

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

In reply, please refer to:  
File:

**SENATE COMMITTEE ON WAYS AND MEANS**

**H.B. 2312 H.D. 2 S.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 28, 2014  
9:15 a.m.**

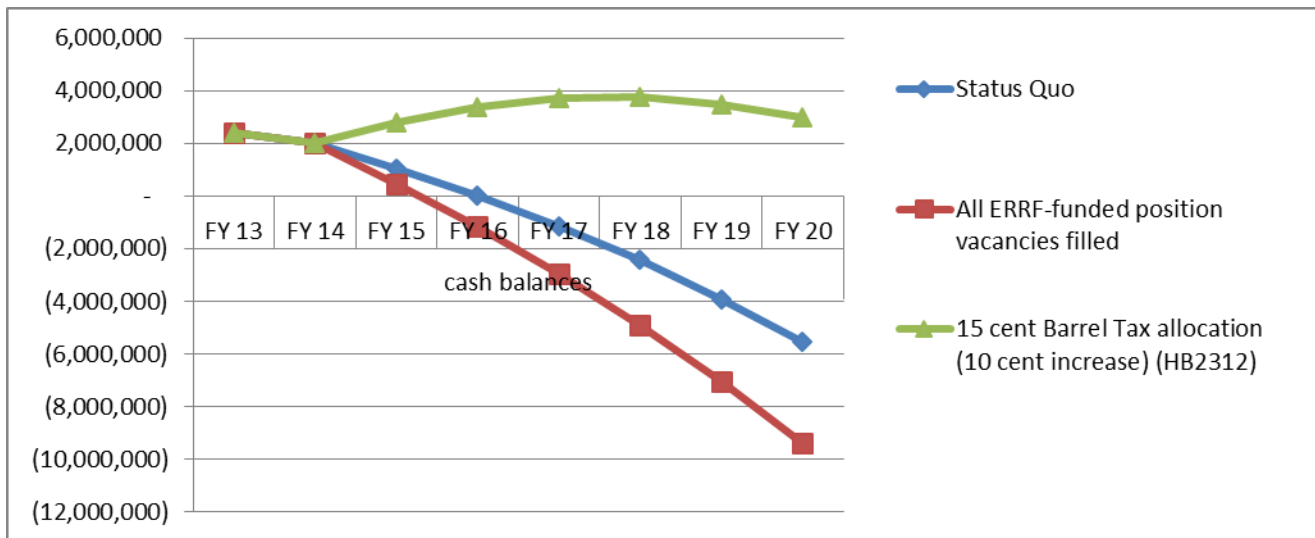
1 **Department's Position:** COMMENTS.

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 cash balance deficit of over \$1 million by Fiscal Year 2017.

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



6  
 7 As noted above, in the past six years ERRF revenue has decreased by \$500,000. The projected deficit  
 8 would severely impact matching funds for the present Hazardous Waste Management, Leaking  
 9 Underground Storage Tank, Water Pollution Control-Surface Water, Public Water System Supervision,  
 10 and Hazardous Materials Emergency Preparedness grants. The lack of \$823,168 in matching ERRF  
 11 funds would jeopardize a total of \$4,116,906 in federal dollars. This is because many of the  
 12 Department’s federal grants require non-federal support or commitment to grant purposes in the form of  
 13 dollars and/or personnel time, and without state matching funds, federal funds will not be awarded.

14 This growing ERRF deficit would eliminate funding for 42 vital positions throughout  
 15 Environmental Health Administration programs. To ensure ongoing fund stability, the Department  
 16 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.

TESTIMONY OF HERMINA MORITA  
CHAIR, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON WAYS & MEANS

MARCH 28, 2014  
9:15 a.m.

**MEASURE:** H.B. No. 2312, H.D. 2, S.D. 1  
**TITLE:** Relating to the Environmental Response, Energy, and Food Security Tax

Chair Ige 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 adjust the allocation to the Environmental Response Revolving Fund to an unspecified amount, delay the lapsing of unexpended or unencumbered funds in the Agricultural Development and Food Security Special Fund from 2015 to 2030, and extend the sunset of the State’s Environmental Response, Energy, and Food Security Tax (“Barrel Tax”) to June 30, 2030.

