

**LATE**



**Western States Petroleum Association**

House Committee on Consumer Protection & Commerce

DATE: Monday, March 25, 2013  
TIME: 3:00 PM  
PLACE: Conference Room 325  
RE: SB 15, SD 2, HD1, Relating to Energy

I am Melissa Pavlicek, testifying with comments on **SB 15, SD2, HD1** on behalf of the Western States Petroleum Association (known as WSPA). WSPA is a non-profit trade association representing a broad spectrum of petroleum industry companies in Hawaii and five other western states.

WSPA generally supports the establishment of task forces and the performance of studies by experts when it can enhance and inform sound public policy.

We have previously expressed opposition to broadening of the existing ethanol blending mandate to require all motor vehicle liquid fuels sold in the state to contain locally produced biofuels. Among other concerns we pointed out numerous potential problems with a biodiesel mandate. A locally produced biodiesel mandate as configured in a prior version of the bill would have created a "start/stop" regulatory scheme under which the blending mandate could be suspended if locally produced biofuels are not available in sufficient quantities and are not competitively priced, or if undue hardship is experienced.

We believe that earlier versions of this bill overlooked the fundamental relationship between vehicles, fuels and consumers. Each of these key elements must be considered carefully when making adjustments that have the potential to negatively impact or be impacted by the others. We noted then that the bill makes changes to regulations to fuels only and does so without the benefit of public workshops or extensive commentary unlike the more deliberative process used to enact the ethanol-blending mandate. Therefore, we would support further inquiry prior to the imposition of mandates or significant changes to the existing ethanol blending mandate.

The law requiring a 10% blend ethanol blend for motor gasoline was adopted into statute to promote the agriculture industry nearly 20 years ago. Subsequently, the administrative rules requiring 85% of all motor gasoline distributed in Hawaii contain 10% ethanol (E10) was adopted by DBEDT in 2004. Allowing for an 18-month transition period, E10 started in April 2006. The adoption of blending rules was opposed by members of the petroleum industry on the basis that mandates distort markets, the addition of ethanol was unnecessary in Hawaii for cleaner combustion, and other consumer impacts. More importantly, the industry noted the significant cost to comply with a mandate and warned against a "start/stop" reaction if the questionable economic benefits including renewed agricultural activity and job creation were not realized.

**841 Bishop Street, Suite 2100, Honolulu, Hawaii 96813  
(808) 447-1840**

WSPA has previously raised concerns that a mandatory introduction of biodiesel may potentially affect fuel quality, mobilize contaminants in the fuel system, or increase the potential for microbial contamination of Hawaii diesel supplies. These performance issues are outside of the scope of Underwriters Laboratories Inc. standards and certification.

Additionally, there are currently several concerns with the introduction of biodiesel in California that are being further evaluated. These concerns include increased nitrogen oxide (NOx ) emissions from biodiesel that can lead to increased ozone pollution, increased CO2 emissions, and high aquatic toxicity. There is debate about the magnitude of any NOx emission increases, as it may be a function of not only biodiesel concentration but also engine type and duty cycle.

We strongly support flexibility and the maintenance of all options to meet Hawaii's growing energy needs. Thank you for giving WSPA the opportunity to testify today.

**kawakami2 - Rise**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 24, 2013 4:16 PM  
**To:** CPCtestimony  
**Cc:** samclark1@hawaiiintel.net  
**Subject:** \*Submitted testimony for SB15 on Mar 25, 2013 15:00PM\*



**SB15**

Submitted on: 3/24/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
sam clark	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 24, 2013 10:17 PM  
**To:** CPCtestimony  
**Cc:** maguinger@hawaii.rr.com  
**Subject:** Submitted testimony for SB15 on Mar 25, 2013 15:00PM



**SB15**

Submitted on: 3/24/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mary A. Guinger	Individual	Support	No

Comments: This bill will bring more local energy that will contribute to more local work, more sustainability, and independence from outside forces.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 24, 2013 10:21 PM  
**To:** CPCtestimony  
**Cc:** picapix@yahoo.com  
**Subject:** \*Submitted testimony for SB15 on Mar 25, 2013 15:00PM\*



