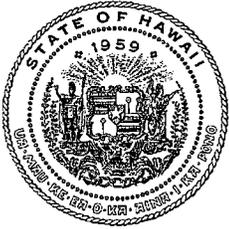


HB 2506 HD2



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
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
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEES ON
ENERGY AND ENVIRONMENT
AND
TOURISM AND GOVERNMENT OPERATIONS**
Tuesday, March 18, 2008
3:15 P.M.
State Capitol, Conference Room 414

in consideration of

**HB2506 HD2
RELATING TO REORGANIZATION OF STATE AGENCIES.**

Chairs Menor and Nishihara, Vice Chairs Hooser and Kim, and Members of the
Committees.

HB2506, HD2, Relating to Reorganization of State Agencies, directs the Legislative Reference Bureau to research the responsibilities of state agencies that are integral to achieving state energy objectives; identify any duplication or deficiency in the state agencies responsibilities; research how other states address similar deficiencies in the administration of their energy policies; and make recommendations regarding how the state agencies can be reorganized to advance the long-term energy strategy.

The Department of Business, Economic Development, and Tourism must respectfully oppose this bill because of the significant resource implications of such a study, including staff

time and attention, and funding that will of necessity be diverted from the agencies whose missions are to achieve the objectives sought by the proposed measure.

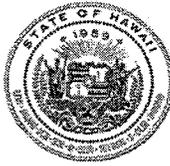
DBEDT has limited available staff and resources that can be focused on implementation of the Hawaii Clean Energy Initiative (HCEI), as we are still supporting existing federal grant programs such as the State Energy Program and Special Projects grants that support the SEP. Therefore, a Legislative Reference Bureau study at this time may not only be premature, but may take resources away from implementation of the HCEI.

The department respectfully suggests that the Legislature's goal of advancing a comprehensive energy strategy and to achieve the state energy objectives are already within the scope of the existing agencies, and that more can be accomplished now by agencies working together within our existing organizational structure.

Thank you for the opportunity to offer these comments.

LINDA LINGLE
GOVERNOR

AARON S. FUJIOKA
ADMINISTRATOR



PROCUREMENT POLICY BOARD
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**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
SENATE COMMITTEES
ON
ENERGY AND ENVIRONMENT
AND
TOURISM AND GOVERNMENT OPERATIONS

March 18, 2008

HB 2506, HD 2

RELATING TO REORGANIZATION OF STATE AGENCIES.

Chair Menor, Chair Nishihara and committee members, thank you for the opportunity to testify on HB 2506, HD 2. The State Procurement Office's (SPO) testimony is limited to Section 3, which provides that any contract pursuant to HB 2506, HD 2, shall be a "non-bid" contract exempt from chapter 103D, Hawaii Revised Statutes.

The SPO does not support the language to exempt from HRS chapter 103D, any contract issued pursuant to this bill.

Statutory exemptions are contrary to the Hawaii Public Procurement Code (Code), section 103D-102, HRS, on the applicability of the chapter that states in part "... shall apply to all procurement contracts made by governmental bodies whether the consideration for the contract is cash, revenues, realizations, receipts, or earnings, ..." Any governmental agency with the authority to expend funds should be in compliance with Chapter 103D, which promotes the policy of fair and equitable treatment of all persons who deal with the procurement system; fosters effective broad-based competition; and increases public confidence in public procurement.

The SPO is against statutorily exempting specific purchases from the Code, as it is not in the best interest of government, the business community, and the general public. The Code establishes a time-tested, fair, and reliable set of rules and processes for award of contracts. The competitive

procurement processes of the Code are to insure that all potential providers are afforded the opportunity to compete for the required services. To the extent agencies may need specific purchases to be exempted from Code requirements, the Code provides an exemption process.

The Code should not be viewed as an obstacle to a purchasing agency's mission, but rather as the single source of public procurement policy to be applied equally and uniformly to obtain its requirements. It was the legislature's intent for the Code to be a single source of public procurement policy. If individual agencies are exempted and allowed to develop their own individual processes, it becomes problematic for the administration and vendors/contractors that must comply with a variety of processes. Fairness, open competition, a level playing field, and government disclosure and transparency in the procurement and contracting process are vital to good government. For this to be accomplished, we must participate in the process with one set of statutes and rules.

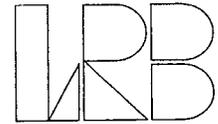
In conclusion, there is no compelling reason to statutorily exempt from the Code any contract pursuant to HB 2506, HD 2. The SPO recommends amending Page 6, line 22 and Page 7 lines 1 and 2, as follows:

Section 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$ or so much thereof as may be necessary for fiscal year 2008-2009 to carry out the purposes of this Act. ~~Any contract issued under this Act shall be exempt from the requirements of chapter 103D, Hawaii Revised Statutes.~~

Thank you.

Ken H. Takayama
Acting Director

Research (808) 587-0666
Revisor (808) 587-0670
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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813

Written Testimony Only

HB2506, HD2
RELATING TO REORGANIZATION OF STATE AGENCIES

Testimony by the Legislative Reference Bureau
Ken H. Takayama, Acting Director
or Charlotte Carter-Yamauchi, Assistant Director for Research

Presented to the Senate Committees on Energy and Environment
and Tourism and Government Operations

Tuesday, March 18, 2008, 3:15 p.m.
Conference Room 414

Chairs Menor and Nishihara and Members of the Committees:

Thank you for this opportunity to testify on H.B. No. 2506, H.D. 2. The Bureau takes no position for or against the measure but submits the following comments.

This bill calls for the Legislative Reference Bureau (Bureau) to conduct a study to recommend the most effective and efficient options for reorganizing the state agencies responsible for issues relating to energy. The bill also contains an appropriation provision intended to enable the Bureau to hire a contractor for the study. Findings and recommendations are required to be submitted prior to the convening of the 2009 regular session of the Legislature.

As always, if the Legislature really wants us to do this study, we will do it to the best of our abilities with the resources that we have and are otherwise provided us.

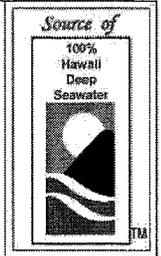
The current draft of the bill provides straightforward direction for a study that appears to be manageable in scope. We note with some concern, however, that the appropriation provision is blank.

Thank you very much for this opportunity to testify.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



**Statement of
Ronald N. Baird
Chief Executive Officer
Natural Energy Laboratory of Hawaii Authority
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
and the
SENATE COMMITTEE ON TOURISM AND GOVERNMENT OPERATIONS
and the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION
Tuesday, March 18, 2008
3:15 p.m.
State Capitol, Conference Room 414**

**In consideration of
HB 2506, HD 2**

RELATING TO REORGANIZATION OF STATE AGENCIES

Chair Nishihara, Vice-Chair Kim, members of the Senate Committee on Tourism and Government Operations, Chair Fukunaga, Vice-Chair Espero, and members of the Senate Committee of economic Development and Taxation, I am Ron Baird, Chief Executive Officer of the Natural Energy Laboratory of Hawaii Authority.

I want to speak to you today on the important subject regarding the reorganization of state agencies specifically as the subject relates to energy. One way or another, from the investment banking business to the traditional petroleum industry, to working on a gas-to-liquids conversion plant with the world leader Sasol, I have been involved in both domestic and international energy for nearly 40 years. Over 30 years ago, we received a wake-up call when OPEC embargoed the United States, which had just become a net importer of oil the year before, and prices of oil and gas skyrocketed to \$9.00 or \$10.00 per barrel.

Hawaii responded by forming the Natural Energy Laboratory of Hawaii, which later became NELHA, to promulgate energy research and development from the ocean. We all know, but tend to forget, that the ocean is the largest reservoir of solar power in the world. Brilliant financial engineering by OPEC in the mid-1980's drove the price of oil down, almost to single digit prices. This enabled world economies to recover, increase their usage of oil, and reduce their own supplies of petroleum. This has enhanced the value of OPEC reserves, which have nearly 30 years' remaining life at current *world* consumption rates and prices!

But, that down turn in oil prices led to false hopes that prices would stay low forever:

1.) Look at our own government oil price forecasts back then.

73-4460 Queen Kaahumanu Hwy. #101, Kailua-Kona, Hawaii USA 96740-2637

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- 2.) Alternative power projects such as ocean thermal energy conversion at NELHA were no longer funded.
- 3.) Research into alternative sources stopped or slowed so dramatically that progress was virtually nil as it pertained to methodological improvements.
- 4.) A new generation of citizens matured without ever feeling the financial pain of rising oil prices, gasoline prices, and just fatalistically accepting the situation as it is.

I have long advocated that our national approach to the severe problem facing us regarding energy is too lackadaisical. In the past 30 years, we have built an economy based on *services*, not the production of *goods*. We are a developed economy, one that cannot afford to pay as much for energy (of any kind) compared to a *developing* economy. The current majority of our citizens have not been through a situation where one has to make a decision of putting gas in the tank to get to work or paying the electric bill versus buying a new computer game or big truck.

What is needed is an energy program similar to the Manhattan Project during the Second World War. We need to galvanize awareness, we need to cut through red tape, and we need action, not words.

I personally believe that all energy activities within the State should be within a single department – a Department of Energy. This department would have as its single purpose the evaluation, financing, construction, and control of energy activities that benefit the citizens of this great state. It would have just this single purpose and mission: free Hawaii from fossil fuels and their resultant high costs to all the citizens. Ideally, such a department would be a stand alone department, but that would require a great leap of faith to authorize and create. An alternative would be for the legislature to create an Energy Authority. An authority similar to NELHA would have statewide power granted it by the legislature to engage in intense and rapid alternative energy development. It would answer ideally to the legislature as to its progress in achieving the goals set for it.

If you have any questions that I might be answer, I would be happy to take and answer them now to the best of my ability. Thank you again for your time.

HAWAII RENEWABLE ENERGY ALLIANCE

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

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WSB-Hawaii

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John Crouch
Sunpower

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII
RENEWABLE ENERGY ALLIANCE BEFORE THE
HOUSE COMMITTEE ON FINANCE

HB 2506 HD1, RELATING TO ENERGY

February 20, 2008

Chair Oshiro, Vice-Chair Lee and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's 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 HREA's 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 HB 2506 HD1 are to direct the Legislative Reference Bureau to conduct a study on Hawaii's most effective and efficient options to reorganize state agencies tasked with issues relating to energy and environmental protection. HREA strongly supports this bill with the following comments:

1. Priority. Our state's need to reduce its dependence on imported energy and to increase its energy security is a very high priority. In that regard, we recommend that the Legislative Reference Bureau ("LRB") focus its attention on the formation of a state Department of Energy;
2. Coordination. HREA also believes coordination among all state agencies with energy objectives and/or activities is a high priority, and consider recommending that the Dept. of Energy be given the key role coordination role; and
3. Accountability. Finally, we recommend that LRB examine the role the new Dept. of Energy would have in implementing state energy policy, and specifically with respect to the existing roles of the Public Utility Commission and Division Consumer Advocacy (Dept. of Commerce and Consumer Affairs).

Thank you for this opportunity to testify.

HB 2509

LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

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

In reply, please refer to:
File:

COMMITTEE ON ENERGY AND ENVIRONMENT
COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

H.B. 2509 Relating to Electronic Device Recycling

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

March 18, 2008
3:15 pm

1 **Department's Position:** The Department has concerns regarding HB 2509 and prefers a
2 **program that is privately run.**

3 **Fiscal Implications:** The Department has not budgeted for startup costs of the program. This bill
4 establishes an Electronic Device Recycling Fund to collect manufacturer fees, payments, and penalties
5 to be administered by the Department.

6 **Purpose and Justification:** HB 2509 establishes a state program for collection, recycling, enforcement
7 and monitoring of covered electronic devices.

8 The Department concurs with reducing the pollution due to electronic devices and believes that
9 product stewardship and manufacturer responsibility is a proactive approach in handling our waste
10 electronic devices. It is especially encouraging to have manufacturers and retailers supportive of this
11 concept. The department appreciates the intended self-sufficiency of the proposed program and its
12 positive environmental impact. However, we have serious concerns about funding and prefer a program
13 that is privately run and does not require the establishment of a new state program.

1 In light of the need for additional personnel to establish and implement the program, the
2 department requests that any provision of resources not adversely affect the priorities in our executive
3 supplemental budget request.

4 Thank you for the opportunity to testify.

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UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
Senate Committee on Energy and Environment and
Senate Committee on Economic Development and Taxation
March 18, 2008 at 3:15 pm

by
David Lassner
Vice President for Information Technology and Chief Information Officer
University of Hawai'i

HB 2509 – RELATING TO ELECTRONIC DEVICE RECYCLING

Chairs Menor and Fukunaga, Vice Chairs Hooser and Espero and Members of the Committees:

The University of Hawai'i supports the intent of HB 2509, which would increase the responsible recycling and disposal of electronic waste (ewaste). Regrettably however, we must oppose the current Bill unless two significant changes are made to avoid major negative impact on our ongoing educational recycling programs.

The following important changes were made in SB 2843, SD2 as passed by the Senate, and we request that they be applied to HB 2509 as well.

First, unlike the original measure, SB 2843, SD2 now includes the University of Hawai'i, Department of Education, other schools, and all levels of government as "covered entities." Second, SB 2843, SD2 now includes computers and printers as "included electronic devices." Our experience is that computers and printers are a substantial component of our ewaste problems. Without these provisions, the bill would do substantial damage to current University and DOE ewaste disposal efforts.

Our concern over the language in these bills as introduced is the direct result of our experience coordinating one of the largest ewaste disposal efforts in the State. In collaboration with Apple Computer, in October 2006 the University of Hawai'i coordinated a one-week statewide educational ewaste disposal program. At no direct cost to the University, DOE or private schools, we collected and responsibly disposed of 51 containers of unused electronic equipment from schools and colleges on four islands. Apple paid for the containers and all associated handling. Also at Apple's sole expense, the 1.2 million pounds of e-waste we collected were removed from Hawai'i for responsible recycling and disposal. This equipment included computers, monitors, printers and televisions.

We recently began discussions with Apple to plan another ewaste disposal effort for

2008. Apple's preliminary intention was to extend the program to include governmental entities as well. However, with the introduction of SB 2843 and HB 2509 as originally drafted, Apple asked to put our planning on hold. Apple's legitimate reasoning was that if the State Legislature decides to mandate disposal programs only for ewaste from consumers and small businesses, and explicitly excludes computers and printers, then Apple would quite logically redirect its recycling efforts and resources in Hawai'i into ewaste disposal programs that directly address the new statutory requirements.

We therefore request that HB 2509 be amended in a manner similar to SB 2843, SD2 in order to support the efforts of Hawai'i's education and governmental sectors to responsibly and comprehensively address our ewaste concerns as well as those of consumers and small businesses.

Date of Hearing: March 18, 2008

Committee: Senate Energy and Environment/
Economic Development and Taxation

Department: Education

Person Testifying: Patricia Hamamoto, Superintendent

Title: H.B. 2509, HSCR 1014: Relating to Electronic Device Recycling

Purpose: Establishes a state program for collection, recycling, enforcement and monitoring of covered electronic devices; establishes program funding through the electronic device recycling fund.

Department's Position: The Department of Education (DOE) supports the purpose and intent of this bill but feels strongly that the bill should be modified to include "government entity" in the definition of "covered entity" and also that the definition of "covered electronic device" should be broadened to include "computers" and "computer printers".

Most DOE schools and offices have a serious problem with disposal of obsolete or non-functioning computers and other electronic devices. Such equipment is taking up a significant amount of storage space at schools and this volume is

increasing at an alarming rate. This equipment is often being stored because schools do not have a viable, low cost, and environmentally acceptable disposal option. Some manufacturers have from time to time assisted the DOE and schools by collecting and recycling equipment at no cost to the schools or to the DOE. Unless government entities are included as covered entities under this bill, manufacturers will necessarily divert their attention and resources to only households and small businesses in order to comply with the specific statutory requirements, and will have no incentive to help public schools and state government offices with recycling their obsolete electronic devices.

Also, although computer monitors are one important source of the dangerous chemicals and metals in electronic waste, computers and printers also contribute to this hazard so we believe that it is important to include them in the scope of this legislation.

The bill as amended with the recommendations above will allow the DOE and public schools to avoid unnecessary expense and equipment storage and responsibly dispose of their electronic waste.

WRITTEN ONLY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT
AND ECONOMIC DEVELOPMENT AND TAXATION
ON
HOUSE BILL NO. 2509

March 18, 2008

RELATING TO ELECTRONIC DEVICE RECYLCING

House Bill No. 2509 establishes a State program for the collection, recycling, enforcement and monitoring of covered electronic devices and establishes program funding through an electronic device recycling fund.

As a matter of general policy, this department does not support the creation of any special or revolving fund which does not meet the requirements of Section 37-52.3 of the Hawaii Revised Statutes. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is difficult to determine whether the fund will be self-sustaining.

