

**SB 1480**



NEIL ABERCROMBIE  
GOVERNOR

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LT. GOVERNOR

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TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT  
AND COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2011

THURSDAY, FEBRUARY 3, 2011  
2:45 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR,  
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND  
CONSUMER AFFAIRS, TO THE HONORABLE MIKE GABBARD, CHAIR, THE  
HONORABLE ROSALYN H. BAKER, CHAIR, AND MEMBERS OF THE COMMITTEES

**SENATE BILL NO. 1480 – RELATING TO ENERGY EFFICIENCY.**

**DESCRIPTION:**

This measure requires the Public Utilities Commission (“PUC”) to establish an energy efficiency credit program, potentially funded by an energy efficiency surcharge, to maximize cost-effective energy efficiency programs and technologies.

**POSITION:**

The Division of Consumer Advocacy (“Consumer Advocate”) supports the intent of this bill and offers its comments on this measure.

**COMMENTS:**

The Consumer Advocate supports the intent of this measure to provide incentives to promote energy savings and minimize overall economic costs. The measure seeks to establish an energy efficiency credit program to aid in the achievement of reducing statewide electricity use by four thousand three hundred gigawatt hours by 2030.

Senate Bill No. 1480  
Senate Committees on Energy and Environment  
and Commerce and Consumer Protection  
Thursday, February 3, 2011, 2:45 p.m.  
Page 2

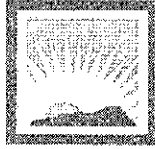
Energy efficiency is generally less expensive and requires less regulatory oversight compared to renewable energy generation. Energy efficiency credits are meant to provide an additional financial incentive for businesses to pursue energy efficiency beyond reducing their monthly electric bill. For every megawatt hour of energy savings, a company would earn one energy efficiency credit that could then be sold at market rates. An effective energy efficiency credit program has the potential to reduce the pressure on the state's budget.

On the other hand, there are a number of potential problems to an energy efficiency credit program. (1) Such a program could involve large transaction costs. These costs would then be passed on to consumers as authorized by this bill. (2) The type of projects that will be eligible for a credit must be defined. (3) The verification of energy savings must be clearly defined. (4) There is uncertainty as to what the market will be for Hawaii's energy efficiency credits.

The Consumer Advocate further points out that this is a matter that could be taken up in Docket No. 2010-0037. On March 8, 2010, the Commission filed its Order Initiating Investigation ("Initiating Order"), in Docket No. 2010-0037, to examine the establishment of energy efficiency portfolio standards ("EEPS") for the State of Hawaii, pursuant to Act 155, Session Laws of Hawaii 2009, the Energy Agreement and Hawaii Revised Statutes ("HRS") § 269-96. This docket is on-going and could be used as a vehicle to study the effectiveness of an energy efficiency credit program.

The Consumer Advocate is concerned with the costs of the implementation of this bill that may be passed on to consumers by way of the proposed surcharge. In light of the uncertainty of the benefit such an energy efficiency credit program would have in Hawaii, the Consumer Advocate's position is that this bill is premature and in need of further study.

Thank you for this opportunity to testify.



## Hawaii Solar Energy Association

*Serving Hawaii Since 1977*

February 3, 2011  
2:45PM

SENATE  
COMMITTEE ON ENERGY AND ENVIRONMENT  
&  
COMMITTEE ON COMMERCE AND CONSUMER  
PROTECTION  
SB 1480

Christy Imata

### TESTIMONY IN SUPPORT

Aloha Chair Gabbard, Vice Chair English, Chair Baker, Vice Chair Taniguchi, and Members of the Committees:

The Hawaii Solar Energy Association supports SB 1480, a measure to establish an energy efficiency credit trading program.