**SB15**

Submitted on: 3/24/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Mary Demarest	Individual	Support	No

Comments:

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**Directors**

Jody Allione  
AES-Solar

Joe Boivin  
The Gas Company

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SB 15 SD2 HD1, RELATING TO ENERGY

March 25, 2013

Chair McElvey, Vice-Chair Kawakami, 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 15 SD2 HD1 are to: (i) establishe a task force to examine changing the 10 percent ethanol requirement for gasoline to a locally-produced biofuels and biodiesel requirement, (ii) establish a Biofuels Production Income Tax Credit, and (iii) repeal the Ethanol Facility Tax Credit.

HREA **supports** this measure and offers the following comments in support:

- 1) Biofuel Mandate Task Force. HREA supports all efforts that will help us gain consensus on an approach to meeting our transportation-fuels portion of our clean energy goals.
- 2) Biofuels Production Tax Credit. The proposed production tax credit ("PTC") is potentially the best way to encourage new biofuel production in Hawaii. The approach in many respects mirrors the proposals in SB 623 for utility-scale solar-electric projects. Specifically, in both cases a "producer" gets paid when he actually produces. In the case of solar-electric projects, the payment is \_\_\_ cents/kWh; in the case of the proposed biofuels PTC, the proposed payment is 30 cents/115,000 BTU. Note the energy content of a gallon of gasoline is about 115,000 BTU ("British Thermal Units"). Moreover, there are other features of the PTC that we find attractive:
  - a) we believe the PTC will be easy to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii;

- b) the PTC will help encourage the production of local biofuels, through the facilitation of effective producer-ag grower relationships; and
  - c) this measure will help move us past our “sluggish” start in the transportation fuels part of the Hawaii Clean Energy Initiative.
- 3) Recommendations. In summary, please pass this measure out and help us move forward to our biofuel future.

Mahalo for this opportunity to testify.

**kawakami2 - Rise**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 5:32 AM  
**To:** CPCtestimony  
**Cc:** kendallkam@gmail.com  
**Subject:** Submitted testimony for SB15 on Mar 25, 2013 15:00PM



**SB15**

Submitted on: 3/25/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kendall Kam	Individual	Support	No

Comments: I am in favor of SB15, HD 1, biofuels production tax credit as this is critical to wean Hawaii off of out of state energy sources.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 7:33 AM  
**To:** CPCtestimony  
**Cc:** bohicaben@yahoo.com  
**Subject:** \*Submitted testimony for SB15 on Mar 25, 2013 15:00PM\*



**SB15**

Submitted on: 3/25/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ben Bland III	Individual	Support	No

Comments:

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 8:07 AM  
**To:** CPCtestimony  
**Cc:** pennysfh@hawaii.rr.com  
**Subject:** Submitted testimony for SB15 on Mar 25, 2013 15:00PM

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**SB15**

Submitted on: 3/25/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Penny Levin	Individual	Support	No

Comments: This bill will help Hawaii move toward sustainable, locally-produced energy goals and encourage local growers of biofuel crops. Please vote to support this bill! Mahalo.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 8:45 AM  
**To:** CPCtestimony  
**Cc:** deo2001@gmail.com  
**Subject:** Submitted testimony for SB15 on Mar 25, 2013 15:00PM



**SB15**

Submitted on: 3/25/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Douglas Olds	Individual	Support	No

Comments: We need local sources of energy like biodiesel and geothermal and wind in order for our state to be self sustainable. Please pass this bill.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 9:19 AM  
**To:** CPCtestimony  
**Cc:** david.ruf@rivertopsolutions.com  
**Subject:** Submitted testimony for SB15 on Mar 25, 2013 15:00PM

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**SB15**

Submitted on: 3/25/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
David Ruf	Rivertop Solutions LLC	Support	No

Comments: Ethanol is a highly inefficient and corrosive fuel that has not been successful in the US without significant subsidies. Advanced biofuels, which are the focus of all efforts at USDA and DOE, are the future of biomass based liquid fuels, provide a much wider range of options, to include marine and aviation fuels. Creating incentives for growth in the advanced biofuels industry puts Hawaii on a better track for reducing petroleum use while also positioning Hawaii companies to export expertise and technology.