**TESTIMONY OF THE
COUNTY OF KAUAI
DEPARTMENT OF PUBLIC WORKS**

**TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT
AND ON ECONOMIC DEVELOPMENT AND TAXATION**

**TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008**

**March 18, 2008
3:15 p.m.**

**TESTIMONY ON HOUSE BILL NO. 2509, RELATING TO ELECTRONIC DEVICE
RECYCLING**

**TO THE HONORABLE RON MENOR, CHAIR, AND THE HONORABLE CAROL
FUKUNAGA, CHAIR, AND MEMBERS OF THE COMMITTEES:**

My name is Donald Fujimoto, Director of the Department of Public Works, County of Kaua'i (County), testifying in favor of House Bill No. 2509.

The Bill establishes a state program to collect, recycle, enforce and monitor certain electronic devices and provides program funding through the electronic device recycling fund.

The Bill establishes and supports a much needed program to deal with a rapidly growing and potentially hazardous waste stream. Currently, there are no recycling outlets on Kaua'i able to handle this waste stream, and the County landfill does not accept commercially-generated monitors. Users of these devices, including schools, other State agencies, business, and County agencies, face significant challenges disposing of these materials because of lack of local service providers, lack of consolidation points, and the cost of shipping from a neighbor island. The program proposed by this Bill would assist these users by providing a cost-effective and environmentally sound option to current methods of disposal. While the measure places significantly responsibility on the State Department of Health, we anticipate that with adequate resources, the department can make this program as successful and beneficial as the deposit beverage container redemption program.

In order to increase the effectiveness of the measure, we suggest amending the definitions in section two of the measure to (1) include desktop computers and printers in the definition of "covered electronic device," and (2) expand the definition of "covered entity" to include government entities, businesses, and nonprofit organizations, regardless of size, operating on a neighbor island.

We thank the Committees for the opportunity to present testimony on this matter.



**Committee on Energy & Environment
Committee on Economic Development and Taxation
Hawaii State Legislature
March 18, 2008**

**Comments on Electronics Recycling
D. Michael Foulkes
Senior Manager
State & Local Government Affairs
Apple, Inc**

House Bill 2509 (Morita) – Oppose Unless Amended

Dear Chairman Menor and Chairwoman Fukunaga:

On behalf of Apple, Inc., I respectfully request that HB 2509 be amended to reflect that language that was placed in SB 2843, SD 2 as passed by the Senate.

That language, requested by both Apple and our partners at the University of Hawai'i, would strengthen the bill, make it more fair to industry participants, and most of all avoid unintended harm to our voluntary programs here in Hawai'i.

Apple has a demonstrated investment in helping Hawai'i to recycle electronics. In 2006 Apple sponsored a weeklong recycling event, partnering with the University of Hawai'i and the Hawai'i Department of Education to recycle 1.2 million pounds of electronics from the State. In 2007, Apple recycled another 100,000 pounds of electronics. We are actively working on more partnerships here in Hawai'i.

HB 2509 should not exclude schools and business.

Apple has a long history of partnership with education institutions. With that comes a great understanding of recycling practices. Schools regularly get large donations of outdated electronics equipment, which has a very limited life in the classroom and can be costly to recycle. Schools often will seek the most cost effective disposal method to preserve scarce education dollars for teaching. This electronic equipment often ends up overseas where it is not treated appropriately. If schools are not part of this program, the unintended consequence will be an increase in improperly disposed of electronics.

Businesses face a similar problem, and should be part of the program. This language was previously placed in SB 2843, SD2.

HB 2509 unfairly targets certain types of products.

AB 2509 has a very narrow scope, leaving many devices with the same internal components out of the legislation, such as computer peripherals. These products, such as printers and fax machines, are often more bulky and contain the same chemicals, metals, and plastics as computers. Removing these products from the scope will provide no incentive to the manufacturer's of those products to design for the environment. Product scope should not be determined by the use of the product, but rather by the contents of the product: products with similar internal and external materials should be treated the same.

According to the latest US EPA data the following electronics are discarded in the US (all numbers in thousands of tons):

TV's (CRT)	759.1
Monitors (CRT)	389.8
Printers, keyboards, mice	324.9
Desktops	259.5
TV's (projection)	132.8
Laptops	30.8
Cell phones	11.7
Monitors (LCD)	4.9

The scope of products in the bill should match those creating the largest waste issues, to focus only on the computer and TV industries is unfair and will result in a program that does not effectively distribute the burden across all of the industries involved.

Apple has supported producer responsibility legislation, including legislation in Europe and the United States with fair product scopes. Recently, Apple supported producer responsibility legislation in New York City that has a broad scope of covered devices and covers waste generated by all entities.

This language was previously placed in SB 2843, SD2

HB 2509 needs to reward good environmental design

The best way we can help minimize waste creation is to design products that are environmentally sensitive, minimize power use, and have a long lifespan.

Apple is committed to designing products with the environment in mind. The most recent example of this is the design behind our latest product: the Macbook Air. The new MacBook Air embodies Apple's continuing environmental progress with its aluminum enclosure, a material highly desired by recyclers; Apple's first mercury-free LCD display with arsenic-free glass; and brominated flame retardant-free material for the majority of circuit boards as well as PVC-free internal cables. In addition, MacBook Air consumes the least amount of power of any Mac, and its retail box, made primarily from 100 percent post-consumer recycled material, is 56 percent smaller by volume than the previously smallest MacBook packaging. We apply this philosophy of environmental design to all of our products and in addition, Apple offers free computer takeback with purchase and free takeback for our ipods and iphones.

HB 2509 should be based upon market share

The legislation assigns responsibility based upon return share (those products coming into the waste system). While this methodology has its supporters, especially those with large current market share, it creates a complicated system for assigning responsibility and will put a large burden on the Hawai'i Department of Health.

It will also have the unintended consequence of limiting programs to give computers to children, since companies will now have a potentially significant liability if those products, when disposed of, create a large market share increase. We have experienced this exact issue in other states.

A market share approach, especially if based upon national sales data, is simple to compute, simple to manage, and not create any disincentives to corporate donations.

Thank for the opportunity to share our comments on HB 2509. We look forward to working with you to develop meaningful electronics recycling legislation that is fair and comprehensive. Please do not hesitate to contact me at (408) 974-2503 or by email at foulkes@apple.com if you have any questions.



Meggan Ehret, Corporate Secretary
Thomson Inc.
101 W. 103rd Street, INH 3340, Indianapolis, IN 46290
Tel: 317-587-4966
Fax: 317-587-9638
meggan.ehret@thomson.net

OPPOSE

March 18, 2008

**TO: Sen. Ron Menor
Chair, Committee on Energy & Environment
State Senate
Hawaii State Capitol, Room 208**

**Sen. Carol Fukunaga
Chair, Committee on Economic Development and Taxation
State Senate
Hawaii State Capitol, Room 216**

FROM: Meggan Ehret, Senior Counsel, Thomson Inc.

**RE: HB 2509 – Relating to Electronic Device Recycling
Hearing: Tuesday, March 18, 2008 @ 3:15 PM
Conference Room 414
Hawaii State Capitol**

Chairs Menor and Fukunaga and members of the Energy & Environment Committee and Economic Development and Taxation Committee,

My name is Meggan Ehret and I am Senior Counsel with Thomson Inc. and also serve as its corporate secretary. Thomson Inc. is committed to developing a workable and environmentally sustainable solution for e-waste, which, according to the EPA, is the fastest growing portion of the municipal solid waste stream. We applaud the Legislature for having this hearing to ensure that the e-waste solution is a workable one that accomplishes the goal. We appreciate the opportunity to participate in this discussion.

Thomson is committed to complying with all environmental, health, and safety laws and regulations applicable to our business activities. We are equally committed to preventing deterioration of the environment and minimizing the impact of our operations on the land, air and water. These commitments can only be met through the awareness and cooperation of all employees.

Thomson is a world leader in digital video technologies. Thomson provides technology, services, and systems and equipment to help its Media & Entertainment clients — content



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creators, content distributors, and users of its technology — realize their business goals and optimize their performance in a rapidly-changing technology environment. The Group is the preferred partner to the media and entertainment Industries through its Technicolor, Grass Valley, RCA, and Thomson brands. As background, RCA's stock was acquired by General Electric in 1986, and shortly thereafter Thomson bought certain consumer electronics assets from GE and eventually acquired the RCA trademark (in most classifications) and today licenses the trademark to a number of different companies that make RCA televisions and other RCA-branded products. In 2004, Thomson sold its television manufacturing assets and now licenses the trademark to a large television manufacturer.

Thomson is also a member of the Electronic Manufacturers Coalition for Responsible Recycling which we commonly refer to as "the Coalition." The Coalition consists of major manufacturers and marketers of consumer and commercial electronic products.

Based on our experience, we have learned that each product is different and, relevant here are the differences between televisions and computers. The different product life expectancy, market economics, residual values, and product portability necessitate different approaches to recycling to each product.

- **Different Product Life Expectancy** - Televisions have an average useful life of 15 to 17 years and have been available on the market since the late 1920's. Computers, on the other hand, have only been widely available to consumers since the 1980's and have an average life expectancy of at least 10 years less than the average television. Because televisions have been in existence much longer and have a much longer life, many of the manufacturers of the televisions hitting the waste stream are either no longer in business or are no longer manufacturing televisions.
- **Different Market Economics** - It is estimated that over 30 million TVs will be sold in 2008 (US News & World Report, 12/31/07). Of these, many will be sold by value brands that have only been established in the past few years. Ten percent of TV manufacturers - primarily those based in Asia - are expected to go out of business each year. (Legislative Study Accompanying Washington State E-Waste Law). Requiring present-day TV manufacturers to fund a TV recycling program based on their current market share ensures they are not given a free pass until their branded products begin to appear in volume in the State's recycling stream more than 15 years later and, in some instances, at a time they are no longer in business.
- **Different Residual Value** - A computer's residual value is much greater than the typical cathode ray tube television. Computers contain precious metals and other valuable and easily recycled or reused materials. This significantly impacts the economics of recycling a television versus recycling a computer.



Meggan Ehret, Corporate Secretary
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- **Different Product Portability.** Computers are lighter and easier to handle, thus different opportunities exist for collection and recycling. Those opportunities do not exist for television manufacturers. Thus, “takeback” programs that require consumers to send equipment to a manufacturer is more workable for computers than televisions.

These important differences support separate approaches to recycling programs. The computer manufacturers have already implemented “takeback” programs and thus requiring takeback programs is the most logical and workable approach for computer products. For televisions, which is my focus today, the only approach that levels the playing field is allocating the costs of a recycling program to the present day manufacturers based on each manufacturer’s respective share of the market. It is a fairer approach for the following reasons:

- The television market is an easy-entry and easy-exit industry, making short-term competitive advantages the rule. According to an article in Smart Money Magazine (“Behind the Glass,” March 2005), 70 percent of the television manufacturers were not in business ten years ago. By the time a new market entrant must pay to recycle its products (approximately 15 years from today), it is likely no longer in business.
- Far East manufacturers are flooding the market. “China...has emerged to build consumer electronics...as a new manufacturer. Any company with the resources and a market entry point can deliver product relatively quickly by contracting with the original design manufacturers.” (The Consumer Electronics Industry in Flux, Gartner Inc. Research Report, November 16, 2005.). History has proven that they will not be in business by the time their products hit the waste stream and, given their location, enforcement or collection (particularly after they are out of business) will be difficult if not impossible, unless a barrier to entry to the market is contributing to the costs of recycling televisions now.
- It is difficult—if not impossible—to estimate today the costs associated with recycling televisions 15 years from now (e.g., collection, transportation and recycling) and market share allocation ameliorates this concern. Thus, allocating the actual costs to recycle products today among today’s market participants is fair and permits today’s market participants to plan accordingly.

A market share approach requires each current manufacturer to pay for a share of the recycling of televisions based on its respective share of the market and account for these costs in the price of their product. Any other alternative will give a free ride to new market entrants as they will not be required to pay any costs for recycling today and history has demonstrated that they will be out of business in 15 years (which is when their products hit the waste stream). Thus, new market entrants will likely never pay for recycling e-waste. Importantly, as a result of not having to factor in the cost of e-waste, they are able to price their products lower than the long standing market participants and increase their share of the market. This is the same



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conclusion reached by the Council of State Governments NE region, Minnesota, New Jersey, and Oregon. (See http://www.csgeast.org/pdfs/RegionalDraft7-06_revised.pdf).

In summary, Thomson respectfully asks that the Senate Committees on Energy & Environment and Economic Development and Taxation consider allocating the costs of recycling televisions to the current market participants based on their respective share of the market and level the playing field for all television manufacturers.

Thank you for allowing me the opportunity to provide my comments to you.

###



March 10, 2008

The Honorable Ron Menor
Chairman, Committee on Energy and Environment
Hawaii State Legislature

RE: H.B. 2509 – Relating to Electronic Device Recycling – Oppose as Written, Amendment Suggested

Dear Senator Menor:

The Information Technology Industry Council (ITI) has serious concerns regarding certain provisions of the House Bill 2509, which relates to the electronic device recycling. We would like to express our opposition to this bill as it is currently written and offer an amendment to the current version.

Assuring the appropriate recycling of obsolete electronic devices is an important public policy goal. On behalf of our membership, however, ITI cannot support this bill as written. Our primary concern with H.B. 2509 is that it does not recognize that business models and life spans for TV and IT equipment are very different.

Our members have significant concerns regarding any electronics recycling legislation that disrupts the market playing field by imposing costly requirements on some manufacturers today, while delaying obligations for others. Under the approach set forth in H.B. 2509, manufacturers are responsible for recycling their own branded products that are generated as waste in the state. The proposal calls for all obligations to be based on a manufacturer's return share of electronics. This requirement obligates established market participants to cover major costs now, while giving many of their new competitors a free ride for years. This is a particular issue for televisions, given that their average life-span is over 15 years.

We do not believe it is the role of government to interfere with fair market competition. This proposal, however, would have that exact effect. Notably, there are several newcomers in the television market that already possess significant market share. This legislation will hand these companies a competitive advantage over established manufacturers, since their branded products will not appear in the State's recycling stream for years. We recommend amending H.B. 2509 to base the recycling obligations for TV manufacturer's on a manufacturer's market share, rather than a manufacturer's return share of products.

If you have any questions regarding these comments please contact Chris Cleet at ccleet@itic.org or 202-626-5759. We look forward to further engagement on this bill and welcome the opportunity to provide more information or background for your additional consideration.

Regards,

A handwritten signature in black ink, appearing to read 'Chris Cleet', with a horizontal line extending to the right.

Chris Cleet
Director of Environmental Affairs

Information Technology Industry Council (ITI)
1250 Eye St, NW - Suite 200
Washington, DC 20005
202.626.5759
www.itic.org

ABOUT ITI

The Information Technology Industry Council (ITI) represents the nation's leading high-tech companies and is recognized as one of the most effective advocacy organizations for the tech industry in Washington and internationally. ITI helps member companies achieve their policy objectives through building relationships with Members of Congress, Administration officials, and foreign governments; organizing industry-wide consensus on policy issues; and working to enact tech-friendly government policies.



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TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Electronic device recycling fee

BILL NUMBER: SB 2843; HB 2509 (Identical)

INTRODUCED BY: SB by Menor, Baker, Chun Oakland, English, Espero, Fukunaga, Gabbard, Hanabusa, Hooser, Ige, Ihara, Inouye, Kim, Kokubun, Nishihara, Sakamoto, Tokuda, Tsutsui and 2 Democrats; HB by Morita, Awana, Belatti, Berg, Bertram, Brower, Cabanilla, Caldwell, Carroll, Chang, Chong, Evans, Green, Hanohano, Har, Karamatsu, Lee, Luke, Magaoay, Manahan, Mizuno, Nishimoto, B. Oshiro, Rhoads, Saiki, Say, Shimabukuro, Sonson, Takai, Takumi, Wakai, Waters, Yamane, Yamashita and 4 Democrats

BRIEF SUMMARY: Adds a new chapter to HRS as the electronic waste recycling act to establish a program to encourage the recycling of electronic devices in the state.

Requires manufacturers of electronic devices, as a prerequisite to selling such devices in the state, to register with the department of health and pay a registration fee of \$5,000 per year beginning on January 1, 2009 along with a list of their brands. Requires such electronic devices sold by the manufacturers to be permanently labeled so that the covered devices can be identified.

By June 1, 2009, each manufacturer to whom the department of health provides a return share in weight that is greater than zero to submit: (1) an additional fee calculated by multiplying the manufacturer's return share in weight by the cost per pound for collection, transportation, and recycling of covered electronic devices; or (2) submit a plan to provide for the collection, transportation, and recycling of at least 5% of the total return share in weight of covered electronic devices. Requires each manufacturer to comply with the return share provisions by February 15, 2011. Delineates what shall be covered in the manufacturers' recycling plan.

