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KEALI' I S. LOPEZ
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TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012

TUESDAY, FEBRUARY 07, 2012
9:00 A.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE DENNY COFFMAN, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 2042 - RELATING TO ENERGY

DESCRIPTION:

This measure proposes to require that the renewable portfolio standards be met by requiring that renewable energy whose sources are biogas, biomass, biofuels, or hydrogen shall be locally produced. This measure also defines "locally produced."

POSITION:

The Consumer Advocate supports the intent of HB No. 2042 with comments.

COMMENTS:

The Consumer Advocate would like to point out the following potential consequences of passing HB No. 2042:

House Bill No. 2042

House Committee on Energy and Environmental Protection

Tuesday, February 07, 2012, 9:00 a.m.

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1. Currently, Hawaiian Electric Company, Inc.'s (HECO's) generating unit, Campbell Industrial Park - Combustion Turbine 1 (CIP-CT 1) uses as its feedstock both imported and locally produced biofuel. If at any time there is an insufficient supply of biofuel for CIP-CT 1, HECO may be left with no alternative than to use petroleum.
2. The prospect of the electric utilities importing biofuel serves as competition to locally-produced biofuel. Eliminating one source of competition may not be in the consumers' best interests when the electric utilities negotiate prices for locally-produced biofuel.

Thank you for this opportunity to testify.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

FEBRUARY 7, 2012

MEASURE: H.B. No. 2042

TITLE: Relating to Energy

Chair Coffman and Members of the Committee:

DESCRIPTION:

This measure will require that any energy from biogas, biomass, biofuel, or hydrogen counted by an electric utility for the purposes of satisfying Hawaii's renewable portfolio standards requirements under HRS § 269-92 must come from "locally produced" sources. The measure defines "locally produced" as being "made, manufactured, or produced in the State."

POSITION:

The Commission appreciates the general intent of this measure to support local, indigenous renewable resources, however, we believe that stating such a preference for "locally produced" renewable energy resources may be discriminatory and in violation of the Commerce Clause of the United States Constitution.

COMMENTS:

Based on prevailing case law, the Commission believes that this measure's preference in favor of in-state renewable energy resources over similar out-of-state resources may be unconstitutional in violation of the Commerce Clause.

Thank you for the opportunity to testify on this measure.

**Testimony before the
House Committee on Energy and Environmental Protection**

H.B. 2042 -- Relating to Energy

Tuesday, February 7, 2012

9:00 AM, Conference Room 325

**By Nicholas Paslay
Program Manager, Biofuels
Hawaiian Electric Company, Inc.**

Chair Coffman, Vice-Chair Kawakami, and Members of the Committee:

My name is Nick Paslay. I am the Biofuels Program Manager for Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company and its subsidiary utilities, Maui Electric Company and Hawaii Electric Light Company, hereby referred to collectively as the Hawaiian Electric Companies.

H.B. 2042 would require biofuel used to generate renewable energy to meet Hawaii's Renewable Portfolio Standard ("RPS") to be produced in the State of Hawaii. For the reasons described below, the Hawaiian Electric Companies oppose H.B. 2042.

The Hawaiian Electric Companies are committed to reducing Hawaii's dependence on fossil fuel and actively seek to incorporate a diverse portfolio of new renewable energy resources to meet Hawaii's RPS which requires that by 2030, 40 percent of the electricity sold by the Hawaiian Electric Companies come from renewable sources. To meet the RPS targets and achieve a clean energy future, the Hawaiian Electric Companies' strategy includes biofuel for use in power generation to reduce the consumption of fossil fuel for electricity. Biofuel is sought in addition to wind, solar, hydro, geothermal, biomass, and other types of renewable generation (e.g., wave energy, ocean thermal energy). To meet Hawaii's vision for a clean energy future, all paths must be pursued.

The Hawaiian Electric Companies continue to prepare select generating units to potentially use biofuel, thereby creating marketplace demand that is important in stimulating the

development and production of biofuel here in Hawaii. In 2011, Hawaiian Electric Company and Maui Electric Company conducted utility scale demonstrations of biofuel use for electrical generation which were made possible by using imported renewable biofuel. Hawaiian Electric Company successfully co-fired 1.5 million gallons of imported renewable biofuel at its Kahe Generating Station, demonstrating that co-firing biofuel with low sulfur fuel oil at various blends was possible and resulted in lower emissions for Nitrous Oxides (NOx), Sulfur Oxides (SOx), and other pollutants. Maui Electric Company conducted a 1 million gallon biodiesel demonstration project at its Ma'alaea Power Plant using imported biodiesel, validating that conversion of Maui Electric Company's Mitsubishi class diesel generators to 100% biodiesel is feasible from operational, maintenance, and air permitting standpoints.

