. Gas prices in Hawai'i are volatile and subject to the fluctuations of the oil market. If Hawai'i's refineries were to terminate operations,<sup>2</sup> there is an open question as to whether the Gas Company could maintain a continuous supply of gas to its customers without moving to a different source. Moving towards a renewable portfolio makes smart economic sense and provides security to Hawai'i's gas consumers.

There are additional benefits to this measure. Natural gas can be made from renewable resources, such as sugarcane or even waste products. These materials are neither as scarce nor as expensive as crude oil. Even more importantly, these materials are available here. By creating a RPS, Hawai'i would set a clear course for a steady, incremental transition to renewable fuels.

#### II. The Gas Company Promised Renewable Sources.

The Gas Company has repeatedly promised to develop renewable sources. For example, last year the Gas Company testified to this body that it was "*developing a renewable energy strategy*

<sup>1</sup> Testimony submitted by Steven Golden on March 13, 2008 to Senate Bill 644 SD 3.

<sup>2</sup> See, e.g., <http://www.reuters.com/article/idUSN1451624220090514> (noting Chevron Corp is considering halting production at its 54,000 barrel per day (bpd) refinery in Honolulu).

*to produce 50 percent of its supply from renewable resources such as landfill gas and bio-methane within five years.*"<sup>3</sup> Assuming these representations were truthful, the Gas Company should not object to a modest RPS standard.

### **III. Conclusion.**

This measure, if properly amended, could lower fuel costs, diversify our fuel supply, provide energy security and create a new market for Hawaii farmers to produce fuel from Hawaii crops and waste materials. It would connect the Gas Company's public rhetoric to a quantifiable and established standard. It would also put the electrical and gas industries on similar footing with respect to moving Hawai'i to a clean and renewable energy future.

Mahalo for this opportunity to provide testimony.

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<sup>3</sup> Testimony of Jeffrey Kissel, February 5, 2009 regarding Senate Bill 1348 (emphasis added).

# THE GAS COMPANY

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March 9, 2010

Testimony for SB 2357 SD2 Relating to Renewable Energy

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee on Energy and Environmental Protection

My name is Stephanie Ackerman, Vice President Public Policy and Communications for The Gas Company. Thank you for the opportunity to provide comment on SB 2357 SD2, Relating to Renewable Energy.

The language in the original measure, SB2357, would have imposed a RPS (Renewable Portfolio Standard) on a gas utility without allowing proper and sufficient review to determine its applicability as well as to allow input from all stakeholders. SB2357 SD1 instead replaced the RPS requirement with an annual reporting requirement using metrics similar to that of an electric utility. SB2357 SD2 correctly recognized the uniqueness of the gas manufacturing process and broadened the reporting language and clarified definitions in an effort to establish a basis for measurement of all renewable resources used by a gas utility to produce natural gas, biogas, biofuel, or biofeedstocks, and to determine if any are technically and economically sustainable.

The Gas Company (TGC) is currently in the midst of launching a pilot plant to determine whether renewable resources, such as plant oil, animal fat, or landfill gas, can be technically and economically processed into a feedstock for its gas manufacturing process, with by-products consisting of a biogas to offset its use of petroleum based fuel which it consumes, and biofuels or biofeedstocks for use by third parties. If successful, it would enable TGC to offset some of our petroleum sourced feedstock, thereby decreasing our, and in turn, the State's dependence on petroleum.

The Gas Company supports the intent of providing a report to the Legislature on our findings associated with the pilot. We wish, however, to convey our concern that any mandated date for submittal of the annual report provides us with adequate time to gather comprehensive data reflecting the capabilities and scalability of this new technology.

Due to the R&D (research and development) nature of this pilot project, there are expected delays attributed to the construction, installation and start up of this pilot plant. In addition, we anticipate some timing issues due to the process of testing and validation of the technology in the pilot stage to ensure the integrity of the data required to be reported. Given the R&D nature of the pilot, this means that 2011 would be the first full calendar year of data that could be obtained and reported. Because of this, we recommend that our annual reporting requirement start in 2012 providing the Legislature with our complete 2011 results.

The Gas Company supports the measure with amended language that takes into consideration the explanation provided in our testimony. Thank you for allowing us to provide our comments.

Bill No. SB2357

Date 3/8

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