

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

March 31, 2014
2:00 p.m.

MEASURE: S.B. No. 2196, S.D. 2, H.D. 1
TITLE: Relating to Energy

Chair Luke and Members of the Committee:

DESCRIPTION:

This measure proposes to re-establish the Energy Systems Development Special Fund in order to provide funding for the Hawaii Natural Energy Institute of the University of Hawaii (“HNEI”) and its work on Hawaii energy programs. The bill would also extend the sunset of the State’s Environmental Response, Energy, and Food Security Tax (“Barrel Tax”) to June 30, 2030, as well as designate allocations to certain special funds and programs supported by the Barrel Tax. This measure has an effective date of July 1, 2050.

POSITION:

The Public Utilities Commission (“Commission”) supports the intent of this measure and would like to offer the following comments for the Committee’s consideration.

COMMENTS:

The Commission supports, in particular, this bill’s provisions that re-establish the funding source for HNEI via the Energy Systems Development Special Fund. Funding for the work of HNEI is important for the successful transformation of Hawaii’s energy systems, while providing reliable, cost-effective electrical service for all islands.

Hawaii’s electricity system is highly complex and technical. Hawaii’s isolated island grids have a high degree of sensitivity and are required to operate in a completely self-sufficient manner. Meanwhile, renewable resources, energy efficiency systems, grid management and demand response systems, electric vehicles, and energy storage are being added to the system at a rapid pace. HNEI’s research helps the grid to continue to operate reliably and affordably while it undergoes its transformation. The testing, modeling, technology validation, and economic analysis conducted by HNEI is critically important to the Commission, which must make informed and knowledgeable decisions to advance the public good.

HNEI has played, and will continue to play, an important role in understanding, modeling, and coordinating the input of local, national, and international experts and agencies that are willing to partially fund cutting-edge work related to Hawaii's energy transformation. These entities support research in Hawaii because the renewable energy solutions and grid management techniques developed in the State will likely have global applicability. HNEI's ability to coordinate and synthesize this research, expertise, and knowledge is used to further benefit Hawaii's electricity system.

Accordingly, the Commission asks that the Committee reinsert the current Barrel Tax allocation to the Energy Systems Development Special Fund of 10 cents per barrel, which is blanked out in this measure. However, the Commission would defer to any guidance from HNEI as to the proper allocation level.

Thank you for the opportunity to testify on this measure.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Monday, March 31, 2014
Time: 2:00 P.M.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

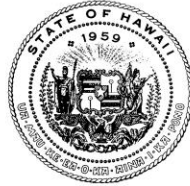
Re: S.B. No. 2196, S.D. 2, H.D. 1, Relating to Energy

The Department of Taxation (Department) appreciates the intent of S.B. 2196, S.D. 2, H.D. 1, and provides the following comments for your consideration.

S.B. 2196, S.D. 2, H.D. 1, re-establishes the energy systems development special fund, and modifies the amount of the Environmental Response, Energy, and Food Security Tax to be deposited into the environmental response revolving fund, energy security revolving fund, and agricultural development revolving fund. It would also extend the repeal of the rate and certain allocations of the Environmental Response, Energy, and Food Security Tax from June 30, 2015, to June 30, 2030. The bill has a defective effective date of July 1, 2050.

As written, none of the proposed changes in S.B. 2196, S.D. 2, H.D. 1, will not affect the Department's ability to administer the Environmental Response, Energy, and Food Security Tax. If any adjustments to the rate of the tax are made, the Department requests that those changes be made effective after December 31, 2014, to allow the Department adequate time to modify its forms and instructions.

Thank you for the opportunity to provide comments.



STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

HOUSE COMMITTEE ON FINANCE

**S.B.2196 S.D. 2 H.D. 1, RELATING TO THE ENVIRONMENTAL RESPONSE,
ENERGY, AND FOOD SECURITY TAX**

**Testimony of Linda Rosen, M.D., M.P.H.
Director of Health**

**March 31, 2014
2:00 p.m.**

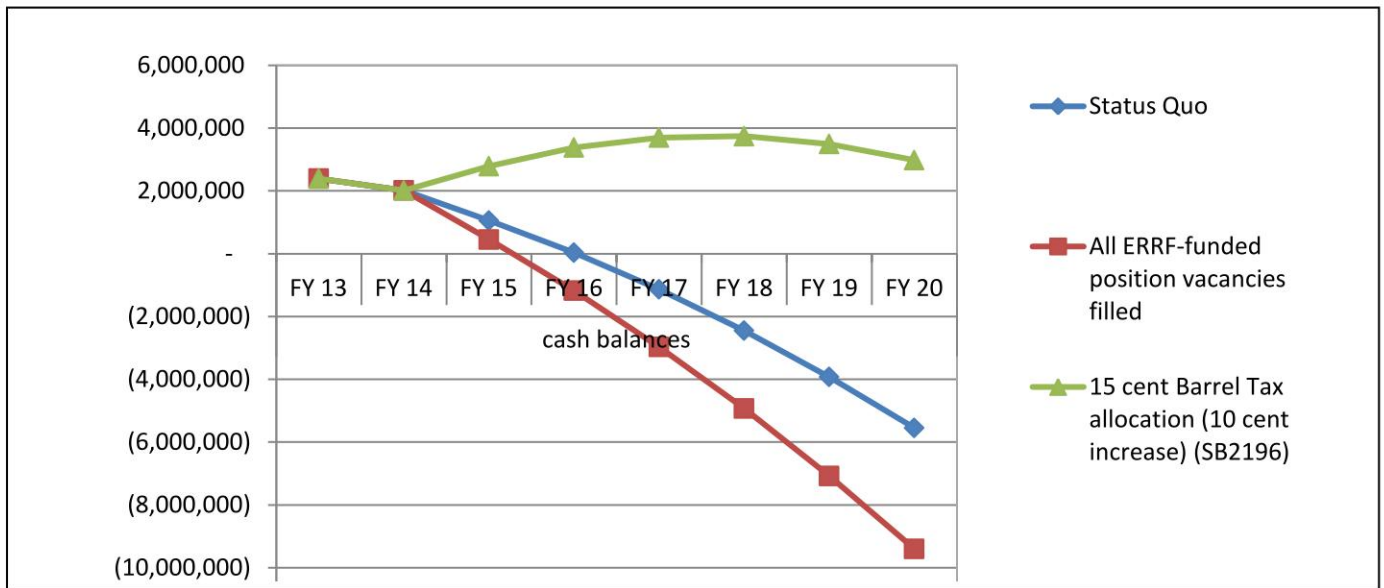
1 **Department's Position: STRONGLY SUPPORT.**