Further delineates sampling and reporting provisions that shall be conducted annually by the department of health beginning on January 30, 2011. Also requires the department to determine the return share for each program year for each manufacturer by dividing the weight of covered electronic devices identified for each manufacturer by the total weight of covered electronic devices identified for all manufacturers. Requires the department to notify each manufacturer of its return share, if a return share has been determined for the manufacturer, by February 15, 2011.

Delineates provisions to require the department of health to prepare and implement a plan to establish, conduct, and manage a program for the collection, transportation, and recycling of covered electronic devices in the state for manufacturers without approved recycling plans.

Prohibits the disposal of a covered electronic device in any solid waste disposal facility on January 1, 2010.

Any manufacturer that fails to label its covered electronic devices, fails to register with the department of health and pay a registration fee, or fails to comply with the provisions of this act may be assessed a penalty of up to \$10,000 for the first violation and up to \$25,000 for the second and subsequent violations.

Establishes an electronic device recycling fund into which shall be deposited all fees, payments, and penalties collected by the department of health under this chapter.

EFFECTIVE DATE: July 1, 2008

STAFF COMMENTS: This measure proposes to address the disposal of electronic waste by requiring manufacturers to: (1) establish a recycling program to recover the electronic devices sold by the manufacturer; or (2) pay an additional fee and participate in a state department of health recycling program for electronic devices that are not covered by a manufacturer's recycling plan. Under the proposed program, each manufacturer would be required to submit a fee of \$5,000 per year and an additional fee based on the amount of covered devices returned for recycling if the manufacturer does not submit a recycling plan approved by the department of health.

While it may be desirable to require and promote the environmentally correct disposal of electronic devices, it is questionable whether it should be a state run program. It should be noted that there are a number of private companies that will dispose of used computers and electronic goods in the state. Rather than adopting this measure, an educational awareness program regarding the disposal of these electronic devices or a program similar to the disposal of hazardous material would be preferable.

The adoption of this measure would result in an additional imposition on manufacturers who sell their electronic goods in Hawaii which, no doubt, will be passed on in the form of higher prices of these goods. It could also mean that manufacturers that are not willing to pay the fee will decide to not to sell their products in the state. While the department of health is required to establish an electronic device recycling program, it would greatly add to the proliferation of programs and regulations, such as proposed by this measure. Recycling of electronic devices, or for that matter any of the other numerous "worthy" programs that are important to the health and safety of the community, should be funded out of legislative appropriation rather than a fee imposed on manufacturers.

If there is any kind of message being sent here by the legislature is that it is not worth it to do business in Hawaii. Like the bottle deposit program, this is just one more nail in the economic coffin. If retailers and other businesses think consumers find shopping on the INTERNET more advantageous, this measure will drive consumers in droves to make purchases of electronic devices from out of state vendors who will not be burdened with an addition "tax" like that which is proposed in this bill. Losing business like that will drive many businesses right out of business for after all, the manufacturers will have to recover the cost of the registration fee and the return share in weight fee by passing it on to the consumer in the form of higher prices if they even decide to do business in Hawaii. What this also says is that lawmakers do not know how to set priorities in expending what resources have already been provided to them by the taxpayers but merely think they can ask for more from taxpayers.

Digested 2/20/08

Joyce Masamitsu
Associate Director
State Public Policy, West Area



March 18, 2008

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Mobile 949 233-0925
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joyce.masamitsu@VerizonWireless.com

The Honorable Ron Menor, Chair
Senate Committee on Energy and Environment
The Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development and Taxation

RE: Testimony and Proposed Amendment to House Bill 2509

Dear Senator Menor, Senator Fukunaga and the Members of the Committees,

This letter is written on behalf of Verizon Wireless to request an amendment to House Bill 2509, legislation that would create a statewide recycling program for electronic waste. While Verizon Wireless embraces the author's goals to encourage the recycling of electronic devices, we request exclusion of voice and data equipment for wireless communication carriers without limiting exception criteria to telephones with a screen size greater than four inches measured diagonally.

Verizon Wireless and the industry at large, have already instituted voluntary recycling programs to promote environmentally friendly alternatives for electronic waste management. The recycling program created by House Bill 2509 would not be necessary for any of our products and would be disruptive to current consumer-centric policies we have in place today.

Verizon Wireless joined forces with HopeLine in 2001 to create a company wide recycling program that would aid victims of domestic violence. The **HopeLine® Phone Recycling and Reuse Program** collects no-longer-used wireless phones and equipment in any condition from any service provider. The used phones are either refurbished or recycled. With the funds raised from the sale of the refurbished phones, Verizon Wireless donates wireless phones and airtime to victims, and provides funding and other contributions to non-profit domestic violence shelters and prevention programs across the country.

Verizon Wireless also concentrates on protecting the environment by collecting spent rechargeable batteries for recycling. The **Verizon Wireless Cell Phone Battery Recycling Program** is an easy way for customers to join with us to help conserve the earth's natural resources and prevent spent batteries from entering community landfills. Verizon Wireless' retail stores participate in the **Rechargeable Battery Recycling Corporation (RBRC) Call2Recycle™** program, designed to educate the public about the need to recycle these batteries and to provide collection containers at retail stores where replacement batteries are sold. To participate, a customer simply drops their used rechargeable battery at any of our retail locations nationwide. As a corporate participant in this program, every Verizon Wireless retail store has collection kits behind the service counter to collect your spent batteries and ship them directly to the recycling facility for processing.

Through the HopeLine® Phone Recycling and Reuse Program, more than 200 tons of electronics waste and batteries have been kept out of landfills.

Verizon Wireless' participation and establishment of a national recycling program is a success story that fosters goodwill, corporate responsibility and community outreach. Since its launch in October of 2001, this nationwide program has produced outstanding results while driving public awareness of domestic violence across the country:

- Collected more than 4.5 million phones through our Verizon Wireless stores and other points across the country.
- Nearly 1 million phones have been properly disposed of in an environmentally sound way.
- Through the HopeLine® program, refurbished and resold equipment has enabled the delivery of nearly \$5 million in cash donations to domestic violence organizations nationwide.
- Distributed more than 60,000 HopeLine® phones with the equivalent of 180 million minutes of service and other features for use by victims, survivors and organizations
- More than 170,000 pounds of batteries were recycled through the HopeLine and Call2Recycle™ programs.

In 2007 alone, Verizon Wireless' national recycling program has facilitated the collection of nearly 1.07 million phones, the highest total since the program launched in 2001. Nearly \$1.74 million in cash generated from donated phones given to 330 different domestic violence prevention and awareness programs nationwide. Approximately 20,000 HopeLine® phones with service were active nationwide at the end of 2007. Hawai'i, residents and businesses donated more than 5,200 cell phones to our Verizon Wireless HopeLine® recycling program. In the state of Hawai'i, Verizon Wireless donated more than \$100,000 grants and wireless phone with airtime to local domestic violence programs.

For the above stated reasons, Verizon Wireless does not feel that participation in a mandated, statewide recycling program for electronic devices would provide greater benefit to our customers and the communities that we currently support through our HopeLine® recycling program. In light of this, Verizon Wireless asks that HB 2509 be amended to read in Section 1 – Definitions: "Covered electronic device" 2) Shall not include: (D) "*A telephone of any type.*" The remainder of the sentence, "unless it contains a video display area greater than four inches measured diagonally" should be deleted. Verizon Wireless requests the removal of this screen size requirement because all of Verizon Wireless products are included in our company's existing recycling program.

Thank you for your consideration of this amendment to House Bill 2509.

Sincerely,



Joyce Masamitsu



Dan Youmans
Director
External Affairs

AT&T Services, Inc.
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daniel.youmans@att.com
www.att.com

March 18, 2008

The Honorable Senator Ron Menor
Chair, Hawaii State Senate Committee on Energy and Environment

The Honorable Senator Carol Fukunaga
Chair, Hawaii State Senate Committee on Economic Development and Taxation

RE: Testimony and Proposed Amendment to House Bill 2509

Dear Senator Menor, Senator Fukunaga and Members of the Committee:

On behalf of AT&T, we are requesting an amendment to House Bill 2509 so that it will match Senate Bill 2843 as it passed the Senate. In the definitions section of HB 2509, telephones of any type are excluded from the program, unless the screen size is greater than four inches measured diagonally. AT&T requests the removal of this screen size requirement since all of our products are covered in our industry's recycling program.

As we stated in our previous testimony on SB 2843, most wireless devices today have screens smaller than four inches. However, new devices in the future may have screens that exceed this limit. Because our industry has a highly effective recycling program, we do not believe our devices should be included in the program created by House Bill 2509.

Our industry's approach allows any consumer to take any wireless device or accessory, including phones, PDAs, chargers, and batteries, to any company retail outlet. Stores will accept these devices without cost to the consumer. The devices do not even have to be from that particular carrier. These devices will then be reused or recycled. This program covers all of our products, no matter what the screen size.

We are especially proud of the program now in place at AT&T in which we collect old cell phones and use the funds from recycling these devices to purchase pre-paid calling cards for military personnel, so they can call home from overseas. This program is called "Cell Phones for Soldiers."

For these reasons, we request the removal in HB 2509, Section 1 in "Definitions," 2 (D) of the phrase "unless it contains a video display area greater than four inches measured diagonally." Thank you for considering this amendment to House Bill 2509.

Respectfully Submitted,

Dan Youmans, AT&T



MOTOROLA

March 18, 2008

The Honorable Ron Menor
Chair, Senate Committee on Energy and Environment
415 S. Beretania St.
Honolulu, Hawaii 96813

RE: HB2509

Dear Chairman Menor:

I am writing on behalf of Motorola to request an amendment to an amendment to House Bill 2509 so that it will match Senate Bill 2843 as it passed the Senate. In the current version of the HB2509, telephones of any type are excluded from the program, unless the screen size is greater than four inches measured diagonally. We respectfully request that the legislation be amended to remove the screen size requirement since all of our products are covered in our industry's existing recycling programs.

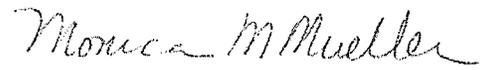
Motorola has a history of consumer product take back programs in place. For example, through our mobile phone recycling program, we take back any make, any model and any accessory. Details are available at www.Motorola.com/recycling.

Also, it is very important to note that there is a market for used mobile phones. Consequently, when done properly in a competitive environment, take back programs for mobile phones actually generate revenue, in contrast with computers, monitors, and televisions. These differences mean that a "one size fits all" approach should not be applied to recycling programs. Instead, we believe that the favorable market for used mobile phones should be allowed to continue to operate. This competitive market for used product has resulted in several options for consumers about where and how to dispose of their used phones. In fact, programs are operated by the manufacturers, the carriers, and others.

For these reasons, we request the removal in HB 2509, Section 1 in "Definitions," 2 (D) of the phrase "unless it contains a video display area greater than four inches measured diagonally."

Thank you for considering this request. If you have any questions, please do not hesitate to contact me at 847-630-1653.

Sincerely,

A handwritten signature in cursive script that reads "Monica M. Mueller". The signature is written in black ink and is positioned above the printed name and title.

Monica M. Mueller
Manager, Global Government Affairs

Senator Ron Menor, Chair
Senator Gary Hooser, Vice Chair
Committee on Energy & Environment

Senator Carl Fukunaga, Chair
Senator Will Espero, Vice Chair
Committee on Economic Development & Taxation

State Capitol, Honolulu, Hawaii 96813

HEARING Tuesday, March 18, 2008
 3:15 pm
 Conference Room 414



RE: HB2509, Relating to Electronic Device Recycling

Chairs Menor and Fukunaga, Vice Chairs Hooser and Espero, and Members of the Committees:

Retail Merchants of Hawaii (RMH) is a not-for-profit trade organization representing about 200 members and over 2,000 storefronts, and is committed to support the retail industry and business in general in Hawaii.

RMH supports HB2509, relating to electronic device recycling. If I may, I would like to offer the following comments:

- National legislation, while still pending in Congress, is the ultimate solution. A series of individual state-by-state laws tends to confuse the consumer and forces manufacturers and retailers to absorb tremendous administrative costs.
- However, understanding the urgency of our addressing this issue to avoid further impact on our environment, the manufacturer responsibility model in SB2843 is our preferred approach. To date Connecticut, Minnesota, Oregon, North Carolina, Texas, Maine, Washington and New Jersey all have passed manufacturer responsibility bills. In the long term, this will further encourage the design of environmentally friendly products, allow for flexibility in recycling methods and establish a market that can drive down the costs for consumers over time.
- We respectfully ask your consideration to insert language in § -3 (2) that allows an initial "sell through" provision to afford retailers to ability to sell any covered device that was on order and/or is in stock BEFORE a manufacturer may have registered; suggested: *(c) The sale or offer to sell any new covered electronic device in the State that was either in stock or on order for stock by a retailer prior to the initial registration date specified in subsection (b) shall be exempt from the requirements of this section.*
- In this measure, retailers who manufacture private label products are also considered manufacturers. Because many of our retailers are also manufacturers, we do have a concern with the reference in the bill (§ -1 Definitions: "Manufacturer" and § - 4(4) (k): The Obligations ...) to the usage of present and past tense of *manufacturers* and *manufactured* and *sells* or *sold*. Using the present tense forms of the verbs, i.e., "manufactures" and "sells," would more fairly appropriate and delineate responsibility.

Thank you for your consideration and for the opportunity to comment on this measure. We are eager and look forward to continued discussion

A handwritten signature in black ink, appearing to read 'Carol Prejill', written in a cursive style.

President

RETAIL MERCHANTS OF HAWAII
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ph: 808-592-4200 / fax: 808-592-4202

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:

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lkakazu@goodsill.com

March 17, 2008

TO: Senator Ron Menor
Chair, Committee on Energy & Environment

Senator Carol Fukunaga
Chair, Committee on Economic Development & Taxation

Via Email: testimony@capitol.hawaii.gov

FROM: Chris Pablo

RE: **H.B. No. 2509 – Relating to Electronic Device Recycling
Hearing: Tuesday, March 18, 2008, 3:15 pm, Room 414
(Revised Testimony)**

Dear Chair Menor, Chair Fukunaga and members of the Committees on Energy & Environment and Economic Development & Taxation

I am Chris Pablo testifying on behalf of Covanta Energy Group, the operator of the HPOWER waste-to-energy facility at Campbell Industry Park.

H.B. 2509 establishes a state program for collection, recycling, enforcement, and monitoring of covered electronic devices, and establishes program funding through the electronic device recycling fund. The measure also prohibits any person from placing or disposing of any covered electronic device in any solid waste disposal facility.

Covanta believes that the appropriate handling of electronic devices is a product stewardship issue. As such, those who make or who dispose of the product should play the primary role in managing this product as waste. Although that issue is addressed by the electronic device recycling program to be established by H.B. 2509, the bill's disposal ban at facilities like HPOWER does not promote product stewardship.

Covanta does not want this material at HPOWER and does its best to keep it out. But, Covanta is not in a position to keep the material out if it is disposed of in the waste delivered to HPOWER.

Covanta supports the creation of an electronic device recycling program pursuant to H.B. 2509, but respectfully requests an amendment to relieve the facility of liability should

March 17, 2008

Page 2

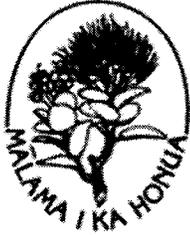
such devices enter the facility in the normal course of operations and not be disposed of in the manner provided by the proposed Electronic Waste Recycling Act. It is not feasible to separate materials that are in the waste stream that is delivered to HPOWER once it enters the premises. This amendment will allow HPOWER to deal with such material like all solid waste that enters and is disposed of at the facility. Therefore, Covanta requests that HB 2509 be amended by adding a new subsection (c) to Section 10 as follows:

§ -10 Disposal ban; recycler responsibility. (a) Beginning January 1, 2011, no person shall place or dispose of any covered electronic device in any solid waste disposal facility.

(b) Recyclers shall comply with applicable federal, state, and county laws, regulations, and rules in recycling covered electronic devices collected pursuant to this chapter.

(c) A county authorized waste-to-energy facility shall not be in violation of this section if any covered electronic device enters the waste stream in the normal course of operations and is not removed from the facility for disposal in the manner provided by Chapter ____.

Thank you for providing us with the opportunity to provide testimony on
HB 2509.



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION**
March 18th, 2008, 3:15 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 2509

Chairs Menor and Fukunaga and members of the committees:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 2509, establishing an electronic waste (or e-waste) recycling program.

E-waste from computers, televisions, and other high-tech devices is an increasing problem. This type of waste frequently contains toxic materials, such as lead in the circuit board soldering or in the cathode ray tube. Moreover, with landfill issues on nearly every island, policies to divert waste from landfills should be encouraged. The program contemplated in the current draft of HB 2509 is compatible with programs being developed by national electronic device manufacturers.