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, March 25, 2013 9:43 AM  
**To:** CPCtestimony  
**Cc:** blessmans@yahoo.com  
**Subject:** Submitted testimony for SB15 on Mar 25, 2013 15:00PM



**SB15**

Submitted on: 3/25/2013

Testimony for CPC on Mar 25, 2013 15:00PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stephen W Blessman	Individual	Support	No

Comments: We have driven a biodiesel vehicle on the island of Maui for seven years and feel very good that: 1) we are helping to utilize waste oils that would otherwise be a messy by-product, 2) we are helping to keep our island's sewer systems less clogged up, 3) using a fuel that is non-toxic and could be poured on grass without killing it, accidentally sipped without poisoning and would extinguish a lit match rather than explode, 4) we are not burning oil and contributing to global conflict, 5) we are not causing toxic pollution, 5) we are supporting a locally owned and operated business, 6) we are participating in the creation of high quality green jobs for Maui and Big Island workers, 7) we are saving money on fuel prices versus the cost of gasoline and most of all- 8) that we are part of a very real solution and not part of the problems associated with the over-dependence on oil. We believe in community-based, renewable and sustainable use of bio-diesel fuel in Hawai'i and ask that you move SB 15 forward unanimously and without delay.

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**Directors**

Jody Allione  
AES-Solar

Joe Boivin  
The Gas Company

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

SB 15 SD2 HD1, RELATING TO ENERGY

March 25, 2013

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The purposes of SB 15 SD2 HD1 are to: (i) establish a task force to examine changing the 10 percent ethanol requirement for gasoline to locally-produced biofuels and biodiesel requirement, (ii) establish a Biofuels Production Income Tax Credit, and (iii) repeals Ethanol Facility Tax Credit.

HREA **supports** this measure and offers the following comments in support:

- 1) Biofuel Mandate. It appears that the E-10 mandate would now become a B-5 (Biofuel-5) maintain. While we would prefer a B-20 to place us further down the path to our state's clean energy goals, we can support the B-5 as a first step to expanding our use of biofuels in Hawaii
- 2) Biofuels Production Tax Credit The proposed production tax credit ("PTC") is potentially the best way to encourage new biofuel production in Hawaii. The approach in many respects mirrors the proposals in SB 623 or utility-scale solar-electric projects. Specifically, in both cases a "producer" gets paid when he actually produces. In the case of solar-electric projects, the payment is \_\_\_ cents/kWh; in the case of the proposed biofuels PTC, the proposed payment is 30 cents/115,000 BTU. Note the energy content of a gallon of gasoline is about 115,000 BTU ("British Thermal Units"). Moreover , there are other features of the PTC that we find attractive:

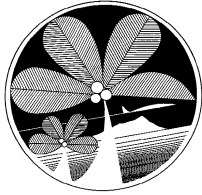
- a) we believe the PTC will be easy to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii;
  - b) the PTC will help encourage the production of local biofuels, through the facilitation of effective producer-ag grower relationships; and
  - c) this measure will help move us past our "sluggish" start in the fuels part of the Hawaii Clean Energy Initiative.
- 3) Proposed Amendment. HREA noticed that two important elements of the definition of "biofuel", that was originally in Part 1 of SB 15 SD2 HD1 Proposed, and subsequently deleted in the revisions to Part 1 of this measure, need to be included in Part 2 of this measure. Specifically, the elements refer to "liquid and gaseous" fuels and the requirement that the fuels meet industry standards. Therefore, we recommend that the "biofuels" definition on page 10, lines 13 to 16, be amended as follows:

"Biofuels means liquid or gaseous fuels produced from within the State from renewable feedstocks transported less than one thousand miles from point of origin to the production facility located within the State, provided that the fuels shall meet the relevant ASTM International specifications of latest issue or other relevant national industry standards."