2 **Fiscal Implications:** Decreases in Environmental Response, Energy, and Food Security Tax (Barrel
3 Tax) revenue have eroded the Environmental Response Revolving Fund (ERRF) balance to critical
4 levels. In the past six years, ERRF revenue has decreased by \$500,000, and without an increase in
5 funding it is projected to reach a cash balance deficit of over \$1 million by Fiscal Year 2017. The
6 Department requests an increase in the total per barrel allocation from the Barrel Tax into the ERRF
7 from 5 to 15 cents per barrel to secure the Department's ability to quickly, comprehensively, and
8 effectively respond to hazardous material releases and environmental threats to ensure public safety.

9 **Purpose and Justification:** The ERRF assures the State's ability to respond to and protect Hawaii from
10 the devastating impact of oil, chemical, and other potentially dangerous spills, such as molasses, on
11 public health and safety, the environment, and the economy. The ERRF also funds preemptive
12 measures, including the testing of potential or likely contaminated sites, remediation of contaminated
13 sites, testing of state waters, and the regulation and management of solid and hazardous wastes. Barrel
14 Tax revenues have been declining in recent years due to rising energy costs and growth in alternative

1 energy resources, as well as a sluggish economy. Combined with the unpredictability of levying
 2 environmental enforcement fines and demands on emergency response due to events such as the Tohoku
 3 earthquake and tsunami, Honolulu Harbor molasses spill, and several ground contaminations, the ERRF
 4 is projected to reach a balance of zero by Fiscal Year 2016 and a cash balance deficit of over \$1 million
 5 by Fiscal Year 2017.

6 The ERRF cannot be sustained by its current 5 cents per barrel allocation (see graph below).



15 As noted above, in the past six years ERRF revenue has decreased by \$500,000. The projected deficit
 16 would severely impact matching funds for the present Hazardous Waste Management, Leaking
 17 Underground Storage Tank, Water Pollution Control-Surface Water, Public Water System Supervision,
 18 and Hazardous Materials Emergency Preparedness grants. The lack of \$823,168 in matching ERRF
 19 funds would jeopardize \$4,116,906 in federal dollars. This is because many of the Department's federal
 20 grants require non-federal support or commitment to grant purposes in the form of dollars and/or
 21 personnel time, and without state matching funds, federal funds will not be awarded.

22 This growing ERRF deficit would eliminate funding for 42 vital positions throughout
 23 Environmental Health Administration programs. To ensure ongoing fund stability, the Department
 24 requests an increase in the total per barrel allocation from the Barrel Tax into the ERRF from 5 to 15

1 cents per barrel, which will allow the Department to continue to quickly and effectively respond to
2 hazardous material releases and environmental threats to protect public safety and the environment.

3 Thank you for the opportunity to provide comments on this important measure.



**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
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
Before the
HOUSE COMMITTEE ON FINANCE

Monday, March 31, 2014
2:00 p.m.
State Capitol, Conference Room 308

in consideration of
SB 2196, SD2, HD1
RELATING TO ENERGY.

Chair Luke, Vice Chairs Johanson and Nishimoto, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports with amendments SB 2196, SD2, HD1, which amends various aspects of the Environmental Response, Energy, and Food Security Tax (“barrel tax”) statute, including a proposed reallocation of barrel tax revenues, and amends Act 73, Session Laws of Hawaii 2010, to extend the repeal date from June 30, 2015 to June 30, 2030.

The Administration strongly supports Section 4 which extends the sunset date of the barrel tax to firmly align resources with the State’s established 2030 clean energy mandates. It is critical to ensure this pathway of dedicated funding is continued to commit resources to both short- and long-term initiatives required to achieve Hawaii’s statutory clean energy goals. DBEDT respectfully requests an amendment in Section 3 that the amounts of the barrel tax being deposited into each special fund be reinserted as it was in SB 2196, SD1.