Starting the process to establish and fund a state e-waste recycling program is critical now as more and more residents purchase high definition televisions and decide to scrap their older sets.

We ask that this timely measure be forwarded for further discussion.

Thank you for the opportunity to testify.

HB 2504 HD2



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

In reply, please refer to:
File:

COMMITTEE ON ENERGY AND ENVIRONMENT

H.B. 2504, HD2, RELATING TO LIGHTING

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

**March 18, 2008
3:15 pm**

1 **Department's Position:** The Department respectfully opposes the measure.

2 **Fiscal Implications:** The bill directs the Department to develop a statewide recycling program for
3 fluorescent bulbs with no method of funding.

4 **Purpose and Justification:** HB 2504, HD2 proposes to phase out and ban the use of lighting products
5 with lead and mercury; establishes a statewide lighting efficiency standard; and directs the Department
6 of Health to develop a statewide recycling program for mercury containing compact fluorescent bulbs.

7 The Department supports energy-efficiency initiatives and the use of renewable energy sources,
8 but this bill presents problems.

9 HRS §342J, Management of Hazardous Waste, is not the appropriate chapter to deal with
10 lighting efficiency standards and general consumer product requirements. Devices that contain a
11 hazardous substance are not hazardous waste until they can no longer be used for its intended purpose.
12 As an example, paint thinner is not hazardous waste until it is used and discarded. A fluorescent bulb is
13 not a hazardous waste until it is destined for disposal or recycling. For this reason, HRS §342J is not the

1 appropriate chapter to deal with manufacturer's lighting standards, nor is the Department the appropriate
2 agency to develop lighting efficiency standards.

3 Part III of HB 2504, HD2 directs the Department to develop a statewide program for the
4 recycling of mercury-containing compact fluorescent bulbs before January 1, 2011. Recycling of waste
5 compact fluorescent bulbs is currently an option under the hazardous waste regulations. The department
6 can provide and incorporate more education and promotion of recycling fluorescent bulbs for businesses
7 that generate hazardous waste under its existing Pollution Prevention/Waste Minimization program.

8 We respectfully oppose the development of a new and separate recycling program. The bill calls
9 for a report before the commencement of the 2011 regular session on funds and legislation necessary to
10 implement the recycling program. In light of the additional personnel and continued funding required to
11 implement the proposed program, the Department requests that any provision of resources not adversely
12 affect the priorities in our executive supplemental budget request.

13 Thank you for the opportunity to testify on this measure.

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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE
ON
ENERGY AND ENVIRONMENT
Tuesday, March 18, 2008
3:15 p.m.
State Capitol, Conference Room 414

in consideration of
HB2504 HD2
RELATING TO LIGHTING.

Chair Menor, Vice Chair Hooser, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB2504,HD2, which phases-out and bans the use of lighting products with lead and high mercury content; establishes a statewide lighting efficiency standard for general purpose lights; and directs the Department of Health to develop a statewide recycling program for recycling mercury-containing compact florescent bulbs. There have been many good ideas introduced this legislative session that support the State's energy goals. We note, however, that this proposal does not provide resources and as such, is not included in the Executive's Supplemental Budget. We request that any resources provided will not displace the priorities contained in that budget.

DBEDT supports the use of energy efficient lighting. Energy Star compact fluorescent lighting products, presently in the marketplace, already meet the fifty lumens per watt standard. The committee may want to delete the word “reflector” from page 5, section 3(1). Reflector lighting is common and generic, rather than being specialty lighting.

We defer to the Department of Health on the implementation measures called for in this bill.

Thank you for the opportunity to offer these comments.

Date: 03/18/2008

Committee: Senate Energy and Environment

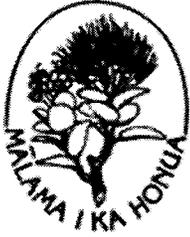
Department: Education

Person Testifying: Patricia Hamamoto, Superintendent of Education

Title of Bill: HB 2504,HD2,HSCR1028 RELATING TO LIGHTING.

Purpose of Bill: Phases-out and bans the use of certain lighting products with lead and high mercury content; establishes a statewide lighting efficiency standard for general purpose lights; directs the department of health to develop a statewide recycling program for recycling all fluorescent lamps.
(HB2504 HD2)

Department's Position: The Department of Education continues to support HB 2504, HD2, which phases out and bans the use of lighting products with lead and high mercury content; establishes a statewide lighting efficiency standard for general purpose lights; and, develops a statewide recycling program for recycling all fluorescent lamps. The Department has already taken steps to phase out the use of general purpose incandescent light bulbs in our schools and is concerned that our schools dispose of spent fluorescent lamps properly. Thank you for the opportunity to testify in support of HB 2504, HD2.



Sierra Club Hawai'i Chapter

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SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 18th, 2008, 3:15 P.M.

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 2504 HD2

Chair Menor and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, strongly supports HB 2504 HD2, establishing a statewide lighting efficiency standard. We support a policy that establishes a lumens-based standard for general purpose bulbs as HB 2504 HD2 does as opposed to an outright ban on one technology or another.

Incandescent lights are basically electric space heaters that give off light as a byproduct. They are highly inefficient, wasting most of the power they consume as heat. Some countries (Australia, Canada) have passed outright bans on incandescent bulbs. While this is an option, most policy experts agree that the superior approach is to set the desired efficiency standards rather than prescribe the actual technology (i.e. incandescent, compact fluorescent, light-emitting diode, glowworms, etc.). A lighting efficiency standard would not directly prohibit or promote any one technology over another—it would simply set the efficiency bar that any light source has to achieve, regardless of technology. Lights needed for medical, emergency, or safety lighting is properly excluded from this standard (although we believe the exemption list in HB 2504 HD2 could be tightened).

A lighting standard is necessary because far too often consumers make poor energy purchasing decisions. Consumers usually focus on the first cost of an energy-consuming product instead of its lifecycle or energy use cost. This leads to highly irrational purchasing decisions, where consumers end up expending far more on basic energy use than needed. This wouldn't necessarily be a problem requiring government intervention, but the corollaries to a consumer's energy money wasting is excess greenhouse gas pollution, increased oil dependency, and utility system strain. All three of these impacts affect society as a whole.

Consider a typical lighting need for a small reading lamp. Let's say a Kaua'i resident uses a typical 40-watt incandescent bulb for the lamp. The resident could use an equivalent 10-watt compact fluorescent light (CFL) or even a new 4-watt light emitting diode (LED) bulb. The table on the following page presents the various costs and impacts for the three options if the lamp is illuminated for an average of 5 hours per day (at the current \$0.35 per kilowatt-hour on Kaua'i).

Bulb	Wattage	Lumens	Eff (Lum/W)	Watt-hours	kWh	\$	CO ₂ (lbs)	Initial Cost	5 year cost
<i>Incandescent</i>	40	420	10.5	73000	73	\$25.55	147	\$ 0.75	\$ 128.50
<i>Compact Fluorescent</i>	10	520	52	18250	18.25	\$ 6.39	37	\$ 2.50	\$ 34.44
<i>Light Emitting Diode</i>	4	230	57.5	7300	7.3	\$ 2.56	15	\$ 30.00	\$ 42.78

Despite the increased initial cost of both a CFL and an LED, the savings become dramatic over a few years. In this example, in fact, it would take just over one month for a CFL to recoup its initial cost in electricity savings! After that the resident would enjoy 75% savings every hour the bulb is used.

Even more striking is the greenhouse gas savings offered by a higher efficiency light (CFL or LED). One year of incandescent usage as stated above would produce roughly 150 pounds of greenhouse gas. Switching to a CFL would produce about 40 pounds, and switching to a LED would produce only 15 pounds—90% less than an incandescent.

We believe that the timeline for the lighting standards set forth in this measure are achievable and fair. Given the strong market pressure for more energy efficient lighting and appliances, the cost of high-efficiency lighting—particularly LEDs—is likely to drop significantly by the time the new Hawai'i standards take effect.

The Sierra Club also strongly supports the establishment of a CFL recycling program as described in Section 5 of HB 2504 HD2. An education campaign to ensure full participation in the recycling program should be part of this effort. An alternative approach to capture used CFLs and prevent mercury from entering Hawaii's landfills or H-POWER would be to require that light bulb retailers take back the CFLs that they sell.

While we strongly support this concept, we are concerned about placing this standard within Hawaii's existing hazardous waste chapter. We believe that the new standard should be placed in the more appropriate HRS § 196, Hawaii's energy resources chapter. We would also support a higher efficiency standard for the year 2014 and beyond, perhaps something greater than 60 lumens per watt.

Please forward HB 2504 HD2. We are available to work with the Committee on a Senate draft to address the following issues if there is interest:

1. Tightening the lighting efficiency standards exemption list;
2. Moving the lighting standard from HRS § 342J to HRS § 196; and
3. Increasing the standard for the year 2014 (perhaps 60 or 80 lumens per watt).

Thank you for the opportunity to testify.



National Electrical Manufacturers Association

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TESTIMONY ON HB 2504
("A Bill for An Act Relating to Lighting")

BEFORE THE HAWAII LEGISLATURE

SENATE COMMITTEE ON ENERGY &
ENVIRONMENT

MARK A. KOHORST
SENIOR MANAGER - ENVIRONMENT,
HEALTH & SAFETY

NATIONAL ELECTRICAL MANUFACTURERS
ASSOCIATION

March 18, 2008

TESTIMONY

Mister Chairman and members of the ENE Committee, thank you for the opportunity to present these comments for your consideration. My name is Mark Kohorst, and I am Senior Manager for Environment, Health & Safety at the National Electrical Manufacturers Association (NEMA). Our organization is the principle trade association for US-based manufacturers of the broad spectrum of electrical products involved in the generation, transmission, distribution, and end use of electrical energy. I am submitting these comments on behalf of the NEMA lamp manufacturing section, which consists of the most globally prominent names in the lighting products industry such as GE, OSRAM Sylvania, and Philips.

As you would expect, NEMA lighting division members are integrally involved in policy discussions at all levels of government throughout the US concerning the transformation to more efficient lighting technologies. We were active participants in the process that led to passage of the Federal Energy Independence and Security Act of 2007, signed by President Bush last month. We also worked closely with California legislators on the California Lighting Efficiency and Toxics Reduction Act (AB 1109), which the state enacted during its 2007 legislative session. As explained below, both of these laws have implications for the bill pending before your committee in Hawaii.

First, Title III, Subtitle B of the Federal bill establishes efficiency standards for general service lamps and ***explicitly preempts states***¹ from establishing their own standards that differ from this national framework. This new Federal Law therefore preempts part 1 Sec 2, §342J of HB 2504 (“Lighting Efficiency Standards”), to the extent that it is inconsistent with the standards set therein. That being true, NEMA recommends that this provision be stricken from the bill,

¹ Excluding California and Nevada

or at minimum be amended to mirror the Federal standards. Otherwise, it would be unenforceable within the state and essentially meaningless.

Second, NEMA lamp manufacturers share your concern over the environmental and public health impacts of hazardous materials in lighting products. We therefore supported the intent of California AB 1109, which adopted the thresholds contained in the European Union's RoHS² Directive for lead and mercury content in lamps sold in California. §342J-a of Hawaii's bill appears to have the same intent.

The California law, however, contains some necessary, time-limited exemptions for lighting products that are sold in US markets but not in Europe. These exemptions are not matched in SB 2842. NEMA believes that AB 1109 establishes a sensible, technologically feasible framework for reducing lead and mercury in lamps and we would support a similar approach in Hawaii. We cannot support more restrictive thresholds, however, which would disrupt the market, deprive consumers and municipalities in Hawaii of highly valuable lighting products, and have adverse consequences for US-based factories that need the "ramp-up" time built into the California schedule to remain in production.

While I note that §342J-a of HB 2504 has been amended since its origin to allow for one of these necessary exemptions (high output and very high output linear fluorescent lamps greater than thirty-two mm in diameter), there are two others needed to make it consistent with California AB 1109. To facilitate this, I have attached an amended version of the relevant sections of HB 2504 that contains language to address the problem. By incorporating this language, you will ensure the bill reflects the current state of lighting technology and supports free

² DIRECTIVE 2002/95/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment; the so-called "RoHS Directive"

choice for consumers in the market, while still measurably reducing hazardous substances in lighting products.

In summary, NEMA supports the intent of HB 2504 to advance the transition within Hawaii to energy-efficient lighting and to encourage reductions in hazardous materials in lighting products. Part of the bill is preempted, however, and we respectfully urge you to amend the threshold provisions to avoid serious market disruptions that will otherwise occur.

Thank you very much for your consideration. I and the NEMA lamp section members are happy to answer questions and provide whatever additional assistance you would find helpful.

Contact Information:

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"PART . HAZARDOUS SUBSTANCE REDUCTION

§342J- Lighting; hazardous substance standards. (a)

Beginning January 1, 2010, a person shall not sell or offer for sale in this state, general purpose lights containing levels of hazardous substances that would be prohibited from being sold or offered for sale in the European Union under the RoHS Directive; provided that this section shall not apply to high output and very high output linear fluorescent lamps greater than thirty-two millimeters in diameter, and preheat linear fluorescent lamps. Beginning January 1, 2014, the department shall determine, in consultation with companies that manufacture the lamps, whether the lamps excluded under the previous sentence shall be subject to this section, taking into consideration changes in lamp design or manufacturing technology that will allow for the removal or reduction of mercury. Beginning January 1, 2012, high intensity discharge lamps and compact fluorescent lamps greater than nine inches in length shall be subject to this section. Beginning January 1, 2014, general service incandescent lamps and enhanced spectrum lamps shall be subject to this section.

Written Testimony before the
Senate Committee on
Energy and Environment

H. B. 2504 H.D. 2 - Relating to Lighting

Tuesday, March 18, 2008
3:15 p.m., Conference Room 414

by Alan K.C. Hee
Manager, Energy Services Department
Hawaiian Electric Company, Inc.

Chair Menor, Vice Chair Hooser and Members of the Committee:

My name is Alan Hee and I am testifying on behalf of Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company (MECO) and Hawaii Electric Light Company, Inc. (HELCO).

Hawaiian Electric strongly supports the installation of energy efficient lighting products and strongly supports HB 2504 H.D. 2. The response to our demand-side management compact fluorescent lamp (CFL) rebate program by customers and distributors has been excellent, resulting in greater awareness and availability of these energy efficient lighting products.

Thank you for this opportunity to testify.

HB 2505 HD2



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

LINDA LINGLE
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, March 18, 2008
3:15 PM
State Capitol, Conference Room 414

in consideration of

HB 2505 HD2
RELATING TO ENERGY.

Chair Menor, Vice Chairs Hooser, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) supports the intent of HB 2505 HD2 that establishes and funds a renewable energy facilitator position. The position is also provided in the Executive Supplemental Budget to assist developers with the permit approval process and to initiate implementation of appropriate facilitation strategies as intended by this measure.

DBEDT strongly recommends that the detailed list of duties and responsibilities specified for the position should be simplified and made more achievable, in view of the limited resources provided by this measure, with modifications as follows:

Deleting paragraphs (2) and (3) in their entirety beginning on line 15 on page 4.

Deleting paragraph (5) in its entirety beginning on line 7 on page 5, and replacing it with the following:

(5) Renewable energy project facilitation as appropriate;

Deleting paragraph (7) in its entirety beginning on line 12 on page 5.

DBEDT recommends strongly that any effort at improving Hawaii's permitting processes be provided with the appropriate authority and commensurate resources to undertake this difficult task.

Thank you for the opportunity to offer these comments.



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Testimony by Castle & Cooke Hawaii

Before the Senate Committee on Energy and Environment

March 18, 2008

3:15 p.m.

Room 414

HB 2505, HD2 Relating to Energy

Chair Menor, Vice-Chair Hooser and Members of the Committees:

On behalf of Castle & Cooke Hawaii, thank you for allowing me to testify today.

I am Tim Hill, Executive Vice President, Castle & Cooke Lanai Renewable Energy Programs; here to express **our support for HB 2505, HD2, establishing a renewable energy facilitator position** in the Department of Business, Economic Development & Tourism.

Castle & Cooke is committed to bringing renewable energy to Hawaii. Today, I want to tell you what Castle & Cooke is doing, our record of delivering on our commitments, and why we believe that HB 2505, HD2 is essential to our efforts and to the success of the State's renewable energy mandate. **We do, however, believe that this measure needs to go even further toward providing authority, including the authority to set agency response deadlines, to such a facilitator.** Without binding or express authority to enforce deadlines, the proposed facilitator may not be able to achieve the intended purpose of this measure. We strongly support strengthening this measure in its current form, including, for example, the authority described in HB 2863.

Castle & Cooke Renewable Energy Programs

Castle & Cooke is committed to supporting Hawaii's energy independence by developing alternative energy resources on the island of Lanai while preserving unique environmental, cultural and historic resources found on the island.