**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.

Thank you for the opportunity to offer comments on this measure.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 2312, H.D. 2, S.D. 1

March 28, 2014

RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD  
SECURITY TAX

House Bill No. 2312, H.D. 2, S.D. 1, re-establishes the Energy Systems Development special fund, repealed on June 30, 2013, changes the amount of the barrel tax deposited into the Energy Systems Development special fund from five cents per barrel to an unspecified amount to support environmental activities and programs as well as extends the repeal of various allocations of the Environmental Response, Energy, and Food Security tax.

The Department of Budget and Finance would like to point out that the taxes from the conveyance fund are currently distributed as follows: 10 percent to the Land Conservation Fund; 25 percent to the Natural Area Reserve Fund; 30 percent to the Rental Housing Trust Fund; and the remaining 35 percent to the General Fund. The measure will reallocate an unspecified amount of the Conveyance tax to the Energy Systems Development Special Fund. In light of the most recent Council on Revenues' tax projections, measures such as House Bill No. 2312, H.D. 2, S.D. 1, should be reconsidered based on their negative impact on general fund revenues and the sustainability of general funded programs throughout the State.



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

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**RICHARD C. LIM**  
Director

Department of Business, Economic Development, and Tourism  
before the

**SENATE COMMITTEE ON WAYS AND MEANS**

Friday, March 28, 2014

9:15 a.m.

State Capitol, Conference Room 211

in consideration of

**HB 2312, HD 2, SD1**

**RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND  
FOOD SECURITY TAX.**

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

The Department of Business, Economic Development, and Tourism (DBEDT) supports HB 2312, HD 2, SD1, which extends the sunset date of the barrel tax from 2015 to 2030, and changes the allocation of the Environmental Response, Energy, and Food Security Tax (“barrel tax”) that will be deposited into the Environmental Response Revolving Fund.

DBEDT supports extending 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 and the other important allocated uses of the Environmental Response, Energy, and Food Security Tax.

Thank you for the opportunity to provide testimony on HB 2312, HD 2, SD1.



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Written Testimony Presented Before the  
Senate Committee on Ways and Means  
Friday, March 28, 2014 at 9:15 a.m.

by

Richard Rocheleau, Director  
Hawaii Natural Energy Institute  
School of Ocean and Earth Science and Technology  
University of Hawaii at Mānoa

### HB 2312 HD2 SD1 – RELATING TO THE ENVIRONMENTAL RESPONSE, ENERGY, AND FOOD SECURITY TAX

Chair Ige, Vice-Chair Kidani, and members of the committee:

My name is Richard Rocheleau, Director of the Hawaii Natural Energy Institute at the University of Hawaii at Mānoa. I support the parts of HB 2312 HD2 SD1 that would re-establish the Energy Systems Development Special Fund (ESDSF) and extend the repeal of barrel tax allocations until 2030.

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 Hawaii 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 Hawaii specific projects that could not be directly funded by federal dollars. These include testing of emerging technologies for future deployment in Hawaii 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 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 Hawaii (see attached ESDSF Factsheet). For example:

- GE RPS Study– this ongoing work builds on previous studies to evaluate and assess the technical barriers and costs associated with implementing changes to the electric grid infrastructure that will move us toward compliance with State RPS requirements. While the initial work has addressed the technical impacts



and cost of various renewable energy penetration scenarios, including comparing the value of grid-tied and generation-tied undersea island interconnections with island independent systems; the ongoing work will also consider the impact and cost of alternative fuels (e.g. LNG), advanced grid management technologies (e.g. battery energy storage and demand response), and sensitivities to issues such as technology cost and changes in demand . The goal of this study is to conduct the work with fully transparent assumptions to inform decision makers as they implement plans to achieve State energy objectives.