The Hawaiian Electric Companies have made significant progress in stimulating market demand for locally produced biofuel, signing four contracts in 2011:

1. A 20 year contract was awarded to Hawaii BioEnergy to supply 10 million gallons per year to Kahe Generating Station. This contract is pending approval by the Hawaii Public Utilities Commission (PUC).
2. A 3 year contract was awarded to Pacific Biodiesel to supply 250,000 gallons per year to the Honolulu International Airport Emergency Power Facility. This contract is pending PUC approval.
3. A contract was awarded to Phycal for a one-time pilot supply of up to 150,000 gallons of algal oil to be delivered in 2014 for testing at Kahe Generating Station with the intent to develop larger volumes upon the success of the pilot.
4. A 20 year contract was awarded to Aina Koa Pono to supply 16 million gallons per year to HELCO's Keahole Generating Station. The contract was denied by the PUC in its Decision and Order issued on September 29, 2011. The Hawaiian Electric Companies continue discussions with Aina Koa Pono with the intent of negotiating a new contract.

With the exception of Pacific Biodiesel, none of the potential suppliers of local biofuels have constructed facilities or developed steady supplies of biofuel feed stock to-date. The biofuel contracts with the Hawaiian Electric Companies require approval from the PUC. Upon approval, developers are able to proceed with more certainty to acquire financing and make

greater investments in their biofuel projects. Because of the lead times associated with securing an approved contract, obtaining project financing, acquiring necessary permits, developing a continuous source of feed stock, and constructing the biofuel processing facility, it is expected to take up to five years or more before a local biofuel supply is available for use in utility scale volumes. While Pacific Biodiesel actively produces biodiesel in their established refineries within Hawaii, the volumes of biodiesel feedstock originating in Hawaii are limited at this time.

While the Hawaiian Electric Companies prefer to source locally produced supplies of biofuel, the Hawaiian Electric Companies continue to pursue and source renewable biofuel for power generation to meet RPS without waiting for locally supplied biofuel to become available. Continuing this current strategy ascertains the demand for utility scale volumes of biofuel and thereby provides a consistent momentum and certainty needed to develop the local biofuel industry. In addition, utilizing biofuel in existing generating units is expected to achieve cleaner air emissions and facilitate compliance with environmental regulations.

Moreover, the use of renewable biofuels, including imported biofuels, reduces Hawaii's dependence on fossil fuels, a primary goal of the Hawaii Clean Energy Initiative. Utilizing renewable biofuel may also serve to reduce the price volatility that has been inherent in the fossil fuel market, thus stabilizing electricity rates for the Hawaiian Electric Companies' customers.

The conversion from fossil fuels to renewable energy that the Hawaiian Electric Companies and the State of Hawaii have set forth in the Hawaii Clean Energy Initiative is aggressive. In order to meet those goals, all renewable energy resources must be explored, including the use of imported renewable biofuel for power generation.

In conclusion, the Hawaiian Electric Companies oppose H.B. 2042. The Hawaiian Electric Companies remain committed to using cleaner burning, renewable biofuel in addition to incorporating a variety of other renewable energies.

Thank you for the opportunity to present this testimony.



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COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Denny Coffman, Chair

Rep. Derek S.K. Kawakami, Vice Chair

DATE: Thursday, February 07, 2012
TIME: 9:00 a.m.
PLACE: Conference Room 325
BILL: HB 2042 Relating to Energy SUPPORT

Aloha Chair Coffman, Vice Chair Kawakami, and Member of the Committee:

My name is Henry Curtis and I am the Executive Director of Life of the Land, Hawai`i's own energy, environmental and community action group advocating for the people and `aina for four decades. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

HB 2042 states that only renewable energy made, manufactured, or produced in the State can be counted towards Hawai`i's renewable portfolio standards requirements.

This is an important bill to pass. The language might be tightened slightly to not allow foreign oils to be processed here and to thus be counted as locally made. Alternatively, this issue could be referenced in the committee report.

Mahalo

Testimony For HB2042 Regarding Renewable Portfolio Standards.

By

Ed Wagner

Owner Of Unique Energy & Water Efficient Home in Mililani

Chairman Coffman & Members of the EEP Committees:

Although I support HB2042 in principle, I think section 5 should be amended to exclude biofuel. The section implies that biofuel can and will continue to be used to generate electricity, and I am specifically opposed to doing so.

Biofuel should ONLY be used as a source of transportation fuel. Otherwise, HECO will have no clearly defined incentive to move away from polluting our air with its oil-fueled power plants for another 20 years to preserve its profits and will continue to manipulate, control, and curtail the implementation of geothermal, wind, solar, and ocean renewable energy technologies.

Please pass HB2042 with the above amendment.

Sincerely,

Ed Wagner
Mililani