

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. 425 H.D. 1  
**TITLE:** Relating to Public Utilities

Chair Coffman and Members of the Committee:

**DESCRIPTION:**

This measure proposes to direct the Commission to consider “the need for a diverse portfolio of fossil fuel resources” and to “maximize the efficiency of utility generation assets to mitigate supply disruptions and cost impacts on electricity ratepayers” when carrying out its duties.

**POSITION:**

The Commission supports this measure and would like to offer additional clarifying amendments for the Committee’s consideration.

**COMMENTS:**

As mentioned in Section 1 of this measure, much of the focus regarding Hawaii energy issues is on renewable energy generation. Though we strive to eventually have 100% of our electricity generation come from indigenous renewable energy resources, the Commission must often take a very pragmatic approach in weighing many factors to act in the public interest, given that our best estimates show that 60% of electricity generation in the State will still come from fossil fuels in 2030.

Creating a clean energy economy requires a multi-pronged approach. The obvious approaches include 1) the aggressive development of renewable energy resources and its supporting infrastructure to allow maximum penetration of renewables onto the grid, and 2) the promotion of energy efficiency initiatives, where both steps are combined with increased system adaptability and resiliency in the face of technological advances. However, not often discussed – though an important part of the equation – is the

mitigation of and migration away from petroleum-based commodity price volatility. Therefore, the costs and benefits of a diverse fossil fuel portfolio, as well as the minimization of fossil fuel usage through increased efficiencies, may help stabilize cost impacts to the electricity ratepayer and should be a carefully examined strategy by the Commission.

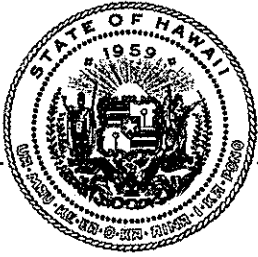
This measure will help to establish the policy that the Commission should examine and consider the costs and benefits of a diverse fossil fuel portfolio, as well as the importance of maximizing the efficiency of all electric utility assets to aid in lowering and stabilizing the cost of electricity.

The Commission requests additional language be added as follows to clarify that this measure in no way diminishes or subverts the obligation of Hawaii's electric utilities to meet Hawaii's renewable portfolio standards:

(c) In exercising its authority and duties under this chapter, the public utilities commission shall consider the costs and benefits of a diverse fossil fuel portfolio and of maximizing the efficiency of all electric utility assets to lower and stabilize the cost of electricity. **Nothing in this subsection shall subvert the obligation of electric utilities to meet the renewable portfolio standards set forth in chapter 269-92.**

Added language emphasized.

Thank you for the opportunity to testify on this measure.



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

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**RICHARD C. LIM**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEES ON  
ENERGY & ENVIRONMENTAL PROTECTION**  
Tuesday, February 7, 2012  
9:00 AM  
State Capitol, Conference Room 325  
in consideration of  
**HB 425 HD1**  
**RELATING TO PUBLIC UTILITIES.**

Chair Coffman; Vice Chair Kawakami; and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports HB 425 HD1, as a prudent and responsible exploration of how low-carbon, cheaper fossil fuel alternatives to fuel oil might contribute towards meeting or exceeding the Hawaii Clean Energy Initiative goals and statutory targets.

DBEDT views the Legislature's guidance to the Public Utilities Commission under HB 425 HD1 to be a positive step towards permanently eliminating a portion of our oil imports and creating greater price stability and energy security. Cost/benefit analysis is an appropriate way to evaluate low environmental impact fossil fuel options to replace Hawaii's least efficient fuel oil power plants in such a manner to achieve a net savings to ratepayers while simultaneously introducing a broader portfolio of locally-produced renewable power generation options.

Thank you for the opportunity to offer our testimony and answer any questions you may have.



## LIFE OF THE LAND

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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 425 HD1 Fossil Fuel Diversification                      OPPOSE

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.

During the Arab Oil Embargoes of the 1970s there was a drive to advance renewable energy. Hawai`i added a provision in the State Constitution calling for energy self-sufficiency.

