

SR 76



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

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Statement of
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Department of Business, Economic Development, and Tourism
before the

**COMMITTEE ON ENERGY AND ENVIRONMENT
& COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**

March 25, 2010
3:30 p.m.
State Capitol, Conference Room 225

in consideration of
SCR 173 / SR 76

**URGING THE STATE OF HAWAII TO IDENTIFY AND APPROPRIATE
PERMANENT FUNDING FOR THE HAWAII STATE ENERGY OFFICE.**

Chairs Gabbard and Fukunaga, Vice Chairs English and Baker, and Members of the Senate Committee on Energy and Environment & Senate Committee on Economic Development and Technology. The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SCR 173 / SR 76, and concurs that permanent funding for the Hawaii State Energy Office is crucial in furthering clean energy development in light of it being a critical, strategic, and timely growth industry for our State. However, DBEDT's position is that the Administration's supplemental financial plan needs to be maintained.

Hawaii's abundant natural resources, coupled with executive and legislative commitment, industry backing, and public and federal support, give our State significant and competitive advantages in attracting renewable energy ventures. Our Office is leveraging these strategic assets through partnerships with U.S. Department of Energy (USDOE), the Federal National Labs, the Public Utilities Commission, the Department of Commerce and Consumer Affairs, and Hawaii's energy industry to develop programs in Hawaii that will advance commercial development of clean energy for the benefit of local residents statewide.

However, as the energy sector carries significant opportunities, it also creates tremendous risk for the Hawaii economy. Hawaii's energy consumers spent an estimated \$8.4 billion for energy in 2008. This was about 13% of Hawaii's \$63.85 billion (current dollars) GSP. A majority of that revenue went to buy petroleum, almost entirely from other countries.

On Tuesday, the spot price of a barrel of oil was between 80 and 90 dollars. Energy is essential – when the prices go up, Hawaii's residents, businesses, and government have to find the funds somewhere to pay for these higher costs. The energy systems we build today will be in use for the next 20 or 30 years at least – perhaps longer.

Hawaii's energy system is a complex, regulated monopoly with a significant potential for private sector investment and improvement – but only IF we get the policies right, and IF we get the market signals right. We are moving in the right direction now, with strong local and National expertise and partners; attention from investors, the US Departments of Energy, Agriculture, Defense, and Congress; we are making measurable progress, and by 2015 we will have reached the first milestone.

However, existing funding which supports the State Energy Office is projected to allow it to function only through December 31, 2010. As of March 17, 2010, there remains only \$2.2

million left in Petroleum Violation Escrow Funds (PVE), which is an important source of funding for the State Energy Office.

Currently, there are forty (40) positions employed by BED 120's Energy Program. The annual State Energy Program (SEP) formula funding for FY2010 of \$167,000, along with PVE funds of \$2,574,391 supported twenty-two positions. The SEP-American Recovery and Reinvestment Act (ARRA) funds support an additional eighteen (18) positions.

The Energy Program needs State support to continue operating beyond FY 2010. Without a 20% State match, we would lose access to Federal funds under the State Energy Program. Every dollar of State funding has the potential to bring in \$4 of Federal funding directly; to attract many times that in competitive grants and private investment; and to continue the transformation of Hawaii's energy systems into efficient, diversified, resilient, and renewable generators of income for Hawaii's residents and the State treasury. If State support is not forthcoming the Energy Program would need to restructure and rethink its mission. HCEI would not proceed as planned and we would have to focus on a different path.

Furthermore, the ARRA positions will expire after April 2012. Some of these positions will need to be continued if the State is to maintain a viable program, and be able to coordinate the State's transition to a clean energy future.

We look forward to working with the State Legislature and Hawaii's private sector to help realize Hawaii's clean energy goals.

Thank you for the opportunity to offer these comments on this resolution.



