

STAND. COM. REP. NO. 1150

Honolulu, Hawaii

March 24, 2011

RE: S.B. No. 367
S.D. 3
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committees on Energy & Environmental Protection and
Consumer Protection & Commerce, to which was referred S.B. No.
367, S.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose of this bill, as received by your Committees, is
to establish a regulatory structure under which the Public
Utilities Commission (PUC) can certify a cable company to
commercially develop, finance, and construct an inter-island high-
voltage electric transmission cable system to transmit clean,
renewable energy in the State. Among other things, this bill:

- (1) Requires a cable company wishing to install a high-
voltage undersea transmission cable system to be
certified by the PUC, establishes the criteria for
certification, and provides a certification process;
- (2) Requires the PUC to approve, by order, the tariff of the
certified cable company and establishes a process by
which PUC action on the tariff shall be taken;
- (3) Establishes a surcharge mechanism to allow for the
recovery of the high-voltage undersea transmission cable
system costs;

SB367 HD1 HSCR EEP-CPC HMS 2011-3256



- (4) Authorizes the PUC to allow an electric utility company to purchase the high-voltage undersea transmission cable system through various means;
- (5) Entitles an electric utility company to recover the company's revenue requirement resulting from the costs that the company incurred in acquiring a high-voltage electric transmission cable system if it meets certain requirements; and
- (6) Exempts amounts received in the form of a surcharge by an electric utility company acting on behalf of a certified cable company from being included as the electric utility's:
 - (A) Gross income when calculating the public service company tax;
 - (B) Gross receipts when calculating the public utilities franchise tax;
 - (C) Gross income, adjusted gross income, and taxable income when calculating the electric utility's income tax; and
 - (D) Gross income when calculating the electric utility's public utilities fee.

The Department of Business, Economic Development, and Tourism (DBEDT), Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and Hawaiian Electric Company testified in support of this bill. A member of the Maui County Council, Hawaii Community Stewardship Network, Ahahui Malama I Ka Lokahi, Conservation Council for Hawaii, Hawaii's Thousand Friends, Life of the Land, and numerous concerned individuals testified in opposition to this bill. The PUC and the Office of Hawaiian Affairs (OHA) provided comments.

After receiving testimony on this measure, your Committees deferred this measure to March 21, 2010, and requested concerned parties to meet and discuss the measure and establish a proposed draft for the Committees to consider. Prior to the March 21, 2010, hearing date, your Committees made available for review and received testimony on a Proposed HD1 for S.B. No. 367, S.D. 3. As amended, the purpose of the bill remains the same, but includes amendments that:



(1) Modify the definitions of:

- (A) "Certified cable company" to mean any person or persons, company, or corporation, or entity who owns or controls a high voltage electric transmission cable system and who receives a certificate of public convenience and necessity from the commission;
- (B) "Cost" to include any applicable land costs; and
- (C) "Request for proposals" to mean a request for proposals issued pursuant to a competitive bidding process authorized, reviewed, and approved by the commission, and developed and conducted by the electric utility company or companies to which the capacity of a high-voltage electric transmission cable system will be made available, with input and assistance from the state energy resources coordinator, to select a cable company;

and

(2) Stipulating that, as part of the certification process:

- (A) The utility and the energy resources coordinator, or the energy resources coordinator's designee, shall develop the request for proposals;
- (B) The energy resource coordinator or the energy resources coordinator's designee shall be a member of the selection committee that will review and evaluate the request for proposals; and
- (C) The utility shall suspend or terminate the request for proposals at the discretion of the commission.

DBEDT and Hawaiian Electric Company testified in support of the Proposed H.D. 1. Life of the Land and numerous concerned individuals testified in opposition to the Proposed H.D. 1. The PUC and OHA submitted comments on the Proposed H.D. 1.

Hawaii is one of the most fossil fuel-dependent states in the nation with a majority of our oil being imported. This makes the State extremely vulnerable to any oil embargo, supply disruption,



international market dysfunction, and many other factors beyond the control of the State. Furthermore, the continued consumption of conventional petroleum fuel and price volatility can negatively impact the environment and economic health of the people of Hawaii. At the same time, Hawaii has among the most abundant renewable energy resources in the world, in the form of solar, geothermal, wind, biomass, and ocean energy assets.

Increasing energy efficiency and use of renewable energy resources would increase Hawaii's energy self-sufficiency, achieving broad societal benefits, including increased energy security, resistance to increases in oil prices, environmental sustainability, economic development, and job creation. Hawaii's clean energy policy also mandates and strongly promotes the use of renewable energy resources. As the amounts and forms of renewable energy differentiate from island to island, establishing an undersea cable capable of transmitting renewable energy-generated electricity between islands would help Hawaii achieve its clean energy goals.

While your Committees note that there is and has been a good deal of opposition to this legislation, a majority of the opposition references the establishment of wind farms and electric utility rates, and include statements that this legislation is premature. However, your Committees note that this measure simply establishes a regulatory structure to establish the cost of inter-island high voltage electric transmission cable systems via a request for proposals process. It then subsequently provides a structure for the installation and implementation of said cable system.

Furthermore, your Committees note that the residents of the islands on which the wind generation facilities could be located have raised concerns that they will not have their chance to participate in the evaluation of the development of these facilities and the subsequent shipment of electricity to Oahu via an undersea cable system. It should be noted that the overall project contains several related projects which will require formal environmental impact statement processes and reporting. Moreover, permits for these projects will require review and approval from county agencies, and these projects will be subject to much review, evaluation, discussion, and decision making over a period of many years.

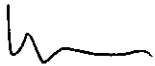


Accordingly, your Committees have amended this measure by adopting the language contained in the Proposed H.D. 1. Additionally, your Committees have further amended this bill by:

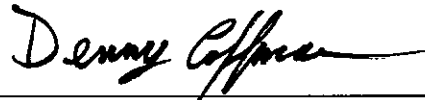
- (1) Changing its effective date to July 1, 2011; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Energy & Environmental Protection and Consumer Protection & Commerce that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 367, S.D. 3, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 367, S.D. 3, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Energy &
Environmental Protection and
Consumer Protection & Commerce,



ROBERT N. HERKES, Chair



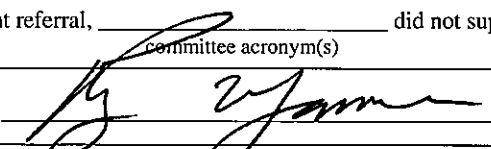
DENNY COFFMAN, Acting Chair



HSCR 1150

State of Hawaii
House of Representatives
The Twenty-sixth Legislature

Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.: SB 347, SD3	Committee Referral: EEP/CPC, FIN	Date: 3/21/2011		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. MORITA, Hermina M. (C)				
2. COFFMAN, Denny (VC)	/			
3. CABANILLA, Rida T.R.	/			
4. CARROLL, Mele				/
5. CHANG, Jerry L.				/
6. CHONG, Pono				/
7. HAR, Sharon E.				/
8. HERKES, Robert N.	/			
9. ITO, Ken	/			
10. NAKASHIMA, Mark M.	/			
11. RIVIERE, Gil			/	
12. THIELEN, Cynthia			/	
TOTAL (12) (11)	5		2	4
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				

