

**Written Testimony before the
Senate Committee on**

Ways and Means

S.B. 2666, S.D. 1 – Relating to Energy

**Tuesday, February 28, 2011
9:00 AM, Conference Room 211**

**By Cecily Barnes
Manager, Biofuels
Hawaiian Electric Company, Inc.**

Chair Ige, Vice-Chairs Kidani, and Members of the Committee:

My name is Cecily Barnes. I am the Manager of Biofuels for Hawaiian Electric Company. I submit this testimony 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.

We support S.B. 2666, S.D. 1, which creates an income tax credit for development and construction costs for qualifying biofuel production facilities.

The Hawaiian Electric Companies are committed to exploring and using biofuels in its existing and planned generating units. The use of biofuels can reduce the State's dependence on imported oil and increase the amount of renewable energy from sustainable resources. This commitment by the Hawaiian Electric Companies is demonstrated by the following initiatives:

- Installed a nominal 120 MW power plant in 2009 at Campbell Industrial Park that has operating on 100% biodiesel since November, 2010;
- Successfully tested biofuels at Maui Electric Company's Ma'alaea Power Plant and Hawaiian Electric's Kahe Power Plant.
 - Maui Electric Company conducted a 1 million gallon biodiesel demonstration project from April through August 2011 at Ma'alaea Power Plant. Results indicate that conversion of Maui Electric Company's Mitsubishi class diesel

generators from petro-diesel to 100% biodiesel is feasible from operational, maintenance, and air permitting standpoints.

- Hawaiian Electric successfully co-fired 1.5 million gallons of crude palm oil at Unit 3 of the Kahe Generating Station. This test demonstrated that co-firing biofuel with low sulfur fuel oil at various blends up to 100% biofuel was possible and resulted in lower emissions for Nitrous Oxides (NOx), Sulfur Oxides (SOx), and other pollutants.
- Provided 5 years of seed funding to the Hawaii Agriculture Research Center (“HARC”) and the agriculture departments at the University of Hawaii’s Manoa and Hilo campuses to conduct biofuel crop research with a 6th year of funding to follow this year; and
- Awarded a 20-year contract to Hawaii BioEnergy to purchase 10 million gallons of biofuel annually, stimulating development of local feedstock and biofuel processing on the Island of Kauai. This contract was filed with the Public Utilities Commission (PUC) on November 30, 2011 and is pending approval.
- Awarded a 3-year contract to Pacific Biodiesel to purchase 250,000 gallons of biodiesel annually on the Island of Oahu, stimulating development of local feedstock and biofuel processing in Hawaii. This contract was filed with the PUC on November 30, 2011 and is pending approval.
- Awarded a pilot contract to Phycal to purchase 100,000 to 150,000 gallons of algal oil for a one-time supply to be delivered in 2014, stimulating development of local feedstock and biofuel processing on the Island of Oahu. Phycal intends to develop larger volumes of algal oil upon successful testing of the pilot.
- Awarded a 20-year contract to Aina Koa Pona to purchase 16 million gallons of biofuel annually, stimulating development of local feedstock and biofuel processing on the Island of Hawaii. This contract was filed with the PUC on January 6, 2011 and denied on September 29, 2011. Hawaiian Electric continues discussions with Aina Koa Pono with the intent of negotiating a new contract.

In conclusion, the Hawaiian Electric Companies support S.B. 2666, S.D. 1, as a way to stimulate biofuel development In Hawaii. Thank you for the opportunity to present this testimony.



40 Hobron Ave.
Kahului, Hawaii 96732
Phone (808) 877-3144
Fax (808) 877-5030
www.biodiesel.com

February 27, 2012

TESTIMONY ON SB 2666 SD1– Relating to Energy

Senate Committee on Ways and Means
Chair Ige, Vice Chair Kidani and members of the Committee

From: Kelly King
Pacific Biodiesel

Pacific Biodiesel supports the intent of SB 2666, but feels that as written it will not provide significant encouragement to the *production* of biofuels. The tax incentive is for a relatively small percentage (15%) of the costs of building a biofuel facility and does not extend past the construction phase of the biofuel facility into the actual production phase. Also, the recipient must refund in one year all of the tax credit earned back to the State. We feel that bill SB 772 SD2 HD2 was much more effective in encouraging *production* of biofuels, while SB 2666 only weakly incentivizes construction of biofuel facilities.

Please consider revising the bill to provide greater encouragement to the production of local biofuels.

Thank you,

Kelly King
Vice President
Pacific Biodiesel
ktk@biodiesel.com



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
MARK B. GLICK
Administrator, Hawaii State Energy Office
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
Tuesday, February 28, 2012
9:00 AM
State Capitol, Conference Room 211
in consideration of
SB2666,SD1
RELATING TO ENERGY.