The Hawaii Clean Energy Initiative (HCEI) was passed by the Legislature in Act 155, Session Laws of Hawaii 2009 and codified through Hawaii Revised Statutes Sections 269-92 and 269-96. These laws established our state’s Renewable Portfolio Standard (RPS) and Energy Efficiency Portfolio Standard (EEPS) in a manner to achieve an aggressive 70% clean energy goal by 2030. This measure extends the State’s commitment to Hawaii’s policy objectives set in Chapter 269 and as passed by the Legislature in Act 73, Session Laws of Hawaii 2010, to improve energy and food self-sufficiency through the establishment of the barrel tax.

Significant investments in analysis, planning and infrastructure are required to transform Hawaii’s economy and reduce its historical dependence on imported fossil fuel towards achieving HCEI’s 2030 mandates. By Statute, the DBEDT Director is the State’s Energy Resources Coordinator (ERC), and in order to fulfill these statutory duties, the State Energy Office is responsible for planning and carrying out the State’s energy agenda and for identifying

the high impact solutions that make the biggest difference in fulfilling the State's energy objectives. Such high impact solutions have included technical analysis on renewable and grid technologies, developing innovations in clean energy financing, self-service tools to enable investor and developer activity, and facilitating energy savings performance contracts. Dedicated energy funds from the barrel tax (Energy Security Special Fund) have provided critical seed funding for HCEI and are now the primary source for the State Energy office to implement HCEI.

The State is now positioned well to meet and exceed its 15% interim RPS for 2015 based on the last 5 years of clean energy development. Through these investments and activities, clean energy has also provided significant positive contributions to economic development and jobs—in 2012, over 28% of all construction expenditures were solar-related.

However, achieving our 2020 and 2030 clean energy goals will require continued and more intensive effort, innovation, and resources. The impending sunset of the barrel tax at the end of FY 2015 leaves uncertainty in funding for many of our State's clean energy and food security initiatives and may put the achievement of our State's long-term goals of energy and food self-sufficiency at risk.

This resource strategy is aligned with the State's 2030 clean energy goals to ensure continued progress and plan development for clean energy infrastructure in Hawaii and support for the Departments of Agriculture and Health to respectively undertake food self-sufficiency and equip for an environmental response. This measure enables the State's long-term commitment and continuation of HCEI programmatic activity that has a proven record of success in building economic growth and green jobs, and continues legislative oversight for, and responsible use of and deployment of funds.

DBEDT respectfully defers to the Department of Agriculture, Department of Health, and the Hawaii Natural Energy Institute on their respective areas of this measure.

Thank you for the opportunity to provide testimony on SB 2196, SD2, HD1.



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON FINANCE
MONDAY, MARCH 31, 2014
2:00 P.M.
Conference Room 308

SENATE BILL NO. 2196 SD2 HD1
RELATING TO ENERGY

Chairperson Luke and Members of the Committee,

Thank you for the opportunity to testify on Senate Bill 2196 SD2 HD1. This bill would reestablish the Energy Systems Development Special Fund and increase the amount of the Environmental Response, Energy, and Food Security Tax to be deposited into the Environmental Response Revolving Fund, Energy Security Special Fund, and the Agricultural Development and Food Security Special Fund. The Hawaii Department of Agriculture supports this bill but emphasizes that the primary concern for the Department is the extension of the sunset date as outlined in the administration's bill, Senate Bill 2805/House Bill 2256.

There is a growing public sentiment that realizes, as an island state, Hawaii is precariously dependent on imported food and energy. The legislature responded to this movement by passing Act 73, Session Laws of Hawaii 2010. As part of that act, the Agricultural Development and Food Security Special Fund was created with the mandate to fund activities intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the State. The Department has moved forward with this mandate and has funded positions and programs to preserve agricultural lands, repair irrigation systems, lower the costs of farming, and raise both the supply and demand of local food.

The Department would like to continue moving forward with its effort towards food security and views the Environmental Response, Energy, and Food Security Tax as a vital



revenue source to provide the resources to realize the goal of greater food security and self-reliance. The Department is supportive of an increase in funding for the Environmental Response Revolving Fund, Energy Security Special Fund, and the Agricultural Development and Food Security Special Fund and would defer to the respective Departments on each of those funds.

We thank you for the opportunity to provide our testimony on this measure.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: FUEL, Reallocate environmental response, energy, and food security tax

BILL NUMBER: SB 2196, HD-1

INTRODUCED BY: House Committee on Energy and Environmental Protection

EXECUTIVE SUMMARY: Initially, the 5 cent per barrel environmental response tax was established to address oil spills in state waters. It was temporarily increased to \$1.05, much of which was earmarked to numerous special funds, and was scheduled to sunset on 6/30/15. The tax has taken on a life of its own and lacks transparency, and the special funds it feeds do not come under close scrutiny by either lawmakers or the public. The barrel tax should be repealed and all programs funded out of the environmental response tax should be funded through the general fund.

BRIEF SUMMARY: Amends HRS section 243-3.5 to increase the amount deposited into the environmental response revolving fund from 5 cents to ___ cents, increases the amount deposited into the energy security special fund from 15 cents to ___ cents, and increases the amount deposited into the agricultural development and food security fund from 15 cents to ___ cents.

Adds new sections to HRS chapter 304A to reenact the energy systems development special fund and the periodic evaluation and plan of action requirements of the special fund.

Amends Act 73, SLH, 2010, to extend the sunset date for the various allocations of the environmental response, energy, and food security tax from June 30, 2015 to June 30, 2030.