The Legislative Reference Bureau (LRB) was charged by the 1978 Legislature with informing the 1979 Legislature about the implications of the 1978 Constitutional Convention. The LRB reported that agricultural and energy self-sufficiency clauses were added to the Constitution, and that the agricultural provision, but not the energy provision, needed additional action (enabling language) to become effective.

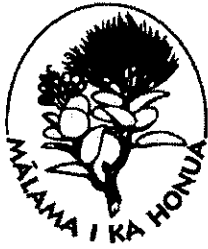
In the late 1980s Hawai`i opted on a different path than that codified in the Constitution. Rather than focusing on advancing renewables, it was decided that Hawai`i should diversify its fossil fuel portfolio. Thus in 1989 the largest fossil fuel electric generator in the state came on line. That was the AES coal plant in Campbell Industrial Park. The AES plant now provides 20% of O`ahu's electricity needs using coal. One out of five lights is powered by coal.

Hawai`i only currently uses 2 of the 3 types of fossil fuel: coal and oil but not natural gas. Natural Gas has a name similar to clean coal. Somehow it sounds "cool." No doubt it is better than coal or oil. But it is still a fossil fuel.

Hawai`i recently gave up its slow commitment re climate change, instead opting to go at the same zero movement that Congress has opted for. This bill aims to re-focus our State efforts on expanding our fossil fuel options. Adding this provision along with various initiatives being discussed by the Legislature for eliminating public comment periods for some energy proposals, hardly seems like a sensible direction for Hawai`i to go in.

We can choose to be 60% based on fossil fuel in 2030. It certainly isn't Life of the Land's desired outcome. But the State can decide that is where it wants to focus. But to pass this legislation in an election year hardly seems wise.

Mahalo



# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803  
808.538.6616 [hawaii.chapter@sierraclub.org](mailto:hawaii.chapter@sierraclub.org)

## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 7, 2012, 9:00 A.M.  
(Testimony is 2 pages long)

### TESTIMONY IN OPPOSITION TO HB 425 (HD1)

Aloha Chair Coffman and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 9,000 dues paying members and supporters statewide, *opposes* HB 425 (HD1). This bill would require the public utilities commission to expend time diversifying the types of fossil fuel Hawai'i consumes going forward.

This bill incorrectly assumes we need to get approximately 60% of our power from fossil fuels in 2030. It fails to consider a broader incorporation of intermittent renewable sources on a grid (some circuits on Kauai are experimenting with 100% renewable penetration), investments into storage technology and smart grids, or the possibility of greater firm renewable energy sources.

Moreover, what fossil fuels would we "increase?" Pollution from coal plants is directly linked to asthma attacks, toxic mercury, and more.

- **Toxic mercury.** Burning coal releases toxic mercury that rains down onto rivers and streams and contaminates fish. The pollution then makes its way into our bodies when we eat the fish. Mercury is especially dangerous to pregnant women and young children because it's a powerful neurotoxin that can damage the brain and nervous system — causing developmental problems and learning disabilities.
- **Smog and asthma.** In the U.S., 1 out of 10 children suffers from asthma. It is the number-one illness that causes kids to miss school. Each year, coal pollution causes 12,000 emergency room visits and \$100 billion in health costs. Half of U.S. families live in places with unsafe air. Pollution from coal-fired power plants creates smog, which can cause chest pain, coughing, and breathing difficulties. Smog can make conditions like bronchitis, emphysema, and asthma worse or even fatal.
- **Mountaintop removal mining.** Mountaintop removal is exactly what it sounds like: Mining companies clear-cut forests and then blow the tops off mountains to get the coal. They then dump millions of tons of waste into the valleys below — permanently burying

streams, poisoning drinking water, and increasing the risk of flooding. In the past ten years, 500 of the biggest mountains in West Virginia have been destroyed.