In her State of the State address, Governor Lingle challenged all of us to move Hawaii away from oil dependence and to do so "more rapidly than some would like and others believe possible." We share this view that the time for action is now.

At Castle & Cooke, we have already initiated projects to reduce reliance on fossil fuels and to transform Lanai into a showcase for renewable and green energy.

Our projects include:

- **Solar:** Awaiting permit approval to create largest solar farm in Hawaii
 - Converts 10 acres of "grade D" ag land to 1.5 MW solar farm
 - Can supply up to 10% of Lanai's annual electricity needs
- **Wind:** Examining economic, cultural and environmental feasibility
 - Goal is 300-400 MW wind farm from towers spaced across 10,000 acres in northern Lanai
 - Could supply up to 15% of Oahu's peak power needs
- **Bio-Fuels:** Exploring feasibility of growing crops for fuel
 - Test crops of jatropha
 - Working with UH College of Tropical Agriculture and HARC (with Dole Food Company)

The investments we are prepared to make reflect our commitment to Hawaii:

- Close to \$1 billion for solar and wind energy projects
- The State is pursuing an important agenda for energy independence and other needs while struggling with a potential budget shortfall of \$350 million. Castle & Cooke is committed to renewable energy, and we're ready to make it happen in Hawaii.
- Our goal is to make Lanai powered by 100% renewable energy

In opening remarks, House Speaker Calvin Say noted that, "If we could just produce half of Hawaii's energy, we could add at least \$2 billion to the state's

economy. And the money stays here.” Castle & Cooke’s renewable energy projects are a big step toward that vision.

We foresee additional benefits for the people of Lanai and Hawaii. We believe our projects will help stabilize energy costs and thus stabilize the cost of living in our state. We also believe that they will provide new job opportunities for residents. And we know that they will help us utilize our bountiful natural resources. All of which means, these projects are instrumental in building a truly sustainable Hawaii.

Senate President Colleen Hanabusa said that when it comes to sustainability, we all play for the same team. Castle & Cooke is a committed part of that team.

Castle & Cooke: Part of Hawaii’s Past, Part of Hawaii’s Future

Castle & Cooke has been a business leader in Hawaii for 150 years, and we plan to be here for the next 150 years. We like to say that we are “Investing in Hawaii...Creating communities...Delivering dreams.”

You may know Castle & Cooke as a leading agriculture and land development company. We’re also a diversified firm with the commitment and resources to deliver solutions. Look at our track record:

- **Mililani: We promised a diverse, master-planned community for Hawaii families, and we delivered:**
 - Home to over 50,000 people in more than 16,000 homes.
 - Mililani is the only Hawaii community to be designated an All-America City.
 - In 2005, *Money* magazine called Mililani one of the best places to live in the United States.
 - Started in 1968, we will complete Mililani on the first quarter of 2008; a 40 year commitment of providing homes for Hawaii Families
- Our total investment is in the order of \$3.85 billion in infrastructure and vertical construction; an average of \$96 million each year for the past 40 years.

We see renewable energy as essential for Hawaii’s future, and our commitment to that future comes directly from our owner, Mr. David Murdock, who has committed resources to make it happen. We believe renewable energy projects

make the best use of our Lanai lands, and can provide positive results for the future of Hawaii.

Renewable energy is essential to that future. We are prepared to invest close to \$1 billion of our resources in renewable energy. That's our commitment. We will deliver.

Castle & Cooke supports HB 2505, HD2, because the legislation establishes a renewable energy facilitator position that will foster the type of large scale renewable energy projects this state needs to meet both the State's 20 percent by 2020 mandate, as well as the new Clean Energy Initiative goal of 70 percent renewable energy by 2030.

Castle & Cooke is uniquely situated to build an unprecedented renewable energy project on Lanai. A 400 mega watt wind farm, as currently planned by Castle & Cooke:

- 1) has the potential to supply more than one million mega watt hours of electricity a year – about 15% of Oahu's annual power needs;
- 2) could offset emissions equivalent to 220,000 cars per year; and
- 3) reduce oil imports to Hawaii by 3 million barrels per year.

Obviously, the advantages to the State of Hawaii are tremendous. Moreover, the potential of this project is magnified because Castle & Cooke owns 98 percent of the island, and has a very motivated owner, who is not asking for any state financial assistance. The combination of these factors is unique and opportune, but we must expedite the process while being good stewards of our resources, environment and culture.

So far, the process of establishing large scale renewable projects in Hawaii has averaged ten years, many of which were bogged down in redundant and time consuming permitting processes. This type of unpredictable and drawn out permitting process is injurious to further investment by private industry into the large scale renewable energy projects Hawaii needs to secure its energy future and meets its renewable goals.

Castle & Cooke is committed to investing over close to \$1 billion to create a wind farm on Lanai that could produce 15 percent of Oahu's electricity needs, and reduce our State's dependency on imported oil. As a developer committed to Hawaii's future, what Castle & Cooke is looking to the Legislature for is some

predictability with respect to the government permitting process. **Ten years is too long to be mired in redundant permitting process, which currently does not have explicit timetables. Castle & Cooke is not trying to circumvent any environmental or cultural reports or studies.** Rather it believes that HB 2505, HD2, that establishes a renewable energy facilitator position could potentially expedite review and action on permits that are critical to any large renewable energy project.

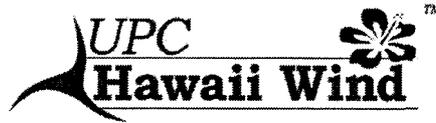
On behalf of Castle & Cooke, I ask for your support for HB 2505, HD2. Mahalo and thank you for your consideration of our testimony.

If you have any questions, please feel free to contact:

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D. NOELANI KALIPI
DIRECTOR, GOVERNMENT & COMMUNITY RELATIONS
UPC WIND MANAGEMENT, LLC

TESTIMONY ON H.B. 2505, HD2
BEFORE THE
HAWAII SENATE
COMMITTEES ON
ENERGY AND ENVIRONMENT
ON
TUESDAY, March 18, 2008
3:00 P.M. CONFERENCE ROOM 414

My name is D. Noelani Kalipi and I am the Director of Government & Community Relations for UPC Wind Management, LLC. UPC Wind Management, LLC is a wholly-owned subsidiary of UPC Wind Partners, LLC and provides administrative services to UPC Hawaii Wind, a partnership between UPC Wind Partners and Makani Nui Associates. An affiliate of UPC Hawaii Wind developed, constructed and owns and operates Hawaii's largest utility-scale wind farm, Kaheawa Wind Power, a 30MW facility located on the island of Maui. UPC Hawaii Wind is actively working to decrease Hawaii's reliance on fossil fuels for its electricity needs and has been working to develop additional wind generation facilities on the islands of Oahu, Kauai, Maui, and Molokai. **UPC Hawaii Wind strongly supports the passage of HB 2505, HD2 as drafted.**

The principals of UPC Hawaii Wind constructed Hawaii's largest wind farm, Kaheawa Wind Power (30 MW), on state conservation lands. We are well-aware of how time-consuming and complicated it can be to permit a wind farm in Hawaii. At one time during the construction and development of our project, we were working with close to 30 different government agencies to obtain the necessary permits and approvals that were required to construct the wind farm.

We believe this process can be made more streamlined through appropriate coordination between state, federal, and county agencies. The establishment of a Renewable Energy Facilitator who is responsible for monitoring these activities and has the authority to create a process that eliminates unnecessary repetition and allows for efficiencies such as concurrent permitting and joint review would be an important step forward.

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UPC Hawaii Wind is proud of its demonstrated record, which includes the precedent of being the first operating wind farm in the United States to establish a Habitat Conservation Plan, which required joint jurisdiction between the State of Hawaii's Division of Forestry and Wildlife and the U.S. Department of Fish and Wildlife. We believe the community, public, and government review is critical to the success of a wind project in Hawaii. There must be transparency as well as an opportunity for public input in the process.

UPC Hawaii Wind supports streamlining the permitting process in terms of eliminating unnecessary duplication in the permitting process, concurrent review of permits, where applicable, and better communication and coordination among agencies with jurisdiction. UPC Hawaii Wind feels strongly, however, that jurisdiction in the permitting process needs to remain with state agencies and counties that have the expertise, personnel, and resources to provide the appropriate review of any proposed wind farm in Hawaii, particularly one that would involve an undersea cable.

We stand at the brink of change in Hawaii, where, after many years of ideas and dreams, we finally have reliable technology to harness our natural resources in a manner that can truly provide us with a measure of sustainability. We must be careful as we move forward that we do so in a culturally and environmentally appropriate manner. A streamlined and coordinated permit process that applies to renewable energy projects on every island ensures such success in the State of Hawaii.

For these reasons, we respectfully ask your favorable passage of HB 2505, HD2. Thank you for this opportunity to testify.

HAWAII RENEWABLE ENERGY ALLIANCE

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Cully Judd
Inter Island Solar Supply

John Crouch
Sunpower

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

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

HB 2505, RELATING TO ENERGY

February 5, 2008

Chair Morita, Vice-Chair Carroll and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's 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 HREA's 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 purpose of HB 2505 is to establish a renewable energy facilitator position with DBEDT. HREA strongly supports this bill with the following comments:

1. Need for Government Assistance to Developers of Renewable Energy Projects. Renewable energy developers do face a "steep" learning curve in Hawaii when it comes to permitting projects, especially on government land. Thus, it would be extremely helpful if a dedicated "Energy Coordinator" could work full-time to:
 - a. assist developers in identifying required permits, and
 - b. work with other agencies to coordinate the permitting processNote: by "coordinate" we mean, in part, identifying which permits can be processed in parallel, as opposed in sequence, which should save developers time and money;
2. DBEDT-Energy Office. HREA notes there is a broader discussion regarding whether the Energy Office should be strengthened and/or elevated within DBEDT, or whether a state Dept. of Energy should be formed. Regardless of the outcome of that discussion, the "Energy Coordinator" position is needed yesterday and will certainly be needed tomorrow; and
3. Permanent Position. Given the above, HREA supports the provision of the "Energy Coordinator" as a permanent position, funded by the state.

Thank you for this opportunity to testify.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawai'i Energy Policy Forum

Mr. Robbie Aim, HECO
Ms. Amy Asselbaye, Ofc of US Rep.
Neil Abercrombie
Ms. Madeleine Austin, World Business
Academy
Ms. Catherine Awakuni, Div. of
Consumer Advocacy
Mr. Warren Bollmeier
Hi Renewable Energy Alliance
Mr. Carito Caliboso, PUC (Observer)
Mr. Albert Chee, Chevron
Mr. Kyle Datta, U.S. Biofuels
Sen. Kalani English, HI State Senate
Mr. Mitch Ewan, UH HNEI
Mr. Carl Freedman
Haiku Design and Analysis
Mr. Mark Glick, OHA
Mr. Steve Golden, The Gas Company
Dr. Michael Hamnett, RCUH
Ms. Paula Helfrich, EDAH
Mr. William Kaneko, HI Institute for
Public Affairs
Mr. Darren Kimura, Energy Industries
Holdings
Mr. Mike Kitamura, Ofc of US Sen.
Daniel K. Akaka
Mr. Kai Kobayashi, Maui County
Mr. Laurence Lau, DOH
Ms. Yvonne Lau, Ofc of US Rep.
Mazie Hirono
Mr. Allyn Lee, C&C of HNL
Mr. Aaron Leong, Ofc of US Senator
Daniel K. Inouye
Dr. Stephen Meder, AIA-Honolulu
Sen. Ron Menor, HI State Senate
Mr. Jeff Mikulina, Sierra Club
Dr. Bruce Miller, UH Ofc of
Sustainability
Dr. Sharon Miyashiro, Social
Sciences Public Policy Ctr.
Rep. Hermina Morita, HI State
House of Representatives
Mr. Tim O'Connell, USDA/Rural
Development
Mr. Richard Paglinawan
Pa Ku'i A Lua
Ms. Melissa Pavlicek, Western States
Petroleum Assn
Mr. Randy Pereira, HI State AFL-CIO
Mr. Rick Reed, Inter-Island
Solar Supply
Dr. Rick Rocheleau, UH HNEI
Mr. Peter Rosegg, HECO
Mr. Steven Rymsha, KIUC
Mr. Riley Saito, PowerLight Corp.
Mr. Glenn Sato, Kauai County OED
Ms. Carilyn Shon, DBEDT
Mr. Bill Short, BIA of Hawaii
Mr. Ray Starling, HI Energy Grp
Mr. Lance Tanaka, Tesoro HI Corp
Dr. Don Thomas, UH Center for the
Study of Active Volcanoes
Mr. Murray Towill, Hawai'i
Hotel Assn
Ms. Joan White, Hon Community
Action Program

Testimony of
Warren Bollmeier
Co-Chair – Renewable Energy Working Group
Hawai'i Energy Policy Forum

Senate Committee on Energy and Environment
Tuesday, March 18, 2008
3:15 pm
Conference Room 414

IN SUPPORT OF HB 2505, HD 2 – Relating to Energy

I am Warren Bollmeier, Co-Chair of the Renewable Energy Working Group of the Hawaii Energy Policy Forum ("Forum"). The Forum is comprised of 46 representatives from the 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. We have been meeting since 2002 and have adopted a common vision and mission, and a comprehensive "10 Point Action Plan," which serves as a framework and guide for meeting our preferred energy vision and goals. The Forum supports the passage of HB 2505, HD 2 as it helps achieve Point 1 – expand renewable energy opportunities.

HB 2505, HD 2 establishes a renewable energy facilitator position in the Department of Business, Economic Development & Tourism (DBEDT). In recent years, Hawaii has attracted a large number of renewable energy developers, thanks in large part to the efforts of the Legislature to make our state a leader in renewable energy use. A full-time renewable energy facilitator in DBEDT would enable renewable energy projects to be implemented at a quicker pace by guiding developers through various permitting processes and procedures, while at the same time ensuring that developers proceed with their projects in an environmentally and culturally sensitive manner.

For these reasons, the Forum supports HB 2505, HD 2 and urges the committee to pass this measure.

Thank you for this 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 organization

HB 2507 HD1

TESTIMONY BEFORE THE
SENATE COMMITTEE ON
ENERGY AND ENVIRONMENT

Tuesday, March 18, 2008
3:15 p.m.
Conference Room 414, State Capitol

H.B. NO. 2507, H.D. 1
RELATING TO GREENHOUSE GAS EMISSIONS REDUCTION

By: William A. Bonnet
Vice President, Government & Community Affairs
Hawaiian Electric Company, Inc.

Chair Menor, Vice-Chair Hooser, and Members of the Committee:

My name is Bill Bonnet, testifying on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd., in support of HB 2507 HD1.

Act 234 (2007) requires statewide reduction of greenhouse gases to 1990 levels by the year 2020. Administration of this effort is assigned to the Department of Business and Economic Development & Tourism ("DBED&T"). In addition to its existing duties, DBED&T was given significant additional responsibility as a result of Act 234, but without commensurate staffing and financial resources. HB 2507 HD1 is a step in the right direction to equip the Department to handle the task of managing the task force created under Act 234. Given the importance of the work, more resources and support will be needed, and it is hoped that this bill is the precursor of additional support to come.

For these reasons, we support this bill and recommend its passage.