In 2009, the Hawaii State Legislature established an Energy Efficiency Portfolio Standard (EEPS) – setting a goal of 4,300 GWh reduction in electricity-use by 2030. This goal, one of the most aggressive energy efficiency goals in the nation, is key to the State's ability to transition to a clean energy future. However, a recent study by Booz Allen Hamilton analyzing Hawaii's EEPS indicated, "finding additional sources of private investment for efficiency efforts in the state will be critical to successfully meet the efficiency goals".<sup>1</sup>

Energy efficiency credit trading is a viable way to leverage private funding and to ensure these electricity savings are being obtained in a cost-effective manner. This market-based mechanism is being successfully implemented in many European countries, and is also being explored and adopted in the United States at a growing rate.

Please forward SB 1480 to continue the dialogue on establishing this innovative, market-based energy efficiency program for Hawaii's residents and businesses.

Thank you for the opportunity to testify on this measure.

Christy Imata  
Hawaii Solar Energy Association

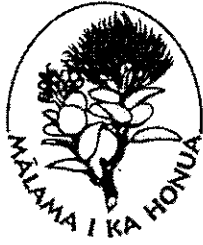
#### **About Hawaii Solar Energy Association**

*Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financiers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of*

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<sup>1</sup> June 2010: Booz Allen Hamilton *Hawaii Clean Energy Initiative Existing Building Energy Efficiency Analysis* at vii.

*energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.*



# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803  
808.538.6616 hawaii.chapter@sierraclub.org

## SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

February 3, 2011, 2:45 P.M.  
(Testimony is 1 page long)

### TESTIMONY IN SUPPORT OF SB 1480

Chair Gabbard, Chair Baker and Members of the Committees:

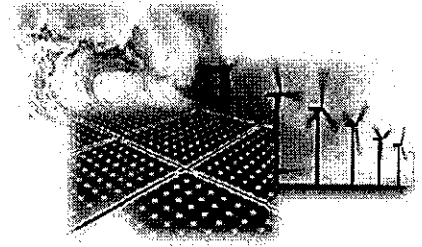
The Sierra Club, Hawaii Chapter, with 8,000 dues paying members and supporters statewide, *supports* SB 1480. This measure would direct the Public Utilities Commission to implement an energy efficiency credit program.

In order to meet Hawai'i's aggressive greenhouse gas reduction and energy security goals, it is necessary to radically transform the building sector. Buildings account for 72% of electricity use and over 36% of greenhouse gas emissions in the U.S. Improving their energy efficiency would lower energy bills, eliminates the need for new power plants, increases our energy independence, reduces air and water pollution, and cuts the carbon emissions that cause global warming. It also directly improves the future comfort and affordability of these homes.

Buildings have a many-decade lifetime, and today's buildings will continue to be a majority of all buildings in 2050. Without a focused effort to reduce energy load in existing buildings, it will be virtually impossible to meet even the most modest greenhouse gas reduction targets.

Energy efficient buildings, as is advanced by this measure, is the proverbial "low hanging-fruit" in the range of options necessary to reduce our energy costs and greenhouse gas emissions. Even relatively small improvements required by this measure would collectively add up. For example, if every household in the United States switched to Energy Star light fixtures, we could prevent 50 million tons of global warming pollution per year, the equivalent of taking 10 million cars off the road. In every home, office, and factory we can use energy more efficiently by putting to work currently available products like advanced lighting, better windows, more efficient heating and cooling systems, and new appliances that use far less energy than their older counterparts.

The Sierra Club respectfully asks that this committee advance this measure. Mahalo for the opportunity to testify.



**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

February 3, 2011, 2:45 P.M.

Room 225

**(Testimony is 2 pages long)**

**TESTIMONY IN SUPPORT OF SB 1480**

Chairs Gabbard and Baker and members of the Committees:

The Blue Planet Foundation supports SB 1480, a measure establishing an energy efficiency credit trading program. This policy would help Hawai'i achieve its energy efficiency targets codified in 2009—some of the most aggressive energy efficiency goals in the nation.

Achieving Hawaii's aggressive energy efficiency goal will require significant capital investment but will yield tremendous long-term savings for businesses and residents statewide. Hawaii currently lacks sufficient policies that are capable of realizing this efficiency goal.