Chair Ige, Vice Chair Kidani, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of SB2666,SD1, but has concerns about DBEDT's proposed role in administering another tax credit program and the lack of resources under this measure to administer the proposed biofuel facility development and construction cost tax credit program.

We note that several planned biofuels projects identified in the 2011 Biofuels Study Interim Report (Act 203, Final Report due December 2012) could be eligible for the tax credit proposed by SB2666 SD1, although one is currently under construction without the benefit of a state production facility tax credit.

As this is a tax issue, DBEDT defers to the appropriate agency for comment, and asks the Legislature to exercise caution in the creation of an unfunded mandate and to carefully consider whether DBEDT is the most appropriate agency to administer this tax credit program.

Thank you for the opportunity to offer these comments.

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

Directors

Jody Allione
AES-Solar

Kelly King
Pacific Biodiesel

Matt Stone
Sopogy

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

SB 2666 SD1, RELATING TO ENERGY

February 28, 2012

Chair Ige, Vice-Chair Kidani and members of the Committee I am **Warren Bollmeier**, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of **SB 2666 SD1** are to: (i) create an income tax credit for development and construction costs for qualifying biofuel production facilities, (ii) define "oil refinery," and (iii) clarify that an environmental assessment is required for an action proposing the expansion of an existing oil refinery.

HREA **supports the intent of Section 2 (biofuel production facility)** and does not take a position Sections 3 and 4 (Chapter 343 issues), and offers the following comments for the Committee's consideration:

- 1) **Elements of Biofuels Facility Tax Credit**. We support a measure that will leverage private investment in biofuel production facilities. Last year's SB 772 SD2 HD2 (CONF) would do that for liquid biofuels; the subject measure would expand the credit to gaseous biofuels, which we can support. However, we have some issues with the measure.
- 2) **Issue 1 (No Production Requirement)**. This is strictly an investment credit, which we see as a major flaw, as it only incentivizes construction and not long term production as does SB 772. And, if a production requirement were to be included in this measure, the details of how payment for gaseous fuels need to be worked out.
- 3) **Issue 2 (Weak Market Pull Mechanism)**. Even if a production were as added to this measure, we do not believe a credit level of 15% will be attractive to investors. Specifically, wind and solar credits are at 20% and 35%, and in our opinion are less risky to develop than biofuel facilities, especially in this case, where feedstocks are to be cultivated by local growers at reasonable prices, and a facility is to be up and operating by 2017. **We support a credit level of 50% in combination with a production requirement.**
- 4) **Issue 3 (Where's the Market)**. If the ethanol mandate is repealed, it is not likely that we will see ethanol production, unless the oil companies seek local suppliers for ethanol, in order to meet the Federal Renewable Fuels Standard. Re biodiesel, local supply is already in the transportation sector, but the path to increased penetration is uncertain. The utility's interest via their RFPs helps creates certainty for biodiesel to generate electricity or biomass-to-electricity from anaerobic digestion, gasification, pyrolysis or other processes. However, without viable paths to the market for all biofuels, this measure may fall short.

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

- 5) Recommendations. Given the major problems we see with this measure, we recommend that a working group be formed to prepare a proposed SD2 for the committee's consideration. HREA stands ready to participate in said working group.

Thank you for this opportunity to testify.



SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2012, 9:00 A.M.

Room 211

(Testimony is 1 page long)

TESTIMONY IN SUPPORTING INTENT OF SB 2666 SD1 WITH AMENDMENT

Chair Ige and members of the Ways and Means Committee:

The Blue Planet Foundation supports the intent of SB 2666 SD, but would prefer that the measure be amended back to its original form in regards to requiring that the majority of the biofuel feedstock be locally sourced. This policy—providing a biofuel facility tax credit to incentivize the needed development and construction of such facilities—will provide greater support for Hawaii’s diverse biofuel production infrastructure.

Biofuels will likely play a major role in Hawaii’s clean energy future—particularly as a substitute for petroleum-based transportation fuels. Transportation fuels in Hawai`i can be made from renewable resources, such as biomass in various forms, algae, and waste products. These materials are neither as scarce nor as expensive as crude oil. Even more importantly, these materials are available here. Hawai`i should set a clear course for a steady, incremental transition to renewable fuels including local and sustainable biofuels.

Blue Planet respectfully asks that SB 2666 SD 1 be amended to require that at least 75% of the feedstock for a qualified facility be sourced within the state (Hawaii-grown). This policy should encourage Hawaii’s clean, local, renewable energy industries. We want to avoid a distorted outcome where oil crops are being shipped across the Pacific (from potentially destructive sources, like former rainforest land) for use in Hawai`i.

Thank you for the opportunity to testify.