- Wave Energy Test Site– although wave energy technology is still precommercial, wave resource studies indicate the potential for significant impact for Hawai'i. HNEI, via the ESDSF, provided cost-share funding resulting in \$4.3 MM additional funding from USDOE for environmental monitoring and independent data analysis to support a grid-connected plug-and-play wave energy generation test facility at Marine Corps Base Hawai'i. As a result of this effort, HNEI is now finalizing negotiations for an additional \$8 million of funding from Navy which will continue these efforts for an additional 2-3 years while also providing direct support to wave energy technology developers to attract them to Hawai'i. In addition to this federal investment which might not otherwise have occurred, this work will provide Hawai'i entities with first-hand experience with emerging wave energy technologies.
- Smart Inverters – As the penetration level of photovoltaics increases, advanced technologies to address the impacts of intermittency are critically needed. Under this program, \$400K of ESDSF funding was used to leverage \$6 million of USDOE funding to develop, demonstrate, and commercialize smart-grid enabled inverters. These advanced inverters will be deployed this quarter on select volunteer homes to validate their ability to help mitigate grid reliability impacts resulting from high penetrations of PV systems. The results of this work will be made available to the utility, to decision makers, and to the technology companies.
- Hawai'i Clean Energy Programmatic Environmental Impact Statement– The PEIS process is intended to inform federal and local agencies, as well as local communities and developers, about technologies, environmental resource areas, potential impacts, government requirements, best practices, and mitigation measures required to make informed decisions about actions that support achieving HCEI goals, including potential undersea cable island interconnection. Providing a common base of knowledge and understanding for future project-specific environmental reviews to agencies, community members, and developers is intended to facilitate discussion and decision making.

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.

## 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



**Testimony of Hawai'i Green Growth  
In Support of HB2312, HD2 SD1  
Relating to the Environmental Response, Energy, and Food Security Tax**

**Senate Committee on Ways and Means**

28 March 2014, 9:15am in Conference Room 211

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

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*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.*

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**Hawai'i Green Growth (HGG) supports HB 2312, HD2 SD1**, which will provide essential, long-term funding for the Environmental Response Revolving Fund (ERRF) through increasing the allocation of the barrel tax to support core activities and programs in the Dept of Health.

HGG members agreed on the top legislative actions for 2014 that will significantly advance sustainability in Hawai'i and already have widespread support across sectors. One of our top priorities is to extend the barrel tax sunset to 2030 and to reallocate this funding to the original intended purposes, including the ERRF. If reallocation is not feasible this year, then HGG strongly supports equivalent funding be provided from the General Fund or other sources. This bill addresses an important piece of HGG's priority, and we strongly support it.

As a partnership representing Hawai'i's leaders in environment, food, energy and other sectors, HGG asks for your support of **HB 2312 HD2**, which will provide reliable funding to ensure Hawai'i is ready to respond to environmental emergencies.

Mahalo nui for this opportunity to testify,

A handwritten signature in black ink that reads "Audrey Newman". The signature is written in a cursive, flowing style.

**Audrey Newman**

Senior Advisor, Hawai'i Green Growth (HGG)

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



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[www.REACHhawaii.org](http://www.REACHhawaii.org)

**Testimony of ERIK KVAM**  
**President of Renewable Energy Action Coalition of Hawaii**  
**e-mail: [Kvam@REACHhawaii.org](mailto:Kvam@REACHhawaii.org)**

**In SUPPORT of HB 2312 HD2 SD1 RELATING TO ENERGY**

**Before the**  
**SENATE COMMITTEE ON WAYS AND MEANS**

**Friday, March 28, 2014 9:15 a.m.**

Aloha Chair Ige, Vice-Chair Kidani 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 HB2312 HD2 SD1.

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** HB 2312 HD2 SD1 – 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.

Testimony of The Nature Conservancy of Hawai'i  
Supporting H.B. 2312 SD1 Relating to the Environmental Response,  
Energy, and Food Security Tax  
Senate Committee on Ways and Means  
Friday, March 28, 2014, 9:15AM, Room211

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*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.*

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The Nature Conservancy supports H.B. 2312 SD1 and its proposals to i) provide additional barrel tax revenue to the Environmental Response Revolving Fund, and ii) extend the sunset date on the barrel tax to June 30, 2030. We believe the barrel tax 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 CO<sub>2</sub> 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.