EFFECTIVE DATE: July 1, 2050

STAFF COMMENTS: The legislature by Act 300, SLH 1993, enacted an environmental response tax of 5 cents per barrel on petroleum products sold by a distributor to any retail dealer or end user. The collections of the tax were deposited into the environmental response revolving fund until such time the balance in the fund reached \$7 million at which time the imposition of tax was suspended until the balance in the fund declined to less than \$3 million, at which time the imposition would be reinstated.

The legislature by Act 73, SLH 2010, increased the amount of the tax to \$1.05 per barrel and provided that 5 cents of the tax shall be deposited into a newly established environmental response revolving fund; 15 cents to be deposited into a newly established energy security special fund, 10 cents to be deposited into a newly established energy systems development special fund; 15 cents to be deposited into the newly established agricultural development and food security special fund; and the remaining 60 cents to be deposited into the general fund between 7/1/10 and 6/30/15.

This measure would increase the amount deposited into the various funds and extend the allocations to these special funds which were scheduled to sunset on 6/30/15.

The environmental response tax was initially adopted for the purpose of setting up a reserve should an oil spill occur on the ocean waters that would affect Hawaii's shoreline. The nexus was between the oil importers and the possibility that a spill might occur as the oil product was being imported into the state. Now that the fund has become a cash cow, lawmakers have placed tons of other responsibilities on the fund, including:

- environmental protection, food security, and natural resource protection programs;
- energy conservation and alternative energy development;
- air quality;
- global warming;
- clean water;
- polluted runoff;
- solid and hazardous waste;
- drinking water; and
- underground storage tanks, including support for the underground storage tank program of the department of health.

We understand that a special fund may be needed to go after federal matching money, specifically Hazardous Waste Management, Leaking Underground Storage Tank, Water Pollution Control-Surface Water, Public Water System Supervision, and Hazardous Materials Emergency Preparedness grants. If so, we strongly recommend that additional state support for these programs be appropriated and not funded through diversion of barrel tax revenues via earmark. Earmarked funds typically do not come under close scrutiny by either lawmakers or the public.

When the barrel tax was increased from 5 cents to \$1.05, lawmakers told the taxpayers that this would be a temporary measure because of hard fiscal times, and that the increase would expire in 2015. Rather than breaking this promise and perpetuating the problems of the barrel tax, the temporary increase should be allowed to expire on schedule and additions to the environmental response fund should be appropriated just as any other monies that are used to fund essential programs and services. At least program managers would then have to justify their need for these funds to the legislature and the public. The concepts behind these programs do appear to be justified, but the implementation details deserve vetting and scrutiny, even with the possible presence of federal matching money. This vetting and scrutiny, which often does not happen with earmarked funds, should not be viewed as a bother; it is called accountability and it is an essential function of our government.



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Finance
Monday, March 31, 2014 at 2:00 p.m.

by
Richard Rocheleau, Director
Hawai'i Natural Energy Institute
School of Ocean and Earth Science and Technology
University of Hawai'i at Mānoa

SB 2196 SD2 HD1 – RELATING TO ENERGY

Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the committee:

My name is Richard Rocheleau, Director of the Hawai'i Natural Energy Institute at the University of Hawai'i at Mānoa. HNEI supports the sections of SB 2196 SD2 HD1, which would re-establish the Energy Systems Development Special Fund (ESDSF) and extend the repeal of barrel tax allocations until 2030. While this draft of the bill leaves blank the amounts of the barrel tax allocations, HNEI believes the current statutory 10 cent allocation to the ESDSF is appropriate and sufficient. HNEI also supports ongoing development of hydrogen solutions for Hawai'i and has included hydrogen in its portfolio of projects conducted under the barrel tax. However, providing additional resources to the Hydrogen Investment Capital fund would help accelerate this development.

The ESDSF, which was administered by HNEI, sunset last June, therefore the current 10 cent allocation of the tax on each barrel of petroleum product imported into Hawai'i that went to the ESDSF, now goes to the general fund. While most of HNEI's resources come from other sources, primarily federal funding, re-establishing the ESDSF would allow HNEI to continue to support Hawai'i specific projects that could not be directly funded by federal dollars. These include testing of emerging technologies for future deployment in Hawai'i such as advance battery energy storage and smart grid technology; modeling to understand technical impacts to grid operations as we move toward our HCEI goals, and independent economic analyses to help decision makers make the most informed decision possible.

Approximately \$7 million was deposited into the ESDSF between 2010 and 2013, before it sunset. These funds have played a crucial role in leveraging federal investment, removing roadblocks in programs critical for the success of HCEI, and contributing to programs that are likely to spur economic development. The ESDSF funds were, and are being used on projects with significant potential to reduce the use of fossil fuels in Hawai'i (see attached ESDSF Factsheet).

Re-establishing the ESDSF and extending the barrel tax allocation sunset to 2030 will provide a consistent funding source and a clear signal to federal funding agencies that Hawai'i is committed to advancing its energy policy initiatives and developing efficient and economic technologies that will help ensure Hawai'i continues to move forward to meet its clean energy goals.

Thank you for the opportunity to testify.