Thank you for the opportunity to testify.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAII AT MĀNOA

Hawai'i Energy Policy Forum

Mr. Robbie Alm, HECO
Ms. Amy Asselbaye, Ofc of US Rep.
Neil Abercrombie
Ms. Madeleine Austin, World Business
Academy
Ms. Catherine Awakuni, Div. of
Consumer Advocacy
Mr. Warren Bollmeier
Hi Renewable Energy Alliance
Mr. Carlito Caliboso, PUC (Observer)
Mr. Albert Chee, Chevron
Mr. Kyle Datta, U.S. Biofuels
Sen. Kalani English, Hi State Senate
Mr. Mitch Ewan, UH HNEI
Mr. Carl Freedman
Haiku Design and Analysis
Mr. Mark Glick, OHA
Mr. Steve Golden, The Gas Company
Dr. Michael Hamnett, RCUH
Ms. Paula Helfrich, EDAH
Mr. William Kaneko, HI Institute for
Public Affairs
Mr. Darren Kimura, Energy Industries
Holdings
Mr. Mike Kitamura, Ofc of US Sen.
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Mr. Kai Kobayashi, Maui County
Mr. Laurence Lau, DOH
Ms. Yvonne Lau, Ofc of US Rep.
Mazie Hirono
Mr. Allyn Lee, C&C of HNL
Mr. Aaron Leong, Ofc of US Senator
Daniel K. Inouye
Dr. Stephen Meder, AIA-Honolulu
Sen. Ron Menor, Hi State Senate
Mr. Jeff Mikulina, Sierra Club
Dr. Bruce Miller, UH Ofc of
Sustainability
Dr. Sharon Miyashiro, Social
Sciences Public Policy Ctr.
Rep. Hermina Morita, HI State
House of Representatives
Mr. Tim O'Connell, USDA/Rural
Development
Mr. Richard Paglinawan
Pa Ku'i A Lua
Ms. Melissa Pavlicek, Western States
Petroleum Assn
Mr. Randy Perreira, HI State AFL-CIO
Mr. Rick Reed, Inter-Island
Solar Supply
Dr. Rick Rocheleau, UH HNEI
Mr. Peter Rosegg, HECO
Mr. Steven Rymsha, KIUC
Mr. Riley Saito, PowerLight Corp.
Mr. Glenn Sato, Kauai County OED
Ms. Caryl Shon, DBEDT
Mr. Bill Short, BIA of Hawaii
Mr. Ray Starling, HI Energy Grp
Mr. Lance Tanaka, Tesoro HI Corp
Dr. Don Thomas, UH Center for the
Study of Active Volcanoes
Mr. Murray Towill, Hawai'i
Hotel Assn
Ms. Joan White, Hon Community
Action Program

Testimony of
Mike Hamnett & Carl Freedman
Co-Chairs – Greenhouse Gas Emissions Working Group
Hawai'i Energy Policy Forum

Senate Committee on Energy and Environment
Tuesday, March 18, 2008
3:15 pm
Conference Room 414

IN SUPPORT OF HB 2507, HD 1 – Greenhouse Gas Emissions Reduction

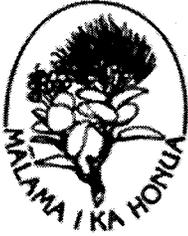
I am Mike Hamnett, Co-Chair of the Greenhouse Gas Emissions Working Group of the Hawaii Energy Policy Forum ("Forum"). The Forum is comprised of 46 representatives from the electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. We have been meeting since 2002 and have adopted a common vision and mission, and a comprehensive "10 Point Action Plan," which serves as a framework and guide for meeting our preferred energy vision and goals. The Forum supports the passage of HB 2507, HD 1 as it helps achieve Point 3 – Reduce Greenhouse Gas Emissions in Hawaii.

HB 2507, HD 1 establishes and funds two temporary full-time positions in the Department of Business, Economic Development & Tourism (DBEDT) to assist with the work of the Greenhouse Gas Emissions Reduction Task Force, created by Act 234, Session Laws of Hawaii 2007. The Task Force has been charged with an enormous assignment that requires completing a large amount of analytical and technical work in a relatively short amount of time. The funding of two positions dedicated solely to the Task Force's mission will help ensure that the Task Force completes its work in a thorough manner and on a timely basis.

For these reasons, the Forum supports HB 2507, HD 1 and urges the committee to pass this measure.

Thank you for this 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 organization



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 18th, 2008, 3:15 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 2507 HD1

Chair Menor and members of the Committee:

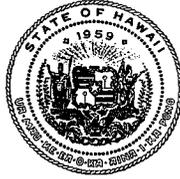
The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 2507 HD1, providing general funds for two positions to assist in implementing Act 234, the "Global Warming Solutions Act of 2007."

While enactment of Act 234 in 2007 was a bold step in reducing Hawaii's contribution to global climate change, the hard work of achieving the new greenhouse gas standard remains. The task force has held four monthly meetings thus far and has begun to plot out the timeline for objectives to fulfill the law's mandate and provide workable policy solutions for the Department of Health to codify through rulemaking. It is clear, however, that additional resources are needed to accomplish these tasks. The academic and analytical work involved in calculating and setting fair sectoral emissions limits and determining the optimal policy framework (cap and auction, carbon tax, command and control, etc) is daunting. Additional staff and funding to support contract work (to University of Hawai'i or other consultants) is needed to get the policy right.

The Sierra Club also supports non-general fund approaches to providing funds for the task force's work. House Bill 3444 proposes to increase the existing petroleum fee from the existing \$0.05 per barrel to \$0.20 per barrel. These additional funds could be used to support execution of Act 234 and other related clean energy objectives. We encourage the Committee to consider HB 3444 in conjunction with this measure to increase the barrel fee for these critical purposes.

Thank you for the opportunity to testify.

HB 3213



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

In reply, please refer to:
File:

**JOINT SENATE COMMITTEES ON ENERGY AND ENVIRONMENT,
TOURISM AND GOVERNMENT OPERATIONS, AND ECONOMIC
DEVELOPMENT AND TAXATION**

HB 3213, RELATING TO AIR POLLUTION

**Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health**

**March 18, 2008
3:15 P.M.**

1 **Department's Position:** The Department of Health (DOH) has concerns about the unintended
2 consequences of HB 3213 and must respectfully oppose the measure.

3 **Fiscal Implications:** Additional revenues will be collected depending on the actual amount of
4 pollutants emitted by the affected sources.

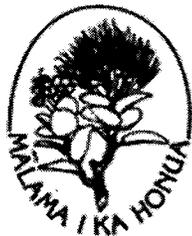
5 **Purpose and Justification:** This bill removes the maximum limit on annual fees assessed to any one
6 air pollution covered source. Covered sources are presently charged an annual fee based on the amount
7 of air pollutants emitted in the past year up to 4,000 tons for any one pollutant. This measure removes
8 the 4,000-ton emissions cap which is felt to be inequitable for the smaller sources and a disincentive for
9 very large sources to reduce emissions.

10 The fee program was established in 1992 to support air program activities pursuant to Title V of
11 the federal Clean Air Act. The emissions cap was an option that Title V made available to states in
12 designing their fee program to lessen the annual fee burden on the very large sources. Retaining the cap
13 provides continued relief for the electric generating facilities that are already paying large annual fees
14 that are passed on to their customers.

1 A records review indicated that two facilities would be affected by the removal of the emissions
2 cap. They are the HECO Kahe Generating Station on Oahu and the MECO Maalaea Generating Station
3 on Maui. The additional charge would be dependent on the facilities' total emissions and will fluctuate
4 from year to year. Based on current emissions, Kahe's fees would increase 40% from \$500,000 to about
5 \$700,000 per year, and Maalaea's fees would increase from \$280,000 to about \$300,000 per year.

6 Thank you for this opportunity to testify.

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Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.537.9019 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 18th, 2008, 3:15 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 3213

Chair Menor and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, strongly supports HB 3213, closing a loophole in Hawaii's existing Clean Air Act that allows large polluters to pay LESS per ton of air emissions they create. ***In establishing sustainability policies, one of the first places to fix is laws that provide a perverse incentive to do the wrong thing.***

A loophole exists in Hawaii's clean air law that inadvertently provides an incentive for large polluters. Under Chapter 342B-29, covered source permit holders pay per ton of pollution emitted annually. These fees fund the Department of Health's (DOH) Clean Air Branch and other programs. Covered source permit holders, however, are not assessed fees for any tons of pollutants beyond 4,000 tons. The current law is not only unfair to covered source permit holders that emit less than 4,000 tons, it provides disincentive to reduce pollution that exceeds 4,000 tons annually.

We understand that only two companies benefit from this clause: HECO and Chevron (only covered source permit holders that emit more than 4,000 tons of pollutants per year). Why shouldn't they pay the costs of emitting these pollutants like all other permitted businesses? Eliminating this clause would eliminate another subsidy for fossil fuels.

Moreover, the DOH environmental division and the Department of Business, Economic Development, and Tourism energy resources group is short of resources and staff to implement environmental and clean energy projects and manage the new greenhouse gas limit task force and rulemaking process. By removing this loophole in the Clean Air Act, additional funds could be provided for these purposes.

We respectfully ask that the Committee on Energy and Environment pass HB 3213 in unamended form.

Thank you for the opportunity to testify.

HB 3151 HD2



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

In reply, please refer to:
File:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

H.B. 3151, H.D. 2 - RELATING TO ELECTRONIC PERMITTING FEES

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

March 18, 2008
3:15 p.m.

1 **Department's Position:** The Department strongly **supports** this administration measure (HTH-11)
2 with technical amendments.

3 **Fiscal Implications:** The bill may reduce direct payments to the general fund by up to \$29,000.

4 **Purpose and Justification:** The Department is developing electronic permitting and fee payments, and
5 seeks a level playing field for the costs of electronic permit applications. In order to increase efficiency
6 in permit processing and accountability of funds, the Department of Health is developing an electronic
7 permitting and fee payment procedure. To encourage the use of this electronic method, a procedure for
8 the deduction of processing and credit card fees needs to be established. The bill accomplishes this by
9 allowing the Department to deduct from the permit fee paid by the applicants an apportioned amount for
10 processing and credit card fees. This process will avoid adding a surcharge to the permit application
11 fees submitted and paid electronically, and spare the Department from paying the processing and credit
12 card fees from other program funds. This bill supports that concept.

13 The electronic permitting and fee payment should save considerable staff time and minimize data
14 entry errors. For example, some Department of Health environmental programs process hundreds of

1 permits or approval applications each year. Electronic permitting and payment can eliminate or
2 minimize the manual re-entry of information into computers already provided by the applicant.
3 E-permitting would also reduce the extensive accounting paperwork for processing checks.

4 Electronic application processing and credit card payments both involve fees to service
5 providers, such as the software designer for the State's web portal, and the credit card companies. For
6 individual wastewater systems where the application fee is \$100, the electronic processing fee is about
7 \$5.00 and the credit card fee is \$3.00.

8 This bill covers certain Department of Health programs as a pilot, because the financial impact is
9 quantifiable and modest. Such information has not been obtained for all state programs. The
10 departmental programs covered by the bill are environmental and operate under chapters 324D (water
11 pollution), 342H (solid waste pollution), 342J (hazardous waste), 342L (underground storage tanks),
12 340E (safe drinking water), and 340F (Hawaii law mandatory certification of operating personnel in
13 water treatment plants), Hawaii Revised Statutes. We estimate the yearly cost to the general fund, at
14 \$8.00 per application, to be about \$29,000.

15 **There are typographical errors in the latest draft of this house bill that need to be changed.**
16 **We request that in Section 2, line 11, chapters 342E and 342F be corrected to read as 340E and**
17 **340F, as was stated in the original bill. We were informed that the change to 342E and 342F in the**
18 **drafts was inadvertent. HRS 342E does not have permit fees and HRS 342F permit fees go to a**
19 **special fund, not the general fund.**

20 Thank you for the opportunity to testify.

testimony

From: Lynn Nomura [lnomura@yahoo.com]
Sent: Tuesday, March 18, 2008 8:16 AM
To: testimony
Subject: Testimony In Strong Support to HB3151 HD2

DATE: March 18, 2008 3:15 pm., Conference Room 414
TO: Committee on Energy and Environment

Chair: Senator Ron Menor
Vice Chair: Senator Gary Hooser
Senator Les Ihara

Senator Russell Kokubun

Senator Gordon Trimble

FROM: Lynn Nomura

RE: Testimony In Strong Support to HB3151 HD2

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

I strongly support HB3151, which proposes updated language to allow agencies to accept electronic payments for electronically submitted information.

This bill will allow the Department of Health to accept and process forms, requests and applications and the payments associated with them electronically. If this bill is made into law, the Department of Health will be able to begin accepting permit applications electronically as soon as July 2008.

I sincerely hope that other agencies follow the Department of Health's lead by requesting similar legislation for their departments.

I respectfully request that this committee pass this very important legislation.

Thank you for the opportunity to testify.

Lynn T. Nomura

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testimony

From: jing xu [jingxu17@yahoo.com]
Sent: Tuesday, March 18, 2008 8:17 AM
To: testimony
Subject: Testimony In Strong Support to HB3151 HD2

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

I strongly support HB3151, which proposes updated language to allow agencies to accept electronic payments for electronically submitted information.

This bill will allow the Department of Health to accept and process forms, requests and applications and the payments associated with them electronically. If this bill is made into law, the department of health will be able to begin accepting permit applications electronically as soon as July 2008. It would just make it a lot easier for me to use the online service and make payment online instead of driving to downtown, find parking and waiting in line.

I sincerely hope that other agencies follow the department of health's lead by requesting similar legislation for their departments.

I respectfully request that this committee pass this very important legislation.

Thank you for the opportunity to testify.

Jing Xu

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testimony

From: Russell Castagnaro [russell@ehawaii.gov]
Sent: Monday, March 17, 2008 4:19 PM
To: Sen. Gary Hooser; Sen. Les Ihara, Jr.; Sen. Russell Kokubun; Sen. Ron Menor; Sen. Gordon Trimble; EDBtestimony; testimony
Subject: Testimony In Strong Support to HB3151 HD2

DATE: March 18, 2008 3:15 pm., Conference Room 414

TO: Committee on Energy and Environment

Chair: Senator Ron Menor
Vice Chair: Senator Gary Hooser
Senator Les Ihara
Senator Russell Kokubun
Senator Gordon Trimble

FROM: Russell Castagnaro
Title: General Manager
Company: Hawaii Information Consortium, LLC

RE: Testimony In Strong Support to HB3151 HD2
Aloha Chair, Vice Chair, and Members of the Committee:

I strongly support HB3151, which proposes updated language to allow agencies to accept electronic payments for electronically submitted information.

This bill will allow the Department of Health accept and process forms, requests and applications and the payments associated with them electronically. If this bill is made into law, the department of health will be able to begin accepting permit applications electronically as soon as July 2008.

I sincerely hope that other agencies follow the department of health's lead by requesting similar legislation for their departments and respectfully request that this committee pass this very important legislation.

Thank you for the opportunity to testify.

Russell Castagnaro

Russell Castagnaro
General Manager
eHawaii.gov - Hawaii's State Internet Portal
808-587-4215
eHawaii.gov
russell@ehawaii.gov

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Thank you.
Hawaii Information Consortium, LLC

testimony

From: Patty LaRue [patty@ehawaii.gov]
Sent: Tuesday, March 18, 2008 8:17 AM
To: testimony
Subject: Testimony In Strong Support to HB3151 HD2

FROM: Patricia La Rue

RE: Testimony In Strong Support to HB3151 HD2

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

I strongly support HB3151, which proposes updated language to allow agencies to accept electronic payments for electronically submitted information.

This bill will allow the Department of Health to accept and process forms, requests and applications and the payments associated with them electronically.

If this bill is made into law, the Department of Health will be able to begin accepting permit applications electronically as soon as July 2008. I sincerely

hope that other agencies follow the Department of Health's lead by requesting similar legislation for their departments. I respectfully request that this

committee pass this very important legislation.

Thank you for the opportunity to testify.

Patricia La Rue

HB 2211

LINDA LINGLE
GOVERNOR OF HAWAII



CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH

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

In reply, please refer to:
File:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

H.B. 2211, MAKING AN APPROPRIATION FOR WASTEWATER PROJECTS

Testimony of Chiyome Leinaala Fukino, M.D.
Director of Health

March 18, 2008
3:15 p.m.

1 **Department's Position:** The Department of Health must respectfully **oppose** this measure because it
2 would adversely impact priorities as set forth in the Executive Supplemental Budget.

3 **Fiscal Implications:** The measure appropriates an unspecified amount of general funds to the
4 Department of Health.

5 **Purpose and Justification:** H.B. 2211 requests appropriation out of the general revenues of the State of
6 Hawaii for fiscal year 2008-2009 for the SRF water pollution control state revolving fund. The SRF
7 fund is largely exhausted and needs to be replenished to meet the wastewater infrastructures needs of the
8 counties. The most pressing need is the replacement of large-capacity cesspools in accordance with the
9 mandates imposed by the federal Environmental Protection Agency.

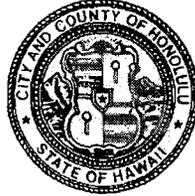
10 The Department is sympathetic with the intent of this measure to provide additional funds to the
11 SRF program, but this measure is not part of the two-year financial plan. If the legislature were to pass
12 this measure, this bill would have to be accommodated in the budget, and its impact on the budget may
13 result in reduced funding for other similarly worthy causes. Therefore, the Department cannot support
14 the bill at this time.

15 Thank you for the opportunity to testify on this measure.

DEPARTMENT OF ENVIRONMENTAL SERVICES
CITY AND COUNTY OF HONOLULU

1000 ULUOHIA STREET, SUITE 308, KAPOLEI, HAWAII 96707
TELEPHONE: (808) 768-3486 • FAX: (808) 768-3487 • WEBSITE: <http://www.co.honolulu.gov>

MUFI HANNEMANN
MAYOR



ERIC S. TAKAMURA, Ph.D., P.E.
DIRECTOR

KENNETH A. SHIMIZU
DEPUTY DIRECTOR

ROSS S. TANIMOTO, P.E.
DEPUTY DIRECTOR

IN REPLY REFER TO:
WAS 08-93

March 17, 2008

The Honorable Senator Ron Menor
Chair, Committee on Energy and Environment
State Senate
State Capitol, Room 208
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Senator Menor:

Subject: HB 2211 (HSCR 903-08), Making an Appropriation
for Wastewater Projects

The Department of Environmental Services, City and County of Honolulu, strongly **supports** HB 2211 (HSCR 903-08) which would appropriate funds to the State of Hawaii Water Pollution Control Revolving Fund for fiscal year 2008-2009.