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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  
Wintehm 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, Public Utilities Commission  
Ah Linn Yamane, HI Government Employees Assn

Testimony of Sharon Moriwaki  
Co-chair, Hawaii Energy Policy Forum

Before the  
Senate Committee on Ways and Means  
Friday, March 28, 2014, 9:15 a.m.  
Senate Conference Room 211

## IN STRONG SUPPORT OF HB 2312 HD2, SD1

Relating to the Environmental Response, Energy, and Food Security Tax

Chair Ige, Vice Chair Kidani, and Members,

I am Sharon Moriwaki, Co-chair of the Hawaii Energy Policy Forum (Forum). The Forum, created in 2002, is comprised of 46 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serve as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

HB 2312, HD2, SD1 proposes to amend the allocation to the environmental response revolving fund established under section 128D-2, to maintain funding allocations for the other funds, to re-establish the energy systems development special fund (ESDSF), which is critical to achieving the clean energy goals through its research, and to extend the funds through June 30, 2030.

We strongly support the re-establishment of the ESDSF which has also been used to leverage federal investment for critical projects on renewable energy and energy efficient technologies; and the extension of the funds through June 30, 2030 to enable the achievement of the clean energy goal of 70% clean energy by 2030.

While the Forum defers to the administering agencies regarding the amount of their allocations, it strongly recommends passage of HB2312 SD1.

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.*



## **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  
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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, Public Utilities Commission  
Ah Linn Yamane, HI Government Employees Assn

# TAXBILLSERVICE

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TAX FOUNDATION OF HAWAII

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SUBJECT: FUEL, Increase earmark to environmental response revolving fund

BILL NUMBER: HB 2312, SD-1

INTRODUCED BY: Senate Committee on Energy and Environment

EXECUTIVE SUMMARY: Initially, the 5 cents 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.

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 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 the environmental response revolving fund; 15 cents shall be deposited into the energy security special fund, 10 cents shall be deposited into the energy systems development special fund; 15 cents shall be deposited into the agricultural development and food security special fund; and the residual of 60 cents deposited into the general fund between 7/1/10 and 6/30/15. This measure would increase the amount deposited into the environmental response revolving fund from 5 cents to \_\_\_ cents. This measure would extend the allocations to these special funds which were scheduled to sunset on 6/30/15 and reestablish the energy systems development special fund which was repealed in 2013.

It should be remembered that when the environmental response tax was initially adopted, it was established 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 other responsibilities on the fund, including environmental protection and natural resource protection programs, such as 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.

It should be remembered that the State Auditor has singled out the environmental response revolving fund as not meeting the criteria established for legitimacy of special funds, and recommended that it be repealed. The Auditor criticized the use of such funds as they hide various sums of money from policymakers as they are not available for any other use and tend to be tacitly acknowledged in the budget process. More importantly, it is not only the users of petroleum products who benefit from a cleaner environment, but it is the public who benefits. If this point can be accepted, then the public, as a whole, should be asked to pay for the clean up and preservation of the environment.

Funds deposited into a revolving fund are not subject to close scrutiny as an assumption is made that such funds are self-sustaining. Earmarking of funds for a specific program represents poor public finance policy as it is difficult to determine the adequacy of the revenue source for the purposes of the program. To the extent that earmarking carves out revenues before policymakers can evaluate the appropriateness of the amount earmarked and spent, it removes the accountability for those funds. There is no reason why such programs should not compete for general funds like all other programs which benefit the community as a whole.

Rather than perpetuating the problems of the barrel tax, it should be repealed and all programs that are funded out of the environmental response fund, including moneys deposited into the agricultural development and food security special fund, should be funded through the general fund. At least program managers would then have to justify their need for these funds. By continuing to special fund these programs, it makes a statement that such programs are not a high priority for state government. This sort of proliferation of public programs needs to be checked as it appears to be growing out of hand and at the expense of the taxpayer.

Digested 3/25/14