HNEI

Hawai'i Natural Energy Institute

School of Ocean and Earth Science and Technology
University of Hawai'i at Mānoa



ENERGY SYSTEMS DEVELOPMENT SPECIAL FUND

- Established in 2007 under ACT 273. sunset on June 30, 2013
- Purpose: To develop “an integrated approach and portfolio management of renewable energy and energy efficient technology projects that will reduce Hawaii’s dependence on fossil fuel and imported oil and other imported energy resources and move Hawaii toward energy self-sufficiency.” (HRS §304A-2169(a))
- Unfunded until 2010, when ACT 73 provided 10 cents of the tax on each barrel of petroleum product (“Barrel Tax”) be deposited into the fund
- \$7 million – approximate funds received before sunset
- HNEI coordinated closely with DBEDT to develop expenditure plans to maximize value of the funds to meet near term needs and opportunities within the state that cannot be met by federal funding alone
- Current portfolio includes renewable power generation, advanced transportation, energy efficient end-use technologies, and the integration of systems to allow increased renewable use

KEY ACTIVITIES/RESULTS

- Supported Hawaii specific projects important for achieving RPS goals
- Leveraged over \$12M in federal funds that would not otherwise have been spent on Hawaii research projects
- **GE RPS Study (\$850K) :**
 - Identifies and evaluates scenarios and reserve requirements for achieving 35% to 50% renewables on Oahu and Maui County
 - Compares cost of electricity for various grid-tie, gen-tie, and independent island system scenarios.
 - Ongoing work will assess the impacts of LNG for power production, modified utility operating practices, and advanced ancillary services such as demand response and battery energy storage
- **Smart Inverters (\$400K)** – leveraged \$ 6MM USDOE funding to develop, demonstrate and commercialize smart grid-enabled PV inverters to mitigate grid reliability impacts of high penetrations of PV systems
- **Wave Energy Test Site (\$500K)** – Provided required cost-share for wave energy test resulting in \$ 4.3 MM additional funding from USDOE and leveraging over \$20 MM of current and future investment by USDOD to develop and operate grid-connected plug-and-play facility an MCBH

- [Hawaii Clean Energy PEIS \(\\$1.7M\)](#)
 - Develops knowledge base for developers, government agencies, and communities about technologies, environmental resource areas, potential impacts, government requirements, best practices, and mitigation measures
 - Provides guidance to streamline project specific NEPA review, permitting processes, and community interaction
 - Draft PEIS due out in March 2014, with public hearings to follow

- [Geothermal](#)
 - Resource assessment (\$400K) – leveraged over \$ 1MM from USDOE to validate a new procedure to map the subsurface structure of the geothermal resource and lower exploration costs
 - Strategic Development study (\$115K) – identified needs to prepare state and county agencies for the complex planning, assessment, regulatory, and permitting activities required for geothermal development

- [Hydrogen](#)
 - Grid Management (\$500K) – leveraged over \$1.7MM USDOE and \$ 1MM ONR to demonstrate cost effective use of electrolyzer to simultaneously produce hydrogen for fuel and provide for ancillary services to grid
 - Fueling (\$550K) - supported the development of critical hydrogen delivery infrastructure to deliver hydrogen produced at the PGV geothermal plant to Hawaii Volcanoes National Park to support fuel cell electric shuttle buses

- [Hawaii Energy Policy Forum support/HCEI metrics \(\\$350K\)](#) – general forum support and development of metrics to measure the State’s progress toward meeting the Hawaii Clean Energy Initiative’s requirements

- [Pacific Asian Center for Entrepreneurship and E-Business \(PACE\) \(\\$50K\)](#) – funded several UH College of Business fellowships to conduct technical and business analyses of critical energy issues

- [Sea Water Air Conditioning \(\\$160K\)](#) – monitoring of SWAC projects to validate high-fidelity plume models that assess the impacts of cold water return depth. Depth of discharge has major impact on the overall cost of the SWAC project.

- [Energy Efficiency \(\\$356K\)](#) – research and demonstration projects on lower cost natural ventilation and cooling systems including radiant cooling and ceiling fan control systems supporting HCEI energy efficiency goals

- [Hawaii State Energy Office support \(\\$1M\)](#) – support programs for energy efficiency, renewable energy, and test bed development, education and outreach



1110 University Avenue, Suite 402

Honolulu, Hawaii 96826

Tel: (808) 371-1475

www.REACHhawaii.org

Testimony of ERIK KVAM
President of Renewable Energy Action Coalition of Hawaii
e-mail: Kvam@REACHhawaii.org

In SUPPORT of SB 2196 SD2 HD1 RELATING TO ENERGY

**Before the
HOUSE COMMITTEE ON FINANCE**

Monday, March 31, 2014 2:00 p.m.

Aloha Chair Luke, Vice-Chairs Nishimoto and Johanson and members of the Committee.

My name is Erik Kvam. I am the President of Renewable Energy Action Coalition of Hawaii (REACH), a trade association whose vision is a Hawaiian energy economy based 100% on renewable sources indigenous to Hawaii.

REACH is in **SUPPORT** of SB 2196 SD2 HD1.

Right now, most of Hawaii's energy is imported through an oil supply line that stretches 11,000 miles to the Persian Gulf. As imported fuels like oil get scarcer and more expensive, sooner or later these imported fuels will stop flowing to Hawaii. When imported fuels stop flowing to Hawaii, we necessarily will be at 100% renewable energy.

To plan for Hawaii's 100% renewable energy future, Hawaii's utilities need the technical support of the energy planning related agencies of the State government – primarily the Hawaii Natural Energy Institute (HNEI) and the Hawaii State Energy Office (HSEO).