The Water Pollution Control Revolving Fund is largely exhausted and additional funding is needed to allow loans to support various wastewater needs throughout the State to improve the quality and service provided by the various county wastewater systems and to assist in the replacement of large-capacity cesspools. It is our understanding that without additional funding, the fund will be unable to grant any additional loans to the City and County until 2011.

It is important to understand that the Water Pollution Control Revolving Fund is funded in part by Federal Grants through the U.S. Environmental Protection Agency; however, federal funding has been continuously reduced over the past several years. The Fiscal Year 2009 federal budget proposes \$550 million nationally to fund the Clean Water State Revolving Fund (Water Pollution Control Revolving Fund), \$134 million below the current federal budget and the lowest level in 20 years. State support is important in keeping this low interest loan option available to assist in making proper wastewater service available to our communities at this most reasonable cost.

The Honorable Senator Ron Menor
March 17, 2008
Page 2

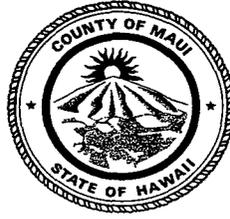
We wish to thank the Committee on Energy and Environment for their consideration and support of funding for the Water Pollution Control Revolving Fund, and urge the Committee to pass HB 2211 (HSCR 903-08).

Sincerely,

A handwritten signature in black ink that reads "Eric S. Takamura". The signature is written in a cursive style with a large, stylized "E" and "T".

Eric S. Takamura, Ph.D., P.E.
Director

CHARMAINE TAVARES
Mayor
CHERYL K. OKUMA, Esq.
Director
GREGG KRESGE
Deputy Director



DAVID TAYLOR, P.E.
Wastewater Reclamation Division
TRACY N. TAKAMINE, P.E.
Solid Waste Division

**COUNTY OF MAUI
DEPARTMENT OF ENVIRONMENTAL
MANAGEMENT**
2200 MAIN STREET, SUITE 175
WAILUKU, MAUI, HAWAII 96793

March 13, 2008

The Honorable Ron Menor, Chair
and Members of the Senate Committee on Energy
and Environmental

HEARING DATE: Tuesday, March 18, 2008, 3:15 p.m.
Conference room 414
State Capitol
415 S. Beretania Street

RE: HB 2211-MAKING AN APPROPRIATION FOR WASTEWATER PROJECTS

Dear Chair Menor and Members:

I am Cheryl K. Okuma, Director of the Department Environmental Management and am providing testimony in support of HB 2211 which would make an appropriation to the state revolving fund for wastewater projects. We understand from the State Department of Health that for fiscal year 2009 state revolving funds would not be available to Maui County.

Our wastewater facilities and infrastructure are aging. Therefore, it is important that we are able to undertake various capital improvement projects to ensure the reliability of our wastewater system as well as comply with State and Federal requirements. The state revolving fund provides the County with the ability to finance these costly projects at a low interest rate.

I appreciate the opportunity to provide our comments in support of HB 2211 and request your favorable consideration of this proposed measure.

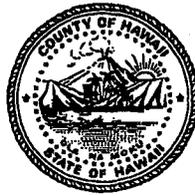
Sincerely,

A handwritten signature in cursive script that reads 'Cheryl K. Okuma'.

Digitally signed by Cheryl K.
Okuma
Date: 2008.03.13 12:33:59
-10'00'

Cheryl K. Okuma
Director, Department of Environmental Management

Harry Kim
Mayor



Dixie Kaetsu
Managing Director

Barbara J. Kossow
Deputy Managing Director

County of Hawaii

25 Aupuni Street, Room 215 • Hilo, Hawaii 96720-4252 • (808) 961-8211 • Fax (808) 961-6553
KONA: 75-5706 Kuakini Highway, Suite 103 • Kailua-Kona, Hawai'i 96740
(808) 329-5226 • Fax (808) 326-5663

March 17, 2008

The Honorable Ron Menor
Chair, Committee on Energy
and Environment
415 South Beretania Street
Honolulu, HI 96813

Dear Chair Menor and Committee Members:

Re: HB 2211

The Federal mandate to close all large-capacity cesspools has had a significant impact on the County of Hawai'i. Those closures, along with the need to deal with wastewater in the Kealahou area of West Hawai'i, have resulted in a major need for capital funds that is difficult for Hawai'i County to meet on its own.

The state has long assisted the counties with wastewater projects through a revolving fund under the Department of Health. However, on this occasion we are informed that all funds have been committed and no further loans are available. Only if the Legislature chooses to increase the revolving fund could this situation be remedied, and if the Legislature did take this step, we believe that Hawai'i County could fulfill all necessary terms and be eligible for loans from the fund. I am aware of the many demands on this legislature for funding this year, and realize that full funding for our needs, along with the needs of other counties, is out of the question. Nevertheless, I am hopeful that some additional funds can be made available to help us serve our common constituents.

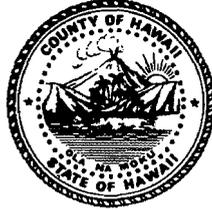
Any assistance you can give us will be appreciated.

Aloha,

A handwritten signature in cursive script, appearing to read "Harry Kim".

Harry Kim
MAYOR

Harry Kim
Mayor



Bobby Jean Leithead-Todd
Director

Nelson Ho
Deputy Director

County of Hawai'i
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
25 Aupuni Street • Hilo, Hawai'i 96720
(808) 961-8083 • Fax (808) 961-8086
http://co.Hawai'i.hi.us/directory/dir_envmng.htm

March 13, 2008

The Honorable Ron Menor, Chair
and Members of the Committee on Energy and Environment

The Honorable Clarence K. Nishihara, Chair
and Members of the Committee on Tourism and Government Operations

The Honorable Carol Fukunaga, Chair
and Members of the Committee on Economic Development and Taxation

Hawai'i State Capitol
415 South Beretania Street
Honolulu, HI 96813

Hearing: Tuesday, March 18, 2008
Time: 3:15 P.M.
Place: Conference Room 414

Re: HB 2211 – Making An Appropriation For Wastewater Projects

Dear Chairs Menor, Nishihara and Fukunaga,

The County of Hawai'i Department of Environmental Management supports HB 2211 which would make an appropriation to the state revolving fund for wastewater projects. The County was informed by the Department of Health that all funds in the revolving fund have been committed and no further loans are available until 2010. Our concerns are further exacerbated by proposed cuts by the federal government for future funding.

The EPA mandated closure of all large capacity cesspools throughout the country. In the County of Hawai'i this posed major problems. Most County facilities such as base yards and parks were on large capacity cesspools. The County has already closed 104 such cesspools at substantial cost. The remaining County projects involve the closure of large capacity cesspools in the towns of Na'alehu and Pahala (additional \$7.2M needed) and Honoka'a (additional \$3.5M) as well as 2 subdivisions, Komohana

Heights in Hilo (\$700,000) and Queen Lili`uokalani Village (QLV) in Kona (\$16.5M). While the Komohana and QLV cesspools were dedicated to the County and are part of its wastewater system, Na`alehu, Pahala and Honoka`a are projects geared to help both County and State agencies, residents and businesses.

Na`alehu and Pahala

The Na`alehu and Pahala camps were constructed over 100 years ago with sewer service currently being provided by C. Brewer Ltd. (C. Brewer). Approximately 165 lots in Na`alehu and 114 lots in Pahala are currently serviced by the C. Brewer sewer systems. Both the Na`alehu and Pahala systems currently discharge into LCC's. The Na`alehu and Pahala camps were sugar plantation housing that was subdivided and sold as fee simple lots to the plantation workers with C. Brewer maintaining operation and maintenance of the existing sewer system.

Due to the impending dissolution of C. Brewer, Ltd., there are very limited options for residents currently served by the Na`alehu and Pahala sewer system and the County entered into an agreement with C. Brewer to take over the sewer systems in an effort to assist the communities. While no County facilities will be served by the new sewer systems, the new wastewater treatment system in Pahala will be designed to accommodate additional flows from the business community as well as wastewater from the Kau High and Elementary Schools. The County has been advised by the State Department of Health (DOH) and the State Department of Education (DOE) that limited options are available for the Ka`u schools with closure of their existing LCC's. It has been determined that there are multiple large lava tubes underlying the schools and that the lava tubes are currently used as the schools' current means of wastewater disposal.

Honoka`a

The County of Hawai`i conducted a study in accordance with House Resolution (HR) No. 84, H.D.1 to examine the feasibility of installing a wastewater treatment system in Honoka`a, Hawai`i to serve County and State facilities as well as residents and businesses in order to develop a community wide solution to wastewater disposal in Honoka`a. The proposed system would allow both the County and State to close LCC's in accordance with the EPA mandate and also allow the disconnection of existing systems that are currently disposing of wastewater into lava tubes in the area.

The Honoka`a project would serve numerous State facilities (Honoka`a State Library, DOH facilities at the Honoka`a Civic Center, Judicial Courthouse at the Honoka`a Civic Center, DOE facilities at Honoka`a Elementary, Intermediate and High School and a Hawai`i Housing Authority Elderly Housing project). The project would also allow numerous businesses to connect to the system. These businesses have few options available for closure of LCC's due the configuration of their lots and could face closure of their businesses as a result.

Queen Lili`uokalani Village

The Queen Lili`uokalani Village Subdivision was constructed pursuant to Act 108, SLH 1970 (Experimental and Demonstration Housing Projects) as an Affordable Housing Project in the 1970's with the County responsible for the wastewater system. Twenty-nine (29) LCC's were installed within the subdivision in order to service the housing units due to difficult topography of the area and as a cost-saving measure. Connection of the subdivision to the Kealakehe Wastewater Treatment Plant will provide secondary wastewater treatment in accordance with DOH regulations.

Costs for the upgrade include replacement of the existing sewer collection system that is substandard due to the exemptions provided under Act 108, SLH 1970. Upgrade of the collection system is also required since the system within the subdivision was not designed for future connection to the Kealakehe wastewater system due to cost considerations. The estimated cost of the project is about \$16.5M.

Kealakehe Wastewater Treatment Plant Projects

The Kealakehe Wastewater Treatment Plant (KWWTP) was constructed in 1993 in accordance with the 1991 Keahole to Kailua Development Plan (K to K Plan) to serve the future planned developments in the area. While it was originally intended that an Effluent Reuse program be utilized as the primary means of effluent disposal from the facility, the County was unable to utilize the planned Kealakehe Golf Course as the means of effluent disposal due to economic and legal complications associated with the Kealakehe Golf Course. As a result, only a very limited amount of effluent (average of 20,000 gpd) is utilized for reuse and the majority of the effluent is disposed of via an infiltration. The plan is to install sewer and reuse infrastructure in the Queen Kaahumanu Highway conjunction with the State Department of Transportation's (DOT) Queen Kaahumanu Highway Widening Project – Phase II (DOT Queen K - Phase II Project).

Installation of the sewer and effluent reuse infrastructure is required in order to serve planned development of the area and will also be a major step in implementation of an effective effluent reuse program that will serve to protect State Waters on the Kona Coast as well as save potable water supplies in the area. Dovetailing of the project with the DOT Queen K – Phase II Project will result in significant cost savings associated with installation of the sewer and reuse infrastructure and will prevent tremendous negative impacts to traffic flow in the area in the event that the infrastructure is required to be installed after completion of the DOT Queen K – Phase II Project. This project needs approximately \$13.3M.

The KWWTP was constructed in 1993 with an initial design capacity of 2.8 MGD (million gallons per day). During the construction phase, the plant capacity was increased to 5.1 MGD in accordance with an agreement with the State of Hawai'i Housing and Finance Development Corporation whereby State funds were contributed to ensure a reserve capacity of 1.6 MGD for future State housing developments in the area.

Accumulated sludge in the lagoon treatment system has reduced the KWWTP plant capacity and is required to be removed in order to help restore capacity.

The KWWTP was originally designed to accommodate domestic strength sewage from the area served by the Kona Sewer System. As a result of State requirements implemented after construction of the KWWTP that now require that septic tanks be utilized for Individual Wastewater Systems (IWS's) in the majority of cases, the KWWTP has been forced to accommodate high-strength septage loads (40-50 times normal strength) from West Hawai'i septic tanks in areas not currently serviced by the Kona Sewer System. Additionally, the KWWTP has also been required to accept large sludge loads from State and private WWTP's such as the Keahole Airport facility that were not required by DOH to have sludge dewatering capabilities and therefore utilize the KWWTP as their means of sludge disposal.

The recent EPA mandate requiring closure of all LCC's has exacerbated the problem since many LCC's have been converted to Large Capacity Septic Systems (LCSS's) that also dispose of large volumes of high-strength septage at the KWWTP. This project needs approximately \$4.6M.

Other projects related to the KWWTP require an additional \$7.2M. The total funding amount for these projects is about \$53M. However, because of the current fiscal situation, the State has taken the position that funds should be limited to construction so the funding amount would be about a total of \$42.5M.

The department recognizes that this is a significant request and that there are unmet needs for all 4 counties. We would appreciate any additional funding that could be provided whether by way of grant or loans.

We respectfully request your consideration of the above testimony.

Sincerely,



Bobby Jean Leithead Todd
DIRECTOR

cc: Harry Kim, Mayor
Dora Beck, TSS Chief
Bert Saito, WWD Chief
Robin Bauman, DEM Business Manager

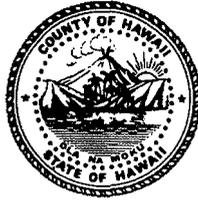
BOB JACOBSON

Councilmember

Chair, Environmental Management Committee

Vice-Chair, Finance Committee

Vice-President Hawai'i State Association of Counties



333 Kilauea Avenue, Second Floor
Ben Franklin Building, Hilo, Hawai'i 96720

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E-Mail: bjacobson@co.hawaii.hi.us

HAWAI'I COUNTY COUNCIL

County of Hawai'i

March 13, 2008

Senator Ron Menor, Chair
Senator Gary L. Hooser, Vice Chair
Committee on Energy and Environment
And Members

Senator Clarence K. Nishihara, Chair
Senator Will Espero, Vice Chair
Committee on Economic Development and Taxation
And Members

Hearing Tuesday, March 18, 2008 at 3:15 pm
Conference Room 414
State Capitol
415 South Beretania St
Honolulu, HI

Re: HB 2211 MAKING AN APPROPRIATION FOR WASTEWATER PROJECTS

I wholeheartedly support HB 2211. I believe that this appropriation is necessary for the County of Hawaii to comply with our federally mandated clean water rules.

Currently the revolving fund is empty and no funds are available until 2010. Being that most wastewater projects are federally mandated, these projects can not wait until 2010. With the appropriation of funds to the State Revolving Fund, all four Counties would be able to borrow money to successfully complete these much needed sewer projects to protect our clean water.

I urge you to pass HB 2211.

Aloha,

A handwritten signature in cursive script that reads "Bob Jacobson".

Bob Jacobson

**TESTIMONY OF THE
COUNTY OF KAUAI
PUBLIC WORKS DEPARTMENT, WASTEWATER MANAGEMENT DIVISION**

**TO THE SENATE COMMITTEE
ON ENERGY AND THE ENVIRONMENT**

**TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008**

**March 18, 2008
3:15 p.m.**

**TESTIMONY ON HOUSE BILL NO. 2211, MAKING AN APPROPRIATION FOR
WASTEWATER PROJECTS**

TO THE HONORABLE RON MENOR, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Edward Tschupp, chief of the Wastewater Management Division, Public Works Department, County of Kauai (County), testifying in favor of House Bill No. 2211.

The Bill makes an appropriation for fiscal year 2008-2009 to replenish the water pollution control revolving fund, established pursuant to section 342D-83, Hawaii Revised Statutes. If replenished, the fund would provide a needed source of funds to improve the County's wastewater facilities. These improvements are essential to develop affordable housing, maintain adequate service levels, and comply with environmental mandates and concerns.

We thank the Committee for the opportunity to present testimony on this matter.

To: Senator Ron Menor, Chair
Senator Gary Hooser, Vice Chair
Committee on Energy and Environment

Senator Clarence Nishihara, Chair
Senator Donna Mercado Kim, Vice Chair
Committee on Tourism and Government Operations

Senator Carol Fukunaga, Chair
Senator Will Espero, Vice Chair
Committee on Economic Development and Taxation

From: Ralph C. Boyea
Legislative Advocate, Hawaii County Council

For: Hearing on March 18, 2008
HB 2211 – Making an Appropriation for Wastewater Projects

Testimony **in favor** of HB 2211

Chairpersons, Vice Chairpersons and Honored Senators,

On behalf of the Hawai'i County Council, I am presenting this testimony in favor of HB 2211. This Bill appropriates funds for wastewater projects that are necessary to comply with federal Environmental Protection Agency requirements. These funds would replenish the State's revolving fund for wastewater projects. The County of Hawaii has been informed that all funds in the revolving fund have been committed and no further loans are available until 2010.