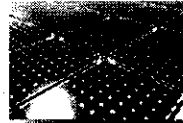
- **Coal ash.** When coal is burned it leaves behind toxic waste ash. This waste is dumped in thousands of sites nationwide and often stored in open-air pits, where it can spill or seep into the ground and contaminate drinking water. Living near a coal-ash waste site can be worse for kids' health than smoking a pack of cigarettes a day.

Looking nationally, the U.S. Energy Information Administration predicts a decrease in the use of coal because of its high cost and the difficulty in reducing pollution. Critics argue that this projection is still too rosy.

The natural gas industry is dirty, dangerous, and running amok. Government loopholes exempt natural gas drillers from the Clean Air Act, the Clean Water Act, and the Safe Drinking Water Act -- and at the same time, don't require them to disclose the frequently toxic chemicals they use in hydraulic fracturing, or "fracking," the violent process they employ to dislodge gas deposits from shalerock formations. The closer we look at natural gas, the dirtier it appears; and the less of it we burn, the better off we will be.

In short, we believe HB 425 (HD1) would distract attention away from the important efforts to reduce energy consumption and move to renewable energy, and potentially direct vital resources to new fossil fuel systems rather than investing in clean energy. The PUC already has the capacity to look at integrating cleaner fossil fuels into the grid -- we do not need to mandate another analysis.

We respectfully request that this bill be held. Mahalo for the opportunity to testify.



## **HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

February 7, 2012, 9:00 A.M.

Room 325

**(Testimony is 1 page long)**

### **TESTIMONY IN OPPOSITION TO HB 425 HD1**

Chair Coffman and members of the Committee:

The Blue Planet Foundation is opposed to HB 425 HD1, a measure which requires the Public Utilities Commission (PUC) to consider a diverse fossil fuel portfolio while carrying out their various powers and duties. Blue Planet believes that this policy amendment would distract the PUC from what we believe should be a primary focus: end the use of expensive, imported fossil fuel in Hawaii.

Hawaii's secure, stable, and affordable energy future will only come from tapping inexhaustible, clean, indigenous resources. Over the decades, Hawaii has flirted with various energy plans to diversify its mix, but oil remains dominate (although annually we consume around two billion pounds of coal, three billion cubic feet of natural gas, and two billion gallons of oil). Each of our current and potential fossil fuel sources has a few things in common:

- They are imported;
- We have little control over their price in the long term;
- The methods of obtaining the fuel (mining, drilling, fracking) is often dirty and dangerous;
- They contribute to global climate change; and
- They do not contribute to clean energy innovation in Hawaii.

Hawaii needs to firmly stay the course on clean energy development and not further deepen its dependence on unstable, risky, polluting, imported fossil fuels—no matter the type.

Thank you for the opportunity to testify.

**Jeff Mikulina, executive director • [jeff@blueplanetfoundation.org](mailto:jeff@blueplanetfoundation.org)**

55 Merchant Street 17<sup>th</sup> Floor • Honolulu, Hawaii 96813 • 808-954-6142 • [blueplanetfoundation.org](http://blueplanetfoundation.org)



**kawakami1 - Marissa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 05, 2012 3:14 AM  
**To:** EEPtestimony  
**Cc:** redahi@hawaii.rr.com  
**Subject:** Testimony for HB425 on 2/7/2012 9:00:00 AM

Testimony for EEP 2/7/2012 9:00:00 AM HB425

Conference room: 325  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: B.A. McClintock  
Organization: Individual  
E-mail: [redahi@hawaii.rr.com](mailto:redahi@hawaii.rr.com)  
Submitted on: 2/5/2012

**Comments:**

More fossil fuel? In the 21st Century when we know all the destruction it has already caused? Why is Hawaii moving backwards? Please stop the bill!

**HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION**

Attention: Denny Coffman, Chair

Comments in **SUPPORT** of HB 425HD1, Relating to fossil fuel diversity

Hearing: February 7, 2012, 9 a.m.

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

I write in **SUPPORT** of HB425, HD1, that directs the Public Utilities Commission to “consider the costs and benefits of a diverse fossil fuel portfolio” and to lower and stabilize electric costs by “maximizing the efficiency of all electric utility assets.”