Since 2010, many of the activities of HNEI and HSEO have been funded by the Energy Systems Development Special Fund (the "Fund"), which receives revenues from a tax on

each barrel of petroleum product (“Barrel Tax”). The Fund apparently was repealed on June 30, 2013.

REACH **SUPPORTS** SB 2196 SD 2 HD1 – re-establishing the Fund, providing a tax of so many cents per barrel of petroleum product, and extending the sunset date of various allocations of the Fund to 2030 -- to fund the technical planning support activities of HNEI and HSEO needed to achieve 100% renewable energy for Hawaii.

Thank you for providing this opportunity to testify.



COLLEGE OF SOCIAL SCIENCES

HAWAII ENERGY POLICY FORUM

UNIVERSITY OF HAWAII 'I AT MĀNOA

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, HI Inst. for Public Affairs
Joseph Boivin, Hawai'i Gas
Warren Bollmeier, HI Renewable Energy Alliance
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Leslie Cole-Brooks, HI Solar Energy Assn
Kyle Datta, Ulupono Initiative
Laura Dierenfield, Queen Lili'uokalani Trust
Mitch Ewan, UH HI Natural Energy Institute
Jay Fidell, ThinkTech HI, Inc.
Carl Freedman, Haiku Design & Analysis
Sen. Mike Gabbard, HI State Senate
Dan Giovanni, Hawaiian Electric Company
Mark Glick, State Energy Office, DBEDT
Justin Gruenstein, City & Co. of Honolulu
Dale Hahn, Ofc of US Sen Brian Schatz
Michael Hamnett, Research Corp. of the UH
Robert Harris, Sierra Club
Rachel James, Ofc of US Rep. Tulsi Gabbard
Jim Kelly, Kaua'i Island Utility Cooperative
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Ofc
Rep Chris Lee, HI House of Representatives
Gladys Marrone, Building Industry Assn of HI
Doug McLeod, Maui County
Stephen Meder, UH Facilities and Planning
Lauren Montez-Hernandez, Ofc of Sen Mazie Hirono
Hermina Morita, Public Utilities Commission
Sharon Moriwaki, UH So. Sci. Public Policy Ctr
Ron Nelson, U.S. Defense Energy Support Center
Tim O'Connell, U.S. Dept of Agriculture
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Darren Pai, Hawaiian Electric Company
Wintehn KT Park, Ofc of US Rep. Colleen Hanabusa
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, HI Government Employees Assn
Rick Rocheleau, UH HI Natural Energy Institute
Will Rolston, Hawai'i County
Riley Saito, SunPower Systems Corp
Joelle Simonpietri, U.S. Pacific Com. Energy Ofc
H. Ray Starling, Hawaii Energy
Ben Sullivan, Kaua'i County
Lance Tanaka, Hawaii Independent Energy, LLC
Maria Tome, State Energy Office, DBEDT
Ah Linn Yamane, HI Government Employees Assn

Sharon Y. Moriwaki
Co-chair, Hawaii Energy Policy Forum
Before the
House Committee on Finance
Monday, March 31, 2014 at 2:00 a.m.
Conference Room 308

IN STRONG SUPPORT OF SB 2196 HD1– Relating to Energy

Chair Luke, Vice Chair Johanson, and Members:

The Hawai'i Energy Policy Forum, an organization, created in 2002, is comprised of 46 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environment and community groups, renewable energy industry, and federal, state and local government, including the neighbor islands. Our vision, mission, and comprehensive "10 Point Action Plan" serve as our guide in advancing Hawai'i's preferred energy goals.

SB 2196 HD1 proposes amendments to (1) **Section 304A, Hawai'i Revised Statutes (HRS)**, to re-establish the energy systems development special fund ("ESDSF"), including its purposes, periodic evaluation, and action plan; (2) **Section 211F-5.7, HRS**, to allocate funds to the hydrogen investment capital special fund to focus on developing the hydrogen infrastructure; (3) **Section 243-3.5, HRS**, to amend allocation amounts from revenues generated by the barrel tax to the environmental response revolving fund, energy security special fund, the ESDSF, and the agricultural development and food security special fund; and (3) **Act 73 (2010)** to extend the repeal of the amendments to June 30, 2030.

The Forum has supported the barrel tax and its uses as the only way to consistently provide the significant funding and investment needed to attain Hawai'i's ambitious clean energy goals -- 70% clean energy by 2030 -- by expanding renewable energy, conservation and energy efficiency, supporting research and development of alternative energy sources, including storage and transmission, and ensuring the security and reliability of energy supply and distribution.

The Forum cannot emphasize enough the need to reinstate the energy systems development special fund to continue research and development of the technologies critical to reliable and stable renewable energy for our electrical sector and production of local renewable fuels. The Forum also believes that consistent and long-term financing is required to transform past technologies and sources of energy. The State must invest in that future regardless of our fiscal condition or the price of oil. We must stay the course to that commitment, continuing the barrel tax and funding until 2030 – the date when we will be using 70% clean energy.

Based on the foregoing, the Forum strongly supports SB2196 HD1 and urges passage of the bill.

Thank you for the opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations



HOUSE COMMITTEE ON FINANCE
Monday, March 31, 2014 – 2:00 p.m. – Room 308

Ulupono Initiative Strongly Supports SB 2196 SD 2 HD 1, Relating to Energy

Dear Chair Luke, Vice Chair Nishimoto, Vice Chair Johanson and Members of the Committee:

My name is Kyle Datta and I am general partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports SB 2196 SD 2 HD 1, which will redistribute the Environmental Response, Energy and Food Security Tax on barrels of petroleum products to restore the original intent of lawmakers in funding vital sustainability measures to help make our community more self-sufficient.

