

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEES ON
HEALTH
AND
ENERGY & ENVIRONMENT

FEBRUARY 8, 2012

MEASURE: S.B. No. 2292
TITLE: Relating to Air Pollution

Chair Green, Chair Gabbard, and Members of the Committees:

DESCRIPTION:

This measure proposes to prohibit the Department of Health from issuing permits to owners and operators for the construction of new facilities that burn or consume coal, or for the expansion, relocation, or modification of existing facilities that would result in an increase of coal consumption. This measure also proposes to prohibit the Commission from approving new, modified, or renewed power purchase agreements that propose to burn or consume coal to generate energy.

POSITION:

The Commission opposes this bill, because it will limit the Commission's ability to weigh and balance policy issues with real cost ramifications and to take necessary steps to help stabilize electricity costs against the rising costs of oil.

COMMENTS:

While the Commission appreciates the intent of this bill to reduce or eliminate the use of coal in Hawaii's efforts to move to a clean energy future, unfortunately, limiting the Commission's ability to weigh and balance policy issues with real cost impacts may place an inadvertent and unaffordable financial burden on Hawaii's electricity ratepayer. For example, AES Hawaii Inc. ("AES") is the State's only coal-fired electrical power station and represents about 20% of Oahu's commercial electrical supply. AES provides energy at approximately 3 cents per kilowatt hour, as opposed to the current cost of low sulfur fuel oil which is roughly 23 cents per kilowatt hour. If AES was not operating the average 600 kilowatt hour bill would increase approximately \$22.00 a month, because the base load energy generated by the plant at 3 cents would have to

be replaced with either more fossil fuel, like diesel or low sulfur fuel oil, or some other firm renewable energy source, both of which are more expensive or unavailable at this time. Further, this is not a hypothetical increase, as this actually did occur in November and December of 2011 when AES was partially off-line for a period of several weeks. The average bill went up during that span by \$15.00 a month. A complete shutdown would have raised rates even higher.

The Commission fully supports the State's renewable portfolio standards with the stated mandate of 40% clean energy by 2030. However, unless there are significant technological breakthroughs, 60% of electricity generation is still anticipated to be met by fossil fuels. Limiting access to a diverse fossil fuel portfolio by limiting the use of coal restricts the Commission's ability to control costs for the benefit of ratepayers, and this may inadvertently affect the State's progress to become 100% energy self-sufficient as soon as possible. Achieving Hawaii's clean energy future will take a multi-pronged approach. A significant factor that must be considered is the cost impacts on Hawaii's residents and businesses as we move forward.

Thank you for the opportunity to testify. We respectfully request that this measure be held in Committee.