This measure will likely cause much anxiety for those who wish a faster pace could be adopted in realizing increased electrical production from renewable sources.

However --

- It has been the absence of any coherent state-wide energy plan -- one that thoughtfully considers a realistic, reasonable pace, and ALL alternative energy resources in achieving energy independence -- that has brought us to this point.
- Many of us have “walked the talk” by installing solar hot water and PV systems and by diligently practicing conservation measures, but rates have not “stabilized.” They continue to increase. And as long as a share-holder owned utility continues to control both production and distribution, rates will continue to rise.
- If the administration (both former and current) and the utility had devoted as much time and resources over the past five years to promoting energy conservation and developing firm renewable resources – wave and geothermal – as they did to promote Big Wind and a billion-dollar cable as the “most effective” answer to the state’s energy challenges, HB425 might have been unnecessary. The misguided, exclusive focus on taking resources from Lana’i and Moloka’i to address a minimal amount of O`ahu’s energy needs has set the state back several years in transitioning to a clean energy economy.
- The results of allowing private corporate interests to direct the state’s energy policy are now abundantly clear, and the Legislature and the Consumer Advocate have been complicit in this.

- It should come as no surprise to this Committee that the Commission, regrettably, should now be required to consider alternatives to expensive intermittent renewable alternatives, in an attempt to ease the pain to ratepayers.
- So long as the utility is permitted, as a matter of policy, to charge ratepayers increased rates for more expensive intermittent renewable options, it is reasonable for the Commission to also consider the “costs and benefits” of a less expensive source of firm fuel, even if fossil-based.

Mahalo for the opportunity to comment,

Sally Kaye  
Lana`i City

**kawakami1 - Marissa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 06, 2012 2:46 PM  
**To:** EEPtestimony  
**Cc:** rick.ck.barboza@gmail.com  
**Subject:** Testimony for HB425 on 2/7/2012 9:00:00 AM

Testimony for EEP 2/7/2012 9:00:00 AM HB425

Conference room: 325  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Rick Barboza  
Organization: Individual  
E-mail: [rick.ck.barboza@gmail.com](mailto:rick.ck.barboza@gmail.com)  
Submitted on: 2/6/2012

Comments:

**kawakami1 - Marissa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 06, 2012 2:50 PM  
**To:** EEPtestimony  
**Cc:** anthuriumz@hotmail.com  
**Subject:** Testimony for HB425 on 2/7/2012 9:00:00 AM

Testimony for EEP 2/7/2012 9:00:00 AM HB425

Conference room: 325  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Wynnie Hee  
Organization: Individual  
E-mail: [anthuriumz@hotmail.com](mailto:anthuriumz@hotmail.com)  
Submitted on: 2/6/2012

**Comments:**

While on the surface this bill sounds good, it also says the PUC "shall consider the costs and benefits of a diverse fossil fuel portfolio". This could allow importation of more coal and natural gas, for electricity generation. This is bad: Coal is worse than oil, environmentally, and our current generators aren't equipped to handle liquefied natural gas. We need more RENEWABLE energy sources.

**kawakami1 - Marissa**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 06, 2012 8:40 PM  
**To:** EEPtestimony  
**Cc:** nihipalim001@hawaii.rr.com  
**Subject:** Testimony for HB425 on 2/7/2012 9:00:00 AM

Testimony for EEP 2/7/2012 9:00:00 AM HB425

Conference room: 325  
Testifier position: Oppose  
Testifier will be present: No  
Submitted by: Michele Nihipali  
Organization: Individual  
E-mail: [nihipalim001@hawaii.rr.com](mailto:nihipalim001@hawaii.rr.com)  
Submitted on: 2/6/2012

**Comments:**

I oppose HB 425 because it will allow other sources of fossil fuels in Hawaii. We do not need more coal and or current genrators are not equipped to handle liquied natural gas. Thank you for your consideration in this matter.