COLLEGE OF SOCIAL SCIENCES

HAWAII ENERGY POLICY FORUM

UNIVERSITY OF HAWAII AT MĀNOA

Hawai'i Energy Policy Forum

Ms. Stephanie Ackerman, The Gas Co.
Mr. Robbie Alm, HECO
Ms. Amy Asselbaye, Office of US Rep. Neil Abercrombie
Ms. Madeleine Austin, World Business Academy
Mr. Warren Bollmeier, Hawai'i Renewable Energy Alliance
Mr. Carlito Caliboso, PUC (Observer)
Mr. Albert Chee, Chevron
Ms. Elizabeth Cole, The Kohala Center
Mr. Kyle Datta, New Energy Partners
Ms. Laura Dierenfield, People's Advocacy for Trails Hawai'i (PATH)
Mr. Mark Duda, HI Solar Energy Asst.
Sen. Kalani English, Hawai'i State Senate
Mr. Mitch Ewan, UH HNEJ
Mr. Carl Freedman, Haiku Design & Analysis
Sen. Mike Gabbard, Hawai'i State Senate
Mr. Mark Glick, OHA
Dr. Michael Hannett, RCUH
Dr. Robert Harris, Sierra Club
Mr. William Kaneko, Hawai'i Institute for Public Affairs
Mr. Darren Kimura, Energy Industries Holdings
Ms. Kelly King, Sustainable Biodiesel Alliance
Mr. Mike Kitamura, Office of US Senator Daniel K. Akaka
Mr. Kai Kobayashi & Victor Reyes, Maui County Energy Office
Mr. Laurence Lau, State of Hawai'i DOH
Mr. Allyn Lee, C&C of Honolulu Dept. of Design & Construction
Dr. Stephen Meder, UH Center of Smart Building & Community Design
Dr. Sharon Miyashiro, UH College of Social Sciences Public Policy Center
Rep. Hermina Morita, Hawai'i State House of Representatives
Mr. Dean Nishina, Div of Consumer Advocacy
Mr. Tim O'Connell, USDA-Rural Development
Ms. Melissa Pavlicek, Hawai'i Public Policy Advocates
Mr. Ted Peck, State of Hawai'i DBEDT Strategic Industries Division
Mr. Randy Perreira, Hawai'i State AFL-CIO
Dr. Rick Rocheleau, UH HNEI
Mr. William Rolston, Hawai'i County Dept. of Research & Development
Mr. Peter Rosegg, HECO
Mr. Steven Rymsha, KIUC
Mr. Riley Saito, PowerLight Corporation
Mr. Glenn Sato, Kaua'i County Office of Economic Development
Mr. Bill Short, BIA of Hawai'i
Ms. Joelle Simonpietri, Simonpietri Enterprises LLC
Mr. H. Ray Starling, Hawai'i Energy
Mr. Lance Tanaka, Tesoro Hawai'i Corp.
Dr. Don Thomas, UH Center for the Study of Active Volcanoes
Ms. Maria Tome, State of Hawai'i DBEDT Energy Office
Mr. Murray Towill, Hawai'i Hotel Association
Mr. Joshua Wisch, Office US Representative Mazie Hirono
Mr. Alan Yamamoto, Office US Senator Daniel Inouye

Testimony of Sharon Miyashiro, Co-chair
Hawai'i Energy Policy Forum

Chair Mike Gabbard, Vice Chair J. Kalani English, and Members
Senate Committee on Energy and Environment; and
Chair Carol Fukunaga, Vice Chair Rosalyn H. Baker, and Members
Senate Committee on Economic Development and Technology

Thursday, March 25, 2010, 3:30 p.m.
Conference Room 225

In SUPPORT of SCR 173/SR 76 – Urging the State of Hawaii to Identify and Appropriate Permanent Funding for the Hawaii State Energy Office

I am Sharon Miyashiro, Co-chair of the Hawaii Energy Policy Forum (“Forum”) comprised of 47 members representing Hawaii’s 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.

SCR 173/SR 76 urge the State to support the work of the Hawaii State Energy Office (“HSEO”), the primary agency responsible for leading the State to a clean energy future. The HSEO has been completely funded by the federal Petroleum Violation Fund and the American Recovery and Reinvestment Act. Neither are permanent sources of funding.

It is highly unfortunate that the State has not appropriated permanent positions and funding for the operation of this key energy office, particularly when so many look to the HSEO to lead the State’s energy initiatives. These include the Hawaii Clean Energy Initiative, other major programs promoting energy efficiency and renewable energy development, and coordination of federal stimulus funds needed to accelerate achieving energy independence from imported fossil fuels.

The efforts begun to date should not be interrupted due to lack of state support. The Legislature should identify a source of permanent funding for HSEO’s staff and budget. And it should put that funding source in place before federal funds expire at the end of the next fiscal year.

Based on the foregoing, the Forum strongly supports SCR 173/SR 76, and respectfully urges adoption of the resolutions so that the state can move forward vigorously toward energy independence.

Thank you for the 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 organizations.