This tax was designed to support critical investments in clean energy, local agricultural production, and environmental response, reduce the State's dependence on imported fossil fuels and food products, and support environmental activities and programs. The tax represents a balanced approach to public policy where greater fossil fuel consumption would create more funding for these initiatives. Meanwhile, as fossil fuel use is reduced, the money collected from the residents of Hawai'i is also reduced. During difficult economic times, the fund was intended to be diverted temporarily toward the general fund. However, funding has yet to be restored to its original purpose, while not aligning the incentives of the barrel tax with its environmental restoration purposes.

This bill also extends the scheduled repeal date of the tax from 2015 to 2030 to match funding with the Hawai'i Clean Energy Initiative 2030 goals. Since agriculture, energy, and conservation work requires consistent and sustained funding, extending this funding source will also encourage better long-term planning by practitioners.

We believe that working together we can help produce more local food, reduce our dependence on fossil fuels, and strengthen our community. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner

Email: communications@ulupono.com



finance1

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 28, 2014 6:02 PM
To: FINTestimony
Cc: mauibrad@hotmail.com
Subject: *Submitted testimony for SB2196 on Mar 31, 2014 14:00PM*

SB2196

Submitted on: 3/28/2014

Testimony for FIN on Mar 31, 2014 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Brad Parsons	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
SENATE BILL NO. 2196, S.D. 2, H.D. 1

March 31, 2014

LATE

RELATING TO ENERGY

Senate Bill No. 2196, S.D. 2, H.D. 1, amends the amount of the Environmental Response, Energy, and Food Security Tax (i.e., Barrel Tax) deposited into the Environmental Response Revolving Fund currently set at 5 cents; amends the amount of the Barrel Tax deposited into the Energy Security Special Fund currently set at 15 cents; amends the amount of the Barrel Tax deposited into the Agricultural Development and Food Security Special Fund currently set at 15 cents; re-establishes the Energy Systems Development Special Fund and deposits into the fund, an amount to be determined, of the Barrel Tax; and extends the repeal of various allocations of the Barrel Tax from June 30, 2015 to June 30, 2030.

The Department of Budget and Finance (B&F) would like to point out that the Barrel Tax is currently set at \$1.05 per barrel of petroleum product and brings in about \$27.3 million annually in revenues. Of the total Barrel Tax receipts, the general fund's current allocation is 70 cents (of the \$1.05) which generates about \$18.2 million annually.

We encourage the Legislature to support Administration bill, House Bill No. 2256, which extends the repeal date of the Barrel Tax, maintains the \$1.05 per barrel charge through June 30, 2030, and extends the current distribution of the

Barrel Tax. This extension of the \$18.2 million in general fund revenues is accounted for in the State's general fund financial plan. Consequently, any adjustments to the distribution of the Barrel Tax as proposed in this bill will result in a general fund revenue loss. In light of the most recent Council on Revenues forecast projections, measures such as Senate Bill No. 2196, S.D. 2, H.D. 1, should be reconsidered for their negative impact to general fund revenues and the sustainability of related general fund programs throughout the State.



**Testimony of Hawai'i Green Growth
In Support of Portions of SB 2196 SD2 HD1 Relating to Energy**

House Committee on Finance

31 March 2014, 2:00pm
Conference Room 308

Audrey Newman
Hawai'i Green Growth
P.O. Box 535 Ho'olehua, Hawai'i 96729



Hawai'i Green Growth is a voluntary partnership of more than 50 state, county, federal, business, and non-governmental leaders from energy, food production, natural resources, waste reduction, planning, green jobs, and other sectors who have come together to support a shared statewide commitment and tangible actions toward sustainability and a model green economy

I am writing on behalf of Hawai'i Green Growth (HGG) in **support of two key provisions in SB 2196 SD2 HD1**. We strongly support all three increased allocations of revenue from the Environmental Response, Energy and Food Security Tax (Barrel Tax) and extension of the sunset date to June 30, 2030. These are top priorities agreed by HGG members for legislative action to significantly advance sustainability in Hawai'i.

HGG strongly supports full allocation of the barrel tax to its original purpose – to provide essential sustained support to state agencies leading our clean energy, food security and emergency environmental response programs – as soon as this is fiscally feasible. We greatly appreciate this bill's significant increase in allocation to each of the three lead agencies.

Barrel tax support is critical to development and implementation of actions that will achieve the Hawai'i Clean Energy Initiative's goal to reduce the State's dependence on imported fossil fuels by 70% in 2030. It also provides critical, ongoing support for Department of Agriculture programs aimed to at least double local food production by 2030, which is another 2030 target strongly endorsed by Hawai'i Green Growth. Extending the sunset date to 2030 aligns the Legislature's funding commitment with achieving these statewide targets.

We ask you to support these two essential provisions in this bill to increase and ensure critical investments that will allow these sectors to achieve their goals in increasing Hawai'i's self-sufficiency. These investments will help build a more diversified economy and a more resilient and sustainable future for everyone in Hawai'i.

Mahalo nui for your time and consideration,

A handwritten signature in black ink that reads "Audrey Newman". The signature is written in a cursive style and is positioned above the typed name.