- 4) Recommendations. In summary, please pass this measure out with our recommended amendment and help us move forward to our biofuel future.

Mahalo for this opportunity to testify.

## AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport  
300 Rodgers Blvd., #62  
Honolulu, Hawaii 96819-1832  
Phone (808) 838-0011  
Fax (808) 838-0231



March 25, 2013

*LATE TESTIMONY*

Honorable Angus McKelvey, Chair  
Honorable Derek Kawakami, Vice Chair  
House Committee on Consumer Protection & Commerce

**Re: SB 15 SD2 HD1 – Relating to Energy – Comment requesting amendment**  
Conference Room 325– 3:00 PM

Aloha Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

The Airlines Committee of Hawaii\* (ACH), which is made up of 21 signatory air carriers that underwrite the State Airport System appreciates the opportunity to comment on SB 15 SD2 HD1, Relating to energy.

Our comments are to address Part 1 of this bill, which proposes to create a task force within the Department of Business, Economic Development, and Tourism to examine changing the existing law requiring ten percent ethanol fuel content in gasoline to a new requirement that ensures that locally-produced biofuels account for at least five percent by volume of the distributor's annual sales of liquid fuels for motor vehicles.

While the ACH supports the legislative intent to protect Hawaii's environment, to reduce the state's dependence on petroleum, and to provide support for locally-produced biofuels, we want to raise the critical infrastructure concerns that are associated with cross-contamination of biofuels with jet fuel supplies in Hawaii.

"FAME" (fatty acid methyl ester) fuels are manufactured from bio-mass and have properties that are similar to petroleum diesel. FAME fuel is a good fuel for road transportation means but is not appropriate for air transport, due to a lower energy content and a higher freezing point.

FAME is a liquid that clings to the surfaces with which it comes in contact. It leaves a residue that risks contaminating any fuels or oils that follow it in the pipelines. The remedies for contamination of pipelines, storage tanks, barges and the fuel-flow appurtenances (e.g., pipes, pumps, filtration equipment) are drastic. The affected equipment would be taken out of service and extensively decontaminated. It would remain out of service until testing affirms that it is safe to redeploy.



Taking the complex and very limited pipelines, tanks, and other equipment out of service to be cleaned would cause a substantial, costly and entirely preventable burden on the entire state fuel-supply infrastructure.

Airports, in particular, are vulnerable to FAME-related problems due to limited storage capacity and aircraft engine susceptibility. Fuel storage at commercial airports, and some military installations, is limited, with no redundancies. At any given time, each jet fuel storage tank is either receiving fuel, kept static while any solid or water components are allowed to settle out and be removed, or dispensing to fueling equipment and the flight line. Removal of tankage would likely leave the airport short of fuel for days or even weeks. Additionally, FAME contamination of the holds of fuel transport barges would require quarantine of that barge – and the pumps and pipes on-shore and aboard ship – from future jet fuel shipments until it has all been replaced or cleaned.

The Honolulu International Airport is the fourth largest U.S. gateway and each of the other 14 state-operated airports serve as critical gateways for travel and commerce into and out of the state. Therefore, we urge taking a cautious approach before proceeding with this initiative.

The ACH is willing to work with the legislature to discuss alternatives to assist the state in its initiative to promote biodiesel usage, but respectfully urges your committee to ensure that neither aircraft safety nor airport jet fuel supply is compromised.

For these reasons, we respectfully ask for an amendment in this bill to ensure that a qualified expert on aviation fuel be named to the task force.

Sincerely,

Blaine Miyasato  
ACH Co-chair

Matthew Shelby  
ACH Co-chair

*\*ACH members are Air Canada, Air New Zealand, Air Pacific, Alaska Airlines, All Nippon Airways, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, go!, Hawaiian Airlines, Island Air, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, United Airlines, United Parcel Service, US Airways, and Westjet.*