Market-based mechanisms to promote the least-cost energy efficiency investments are being established in other jurisdictions, particularly in Europe and some states. Italy, France, Denmark and Great Britain have tradable efficiency credit programs in place. Energy efficiency credit compliance trading markets exist in Connecticut, Massachusetts, Nevada, and Pennsylvania, where these states have adopted legislation requiring efficiency as part of a portfolio standard and allow for the creation and trading of energy efficiency credits.

Energy efficiency credit trading is intended to create market signals that value the economic benefits of energy efficiency, similar to the role green tag or renewable energy credit markets have played in developing renewable energy resources.

An energy efficiency credit represents one megawatt-hour of electricity savings through energy efficiency measures. Energy efficiency credits can be bought and traded among utilities and other companies and may be traded across offered to the federal government to offset energy consumption. This encourages the market to find the most effective means of energy savings and thereby minimizes the overall economic costs of becoming more efficient.

The markets are designed to create demand, establish compliance buyers, and may institute a price floor or ceiling. Numerous efficiency measures and technologies can be utilized to create an energy efficiency credit, including combined heat and power, waste heat, electricity savings from energy efficiency measures, load management programs, and demand response technologies.

This measure is required to initiate the program and set standards for the trading system. Uniform standards for measuring and verifying savings across varying technologies are required in order for the energy efficiency credit market to achieve larger scale penetration. Energy efficiency credit markets also require tracking systems, which are necessary to track ownership of the energy efficiency credit and safeguard against double counting. The tracking system must have the capacity for integrating energy efficiency credits with renewable energy credits and carbon offsets, as there is the potential overlap of environmental attributes should these markets merge in the future.

Energy efficiency credits are a viable market-based public policy tool for promoting energy savings across Hawai'i.

Please forward SB 1480 to continue the dialog on establishing this innovative, market-based energy efficiency program for Hawai'i residents and businesses.

Thank you for the opportunity to testify.



**Testimony Before the Senate Committees  
On  
Energy and Environment  
And  
Commerce and Consumer Protection**

**February 3, 2011 (2:45 pm)**

**S.B. 1480 RELATING TO ENERGY EFFICIENCY**

**By: Alan Hee  
Energy Solutions Department  
Hawaiian Electric Company, Inc.**

Chairs Gabbard and Baker, and Members of the Committees:

My name is Alan Hee, and I represent Hawaiian Electric Company (HECO) and its subsidiary utilities, Hawaii Electric Light Company (HELCO) and Maui Electric Company (MECO). I appreciate the opportunity to present testimony on S.B. 1480.

S.B. 1480 directs the Public Utilities Commission to establish an energy efficiency credit program to maximize cost-effective energy efficiency programs and technologies and aid in the achievement of Hawaii's Energy Efficiency Portfolio Standard (EEPS). Hawaiian Electric opposes this bill.

Unfortunately, the establishment of an energy efficiency credit program is premature. The Energy Efficiency Portfolio Standard docket opened by the PUC in 2010 is still on-going. Interim goals and the roles and responsibilities of the different entities have not been determined. Without goals and responsibilities for achieving those goals, there is no demand for energy efficiency credits and it would be very difficult to value those credits.

Furthermore, it costs money to establish an energy efficiency credit program. There needs to be a certifying body, trading rules, standards for measurement and verification, and the energy savings need to be tracked and monitored. The legislation proposes to create a new energy efficiency credit program surcharge to collect this money from electric utility ratepayers. However, since 1995, the electric utilities and the public benefits administrator have been able to implement huge chunks of energy savings without this additional cost. Therefore, it's not clear that there is a need to add cost when the existing energy efficiency programs are so successful.

Finally, we need to be careful of unintended consequences. The 4,300 GWH goal for the EEPS is very aggressive. With the establishment of an energy efficiency credit program, can we be sure that money will not flow out of Hawaii in an effort to purchase credits from the mainland in order to meet the aggressive EEPS goal? It would be ironic if the establishment of energy efficiency credit program led to the purchase of energy efficiency credits rather than meeting the EEPS with real energy savings in Hawaii.

Thank you for this opportunity to testify on this proposed bill.