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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, MARCH 20, 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

SENATE BILL NO. 2438, S.D.1, H.D. 1 PROPOSED - RELATING TO
THE PUBLIC UTILITIES COMMISSION

DESCRIPTION:

This measure proposes to require the Department of Business, Economic Development, and Tourism to provide technological readiness analysis information, upon request by the Public Utilities Commission, which the commission may consider when making final determinations on renewable energy.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports the intent of Senate Bill No. 2438, S.D. 1, H.D. 1 Proposed and offers the following comments.

COMMENTS:

Hawaii's consumers should not have to pay for the integration of potentially costly renewable energy projects that are not technologically feasible or are still in their developmental infancy. Therefore, the Consumer Advocate supports the intent of S.B. No. 2438, S.D. 1, H.D. 1 Proposed as it attempts to set clear guidelines for the Public Utilities Commission ("PUC") as to where in the spectrum of technological development a renewable energy project needs to be before it will obtain PUC approval.

The Consumer Advocate would offer the following comments and concerns to this proposed bill:

First, S.B. No. 2438, S.D. 1, H.D. 1 Proposed states that the PUC may request of the Department of Business, Economic Development & Tourism ("DBEDT") to provide the PUC with an analysis of the technology readiness of renewable energy projects. Once such a request is made, however, the proposed bill mandates that the PUC reject any such renewable energy project or proposal if it falls below technology readiness level 6. As the proposed bill is worded, in the event that the PUC does not request such an analysis from DBEDT, then the PUC would have absolute discretion in making its own determination on the project or proposal's level of technology readiness and ultimately deciding whether the level of technology readiness was sufficient for approval. In other words, the PUC could circumvent this bill by simply not requesting an analysis from DBEDT.

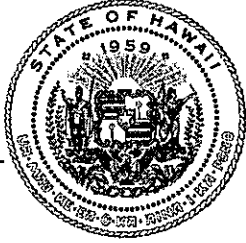
Second, the proposed bill states, "The public utilities commission shall not consider any proposal or contract for a renewable energy project with a technology readiness level below technology readiness level 6." Does this mean that the technology must already be at level 6 or does it mean that the technology is at level 5, but the proposed project for which approval is being sought is at level 6? The United States Department of Energy Technology Readiness Assessment Guide, DOE G 413.3-4, 10-12-09, defines technology readiness level 6 as "engineering/pilot scale (prototypical) system validation in relevant environment." If S.B. No. 2438, S.D. 1, H.D. 1 Proposed means that a renewable energy project or proposal must already be at technology readiness level 6 when approval is being sought, it may mean that the PUC will have to reject projects that are at technology readiness level 5, but are seeking approval for a pilot project that will demonstrate and establish itself as being at level 6. If the State of Hawaii is to be an international leader in renewable energy technology, then the PUC needs to have discretion in approving pilot or prototype projects that may not yet be at level 6.

Senate Bill No. 2438, S.D. 1, H.D. 1 Proposed
House Committee on Energy & Environmental Protection
Tuesday, March 20, 2012, 9:00 a.m.
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Finally, the Consumer Advocate notes that technology readiness level assessments are used by a number of United States government agencies with slight variations in their respective definitions of each readiness level. For example, the National Aeronautic and Space Administration ("NASA"), the Department of Defense ("DOD"), and the Department of Energy ("DOE") all have their own description of technology readiness levels 1 through 9. The Consumer Advocate suggests that it would assist in the clarification of this bill if there were a reference to the DOE's Assessment Guide.

The Consumer Advocate is willing to work with this committee and all interested parties in clarifying S.B. No. 2438, S.D. 1, H.D. 1 Proposed.

Thank you for this opportunity to testify.



**DEPARTMENT OF BUSINESS,
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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
**HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION**
Tuesday, March 20, 2012
9:00 AM
State Capitol, Conference Room 325
in consideration of

**SB2438 SD1 Proposed HD1
RELATING TO THE PUBLIC UTILITIES COMMISSION.**

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

The Department of Business, Economic Development and Tourism (DBEDT) **offers comments to SB2438 SD1 Proposed HD1**, which allows the Public Utilities Commission to request an analysis of technology readiness levels for renewable energy projects.

Although we support the intent, we do not believe that DBEDT is the appropriate agency to undertake the technical analysis proposed under this measure. Further, significant additional resources would be required to undertake analysis of various renewable energy technologies on a project by project basis.

Thank you for the opportunity to offer these comments.

SB2438 SD1 Proposed HD1_BED_03-20-12_EEP

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DEPUTY DIRECTOR

To: The Honorable Denny Coffman, Chair,
and members of the House Committee on Energy and Environmental Protection

Date: Tuesday, March 20, 2012
Time: 9:00 A.M.
Place: Conference Room 325, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S. B. No. 2288, S.D. 1, Proposed H.D. 1, Relating to Energy

The Department of Taxation (Department) supports the intent of S.B. 2288 SD1, Proposed HD1, and offers the following comments and recommendations for your consideration.