Audrey Newman

Senior Advisor & Coordinator, Hawai'i Green Growth (HGG)

Bringing leaders together to achieve sustainability in Hawai'i & be a model for a green economy

Testimony of The Nature Conservancy of Hawai'i
Supporting S.B. 2196 HD1 Relating to Energy
House Committee on Finance
Monday, March 31, 2014, 2:00PM, Room 308

The Nature Conservancy of Hawai'i is a private non-profit conservation organization dedicated to the preservation of the lands and waters upon which life in these islands depends. The Conservancy has helped to protect nearly 200,000 acres of natural lands in Hawai'i. Today, we actively manage more than 35,000 acres in 11 nature preserves on Maui, Hawai'i, Moloka'i, Lāna'i, and Kaua'i. We also work closely with government agencies, private parties and communities on cooperative land and marine management projects.

The Nature Conservancy supports S.B. 2196 HD1 and its provisions to redistribute the barrel tax revenue and to extend the sunset dates on the barrel tax to June 30, 2030. We believe this is effective policy for investing in clean energy and local agriculture initiatives that reduce our dependence on imported fossil fuel and imported food, and to enhance the State's oil spill response capacity.

Climate change caused by burning fossil fuels is an imminent and unprecedented threat to every person in Hawai'i. It is our responsibility to do what we can and what is necessary reduce our own carbon emissions, however small on a global scale, to contribute to the worldwide effort needed to mitigate the growing effects of climate change.

Even if we drastically reduce CO₂ emissions now, however, we will still feel certain effects of climate change. In Hawai'i, science indicates that this will likely include:

- More frequent and more severe storms that can increase runoff and siltation;
- Overall, less rainfall and therefore less fresh water;
- Higher temperatures that affect watershed and agricultural health, while being beneficial to invasive species;
- Sea level rise and high waves that will harm coastal areas and groundwater systems;
- Ocean acidification that will inhibit the growth of protective coral reefs.

In response, we must plan and implement mitigative and adaptive measures to ensure the resilience of our natural and human systems. Protecting and enhancing the health of our forested watersheds as proposed by the Department of Land and Natural Resources is one critically important initiative. Likewise, investing in local energy and agriculture security are essential components of building self-reliance and resilience here in the middle of the Pacific Ocean.

Using the barrel tax revenue for its originally intended purposes and extending the sunset date is a wise investment in our future. We urge your support.

BOARD OF TRUSTEES

Alan H. Arizumi Christopher J. Benjamin Anne S. Carter Richard A. Cooke III Peter H. Ehrman Kenton T. Eldridge
Thomas M. Gottlieb James J.C. Haynes III Mark L. Johnson Dr. Kenneth Y. Kaneshiro Eiichiro Kuwana
Duncan MacNaughton Wayne K. Minami A. Catherine Ngo James C. Polk H. Monty Richards Chet A. Richardson
Jean E. Rolles Scott C. Rolles Crystal K. Rose Dustin E. Sellers Dustin M. Shindo Nathan E. Smith James Wei Eric K. Yeaman

Chair: Kenton T. Eldridge *Chair Emeriti:* Samuel A. Cooke (co-founder; chair 1980-1991), Herbert C. Cornuelle (co-founder), Bill D. Mills (1991-1995), Jeffrey N. Watanabe (1995-2004), David C. Cole (2004-2008), Duncan MacNaughton (2008-2011)

Bernard P. Carvalho, Jr.
Mayor



George K. Costa
Director

Nadine Nakamura
Managing Director

OFFICE OF ECONOMIC DEVELOPMENT

County of Kaua'i, State of Hawai'i

4444 Rice Street, Suite 200, Līhu'e, Hawai'i 96766
TEL (808) 241-4946 FAX (808) 241-6399

LATE

**Before a Hearing of the House Committee on Finance
Monday March 31, 2014
Conference Room 308
2:00 p.m.**

SENATE BILL 2196 SD2, HD1, RELATING TO ENERGY

Chair Luke, Vice-chairs Nishimoto and Johanson, and Committee Members:

SB 2196SD2 HD1 proposes to re-establish the energy systems development special fund, and to extend the repeal of the environmental response, energy, and food security tax (the barrel tax) from 2015 to 2030, and to amend certain allocations of that tax fund.

The County of Kaua'i supports this bill as a means of assuring consistent funding for the efforts throughout the State and Counties focused on transforming our energy systems. As you well know, these efforts are part of a massive, system wide undertaking to reduce dependence on imported fuels, reduce CO₂ emissions, and strengthening the local economy. The efforts of DBEDT Energy Office and the Hawaii Natural Energy Institute, funded in part by the barrel tax, are important in helping the State, Counties, utilities, and private sector work through these efforts collaboratively.

Our strongest leaders in the energy sector understand that this is a long, deliberate effort to transform the way we produce and use energy. Excellent progress has been made, but consistent funding, commitment, and leadership are essential to continue forward. As one of our strongest energy leaders, Chair Morita of the PUC has said, "There is no one solution, resource, or technology to lower costs." In other words, there are no quick fixes and we need to make the long term commitments necessary to achieve our shared goals.

Let's recognize the need to work together and to '*stay the course*' in delivering a clean energy future for Hawaii.

Thank you for the opportunity to provide this testimony.

Sincerely,

Ben Sullivan
Energy Coordinator
Office of Economic Development
County of Kauai