The measure changes the basis for calculation of the renewable energy technologies tax credit from a per system basis to a per property basis, and prohibits a taxpayer from claiming the renewable energy technologies tax credit for a system installed for the purpose of selling power to a county, state, or federal agency, as well as increasing the amount of tax credit for systems installed on various types of properties.

The Department supports the proposed amendments as they will assist with the administration of the tax credit. Furthermore, the per property limitation addresses the original intent to limit the amount of tax credit per property.

The Department would recommend further amendments for clarity and consistency, including the addition of certain definitions.

Thank you for the opportunity to provide comments.

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

MARCH 20, 2012

MEASURE: S.B. No. 2438, Proposed H.D. 1
TITLE: Relating to the Public Utilities Commission

Chair Coffman and Members of the Committee:

DESCRIPTION:

This bill will require the Energy Resources Coordinator of the Department of Business, Economic Development, and Tourism ("DBEDT") to provide technology readiness analyses of renewable energy projects to the Commission upon request. The measure lists eight technology readiness levels for renewable energy projects based on varying degrees of operational and commercial viability. These technology readiness analyses are meant to assist the Commission in making final determinations concerning renewable energy projects.

POSITION:

The Commission would like to offer the following comments for the Committee's consideration.

COMMENTS:

As proposed, one can only surmise the need for this measure. Therefore, a purpose clause would help to clarify the Legislature's intent for the passage of this measure.

In particular, the Commission requests that the Committee clarify whether the technology readiness criteria is meant to be mandatory or discretionary. For example, starting on page 2, line 12, the bill says the Commission "shall not consider any proposal or contract for a renewable energy project with a technology readiness

level below technology readiness level 6.” However, the following sentence states that “[t]he public utilities commission may consider the technology readiness analysis in making its final determination on renewable energy projects,” which indicates that the use of technical readiness analyses is up to the discretion of the Commission.

With regard to the appropriate entity to determine “technology readiness”, the Commission suggests the Hawaii Natural Energy Institute (“HNEI”), and not DBEDT. In Hawaii Revised Statutes (“HRS”) § 304A-1891(c), the functions of HNEI include:

- (1) Development of renewable sources of energy for power generation and transportation fuels by working in coordination with state agencies, federal agencies, and private entities;
- (2) The conducting of research and development of renewable sources of energy;
- (3) Demonstration and deployment of efficient energy end-use technologies, including those that address peak electric demand issues; and
- (4) The aggressive pursuit of matching funding from federal agencies and private entities for its research and development and demonstration activities.

Also, when awarding contracts or grants from the Energy Systems Development Special Fund to develop and deploy technologies that will reduce Hawaii’s dependence on imported energy resources and imported oil, projects commissioned by HNEI must do the following in accordance with HRS § 304A-2169:

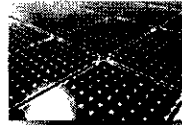
- (A) Balance the risk, benefits, and time horizons of the investment to ensure tangible benefits to the Hawaii consumer, with priority given to short- term technology development;
- (B) Emphasize innovative and renewable energy supply and energy efficient end use technologies focusing on environmental attributes, reliability, and affordability;

- (C) Enhance transmission and distribution capabilities of renewable energy supply for electricity;
- (D) Enhance reliability and storage capabilities of renewable energy for electricity;
- (E) Ensure that research, deployment, and demonstration efforts build on existing programs and resources and are not duplicated;
- (F) Address critical technical and scientific barriers to achieving energy self-sufficiency by reducing dependence on imported oil and imported energy resources;
- (G) Ensure that technology used and developed for renewable energy production and distribution will be commercially viable; and
- (H) Give priority to resources that are indigenous and unique to Hawaii[.]

Therefore, as envisioned by the Legislature, HNEI has a critical, statutorily-mandated role in determining technology validation and commercialization potential.

Lastly, HRS § 269-6 may not be the appropriate section for the amendment suggested by this measure, and this language may be better placed in Part V of HRS Chapter 269, concerning Hawaii's Renewable Portfolio Standards.

Thank you for the opportunity to comment on this measure. The PUC will be happy to assist in any way possible to help clarify the intent of this measure.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

March 20, 2012, 9:00 A.M.

Room 325

(Testimony is 1 page long)

TESTIMONY SUPPORTING INTENT OF SB 2438 SD1 PROPOSED HD1

Chair Coffman and members of the Committee:

The Blue Planet Foundation supports the intent of the proposed House Draft of SB 2438, but we believe the proposed policy is unnecessary and does not add significant value for the deployment of renewable energy in Hawai'i.

The Public Utilities Commission (PUC) currently makes a determination of commercial readiness for deployment—as well as proposed purchase price—when analyzing power purchase agreements (PPAs) that come before them. Further, it is unlikely that developers are will propose projects using technology that is not cost effective and ready for commercial deployment.

We support providing both the PUC and the Department of Business, Economic Development, and Tourism the resources to hire the expert staff and consultants to analyze projects and systems that will contribute to Hawaii's clean energy future.

Thank you for the opportunity to testify.