In her testimony to your Committees, the County of Hawai'i Department of Environmental Management, Director Bobby Jean Leithead Todd, outlines urgent needs in the communities of Pahala, Na'alehu, Honoka'a, Komohana, Queen Lili'uokalani Village and Kealakehe. All of these communities are on the island of Hawaii. The wastewater treatment projects for these communities must be completed to comply with federal EPA mandates. The total cost of these projects exceeds \$60.4 million. Ms Leithead Todd acknowledges that this is a significant amount of money, and that it must be considered along with requests from other counties. She asks for whatever help the State can give.

On February 5, 2008, I attended a joint hearing of the House Committee on Economic Development & Business Concerns and the House Committee on Agriculture. One of the Bills heard on that day was HB1629 – RELATING TO CORPORATION INCOME TAX. This Bill calls for the elimination of the State corporate income tax. Director Kurt Kawafuchi, State Department of Taxation, submitted written and oral testimony. In his written testimony, Mr. Kawafuchi noted that if the corporate income tax was eliminated "The effect on the tax structure would not be great – corporate tax collections in fiscal year 2007 were only about \$82 million."

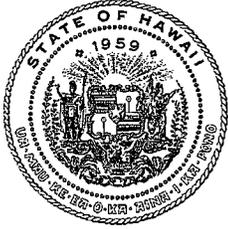
If collections were “only” \$82 million, then perhaps looking at “only” \$60.4 million to comply with the EPA mandate is not out of the question. Considering the fact that corporations, their subsidiaries, related business enterprises, employees and customers all contribute to the wastewater problem, I suggest the Legislature consider retaining the corporate income tax for at least two more years, and using that income to bring all counties into compliance with the EPA mandate. Corporations could then be hailed for their very significant contribution to the health and well being of the people of Hawaii, and, if the Legislature sees fit to do so, they could then be rewarded with the elimination of the corporate income tax in 2010.

HB 2211 is part of Mayor Kim’s package for the 2008 Session. The Hawaii County Council supports the Mayor’s request.

We urge you to pass HB 2211.

Thank you.

HB 2550 HD2



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
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

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON ENERGY & ENVIRONMENT

Tuesday, March 18, 2008

3:15 p.m.

State Capitol, Conference Room 414

in consideration of

HB2550 HD2
RELATING TO PUBLIC UTILITIES.

Chair Menor, Vice-chair Hooser, and Members of the committee.

DBEDT supports HB 2550, HD2 to enhance Hawaii's energy and economic security by amending various Sections of Chapter 269 of the Hawaii Revised Statutes (HRS) to remove barriers to the development of solar electric resources and increasing the accessibility of net energy metering. The bill proposes to amend some sections of the Net Energy Metering law to increase the maximum capacity size of eligible customer generator, and to increase the total amount of net metered on the grid and at the same time allowing the Public Utilities Commission to modify this limit based on independent evaluation of the costs and benefits of net energy metering to all customers.

We also recommend adding one Part to the bill, to increase Hawaii's renewable portfolio standard from the current twenty per cent in 2020 to twenty-five per cent, and raise the percentage of the renewable portfolio standard to be met by electrical energy generation from renewable resources from the current level of fifty per cent to eighty per cent. These suggested amendments to Chapter 269-92 are detailed below.

These proposed amendments to the renewable portfolio standard will further enhance the intent of HB2550, HD2 and are necessary and important in decreasing Hawaii's dependence on imported fossil fuel. The increased use and development of renewable energy resources will greatly benefit Hawaii's economy, environment, energy security and sustainability, in many ways including:

1. Reduced reliance on imported oil supplies and fewer dollars leaving Hawaii's economy;

2. Reduced cost of fuel for electricity generation, and reduced exposure to the volatile oil prices in the world market;

3. Increased diversification of the electricity generation portfolio, reducing Hawaii's risk to the impact of oil supply shortage and uncertainty;

4. Economic benefits including increased economic activity, economic development and diversification, and job creation; and

5. Reduced greenhouse emissions and the attendant negative impact on climate change and global warming, and on Hawaii's environment.

Additionally, the Hawaii Clean Energy Initiative, a joint endeavor with the U.S. Department of Energy and the State of Hawaii, has a vision of 70% of Hawaii's energy coming from renewable

resources within a generation (2030). The importance of energy security and self-sustainability for our State cannot be overemphasized, and the long-term path and effort to achieve these objectives can no longer be delayed.

The significance of the proposed revisions to Section 269, HRS, in achieving Hawaii's energy goals cannot be overstated. In 2006, the Hawaii utilities used fossil fuel to generate over ninety per cent of the total electricity they sold, which represented almost twenty-five per cent of Hawaii's total oil imports. Only about eight per cent of the electricity sold was generated from renewable resources. Furthermore, the price risks of Hawaii's heavy dependence on imported fossil fuel for electricity generation are currently borne entirely by Hawaii's consumers.

There will be challenges in weaning the utilities from their heavy dependence on imported fossil fuels for electricity generation. However, the utilities are already moving in that direction. The new 110 MW peaking unit planned in Campbell Industrial Park by 2009, will use biofuels. The utilities' Renewable Portfolio Standard (RPS) Reports for 2006 indicated other renewable energy projects that the utilities are engaged in or working on in their efforts to achieve a more sustainable future.

The proposed changes in the net energy metering law and in the renewable portfolio standard can help Hawaii achieve energy independence and security. Hawaii is blessed by an abundance of renewable energy resources from the sun, wind, ocean, and earth. The sun provides abundant and free energy resource for solar water heating and for generation of electricity. Assessment of opportunities to harvest our ample wind resources have been

identified and continued to be updated. The use of wave energy for electricity generation is being tested and explored. We have large untapped geothermal resources on the Big Island. The potential for expanding the waste-to-energy capacity on Oahu is being considered and explored by the City and County of Honolulu.

The proposed amendments to Section 269-92, HRS, are as follows:

"§269-92 Renewable portfolio standards. (a) Each electric utility company that sells electricity for consumption in the State shall establish a renewable portfolio standard of:

- (1) Ten per cent of its net electricity sales by December 31, 2010;
- (2) Fifteen per cent of its net electricity sales by December 31, 2015; and
- (3) [~~Twenty~~] Twenty-five per cent of its net electricity sales by December 31, 2020.

(b) The public utilities commission may establish standards for each utility that prescribe what portion of the renewable portfolio standards shall be met by specific types of renewable [~~electrical~~] energy resources; provided that:

- (1) At least [~~fifty~~] eighty per cent of the renewable portfolio standards shall be met by electrical energy generated using renewable energy as the source;
- (2) Where electrical energy is generated or displaced by a combination of renewable and nonrenewable means, the proportion attributable to the renewable means shall be credited as renewable energy; and
- (3) Where fossil and renewable fuels are co-fired in the same generating unit, the unit shall be considered to generate

renewable electrical energy (electricity) in direct proportion to the percentage of the total heat value represented by the heat value of the renewable fuels.”

Thank you for the opportunity to offer these comments.



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
www.hawaii.gov/dcca

LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Tuesday, March 18, 2008
3:15 p.m.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS TO THE HONORABLE SENATOR MENOR, CHAIR
AND MEMBERS OF THE COMMITTEE

**HOUSE BILL NO. 2550, HOUSE DRAFT NO. 2 – RELATING TO PUBLIC
UTILITIES.**

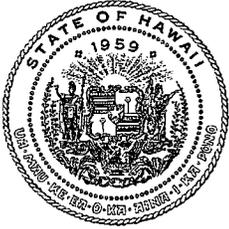
DESCRIPTION:

This measure increases the percentage of an electric utility's total rated generating capacity produced by eligible customer-generators to 1 per cent in 2008, 2 per cent in 2009, and 5 per cent in 2010. In addition, the measure increases the maximum capacity of an eligible customer-generator from 50 kilowatts to 250 kilowatts in 2008, 500 kilowatts in 2009, and 1 megawatt thereafter.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") appreciates the intent of this measure, which provides for greater net-energy metering opportunities for customers of regulated utilities. The Consumer Advocate provides some suggested amendments for this Committee's consideration.

HB 2550 HD2



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON ENERGY & ENVIRONMENT

Tuesday, March 18, 2008

3:15 p.m.

State Capitol, Conference Room 414

in consideration of

HB2550 HD2
RELATING TO PUBLIC UTILITIES.

Chair Menor, Vice-chair Hooser, and Members of the committee.

DBEDT supports HB 2550, HD2 to enhance Hawaii's energy and economic security by amending various Sections of Chapter 269 of the Hawaii Revised Statutes (HRS) to remove barriers to the development of solar electric resources and increasing the accessibility of net energy metering. The bill proposes to amend some sections of the Net Energy Metering law to increase the maximum capacity size of eligible customer generator, and to increase the total amount of net metered on the grid and at the same time allowing the Public Utilities Commission to modify this limit based on independent evaluation of the costs and benefits of net energy metering to all customers.

We also recommend adding one Part to the bill, to increase Hawaii's renewable portfolio standard from the current twenty per cent in 2020 to twenty-five per cent, and raise the percentage of the renewable portfolio standard to be met by electrical energy generation from renewable resources from the current level of fifty per cent to eighty per cent. These suggested amendments to Chapter 269-92 are detailed below.

These proposed amendments to the renewable portfolio standard will further enhance the intent of HB2550, HD2 and are necessary and important in decreasing Hawaii's dependence on imported fossil fuel. The increased use and development of renewable energy resources will greatly benefit Hawaii's economy, environment, energy security and sustainability, in many ways including:

1. Reduced reliance on imported oil supplies and fewer dollars leaving Hawaii's economy;
2. Reduced cost of fuel for electricity generation, and reduced exposure to the volatile oil prices in the world market;
3. Increased diversification of the electricity generation portfolio, reducing Hawaii's risk to the impact of oil supply shortage and uncertainty;
4. Economic benefits including increased economic activity, economic development and diversification, and job creation; and
5. Reduced greenhouse emissions and the attendant negative impact on climate change and global warming, and on Hawaii's environment.

Additionally, the Hawaii Clean Energy Initiative, a joint endeavor with the U.S. Department of Energy and the State of Hawaii, has a vision of 70% of Hawaii's energy coming from renewable

resources within a generation (2030). The importance of energy security and self-sustainability for our State cannot be overemphasized, and the long-term path and effort to achieve these objectives can no longer be delayed.

The significance of the proposed revisions to Section 269, HRS, in achieving Hawaii's energy goals cannot be overstated. In 2006, the Hawaii utilities used fossil fuel to generate over ninety per cent of the total electricity they sold, which represented almost twenty-five per cent of Hawaii's total oil imports. Only about eight per cent of the electricity sold was generated from renewable resources. Furthermore, the price risks of Hawaii's heavy dependence on imported fossil fuel for electricity generation are currently borne entirely by Hawaii's consumers.

There will be challenges in weaning the utilities from their heavy dependence on imported fossil fuels for electricity generation. However, the utilities are already moving in that direction. The new 110 MW peaking unit planned in Campbell Industrial Park by 2009, will use biofuels. The utilities' Renewable Portfolio Standard (RPS) Reports for 2006 indicated other renewable energy projects that the utilities are engaged in or working on in their efforts to achieve a more sustainable future.

The proposed changes in the net energy metering law and in the renewable portfolio standard can help Hawaii achieve energy independence and security. Hawaii is blessed by an abundance of renewable energy resources from the sun, wind, ocean, and earth. The sun provides abundant and free energy resource for solar water heating and for generation of electricity. Assessment of opportunities to harvest our ample wind resources have been

identified and continued to be updated. The use of wave energy for electricity generation is being tested and explored. We have large untapped geothermal resources on the Big Island. The potential for expanding the waste-to-energy capacity on Oahu is being considered and explored by the City and County of Honolulu.

The proposed amendments to Section 269-92, HRS, are as follows:

"§269-92 Renewable portfolio standards. (a) Each electric utility company that sells electricity for consumption in the State shall establish a renewable portfolio standard of:

- (1) Ten per cent of its net electricity sales by December 31, 2010;
- (2) Fifteen per cent of its net electricity sales by December 31, 2015; and
- (3) [~~Twenty~~] Twenty-five per cent of its net electricity sales by December 31, 2020.

(b) The public utilities commission may establish standards for each utility that prescribe what portion of the renewable portfolio standards shall be met by specific types of renewable [~~electrical~~] energy resources; provided that:

- (1) At least [~~fifty~~] eighty per cent of the renewable portfolio standards shall be met by electrical energy generated using renewable energy as the source;
- (2) Where electrical energy is generated or displaced by a combination of renewable and nonrenewable means, the proportion attributable to the renewable means shall be credited as renewable energy; and
- (3) Where fossil and renewable fuels are co-fired in the same generating unit, the unit shall be considered to generate

renewable electrical energy (electricity) in direct proportion to the percentage of the total heat value represented by the heat value of the renewable fuels.”

Thank you for the opportunity to offer these comments.



LINDA LINGLE
GOVERNOR
JAMES R. AIONA, JR.
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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LAWRENCE M. REIFURTH
DIRECTOR
RONALD BOYER
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Tuesday, March 18, 2008
3:15 p.m.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS TO THE HONORABLE SENATOR MENOR, CHAIR
AND MEMBERS OF THE COMMITTEE

**HOUSE BILL NO. 2550, HOUSE DRAFT NO. 2 – RELATING TO PUBLIC
UTILITIES.**

DESCRIPTION:

This measure increases the percentage of an electric utility's total rated generating capacity produced by eligible customer-generators to 1 per cent in 2008, 2 per cent in 2009, and 5 per cent in 2010. In addition, the measure increases the maximum capacity of an eligible customer-generator from 50 kilowatts to 250 kilowatts in 2008, 500 kilowatts in 2009, and 1 megawatt thereafter.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") appreciates the intent of this measure, which provides for greater net-energy metering opportunities for customers of regulated utilities. The Consumer Advocate provides some suggested amendments for this Committee's consideration.

H.B. No. 2550, H.D. 2
Senate Committee on Energy and Environment
Tuesday, March 18, 2008, 3:15 p.m.

COMMENTS:

Hawaii has an abundance of renewable energy resources that can and should be used to reduce our state's dependence on imported fossil fuels. Net-energy metering programs encourage customers to invest in renewable energy systems by allowing customers who own and operate certain renewable facilities to be paid the utility's retail rate for electricity generated by an eligible customer-generator and fed back to the electric grid.

On March 13, 2008, in Decision and Order No. 24089, the Hawaii Public Utilities Commission ("Commission") ruled in its net-energy metering docket, increasing the allowable customer-generator size to 100 kilowatts and raising the total rated generating capacity to 1 per cent. In addition, the Commission required the electric utilities to design and propose, within 45 days of the Commission's decision and order, a net-energy metering pilot program that will allow the use of a limited number of larger generating units (i.e., at least 100 kilowatts to 500 kilowatts, and may allow for larger units). Therefore, the targets set forth in the measure, may be somewhat premature or unnecessary, given the authority already provided to and being exercised by the Commission.

At a minimum, however, the language included in the measure that provides the Commission with the authority to "modify" (instead of merely "increase") the total rated generating capacity and customer-generator size should be passed, as it will be helpful in the development and implementation of the utilities' net-energy metering programs. The electric utilities and other stakeholders may be less apprehensive about implementing larger increases if the Commission was authorized to also decrease the amounts in certain circumstances, if some harm, previously unforeseen by the Commission and stakeholders, occurred.

The thresholds specified in the measure may not be reasonable or desirable for all islands, given the relatively small size of certain islands' systems. Therefore, if the Committee determines that such targeted thresholds (for customer-generator size and total rated generating capacity) should be established without awaiting the outcome of the Commission's process, the measure should be amended to expressly authorize the Commission to evaluate the applicability of such thresholds on an island-by-island basis and, in its discretion, disallow the application of the thresholds to certain islands or utility grid systems.

Thank you for this opportunity to testify.

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON
ENERGY AND THE ENVIRONMENT
MARCH 18, 2008**

MEASURE: H.B. No. 2550 H.D. 2
TITLE: Relating to Public Utilities.

Chair Menor and Members of the Committee:

DESCRIPTION:

This bill proposes amendments to portions of chapter 269, Hawaii Revised Statutes (“HRS”) relating to net energy metering (“NEM”). The bill, among other things, substantially increases the maximum allowable capacity of an eligible customer generator, increases the total rated generating capacity produced by eligible customer generators, and requires the Public Utilities Commission (“Commission”) to establish best practices interconnection standards through administrative rulemaking.

POSITION:

The Commission has concerns about this bill and offers the following comments.

COMMENTS:

- **After an extensive technical and collaborative review process, the Commission issued a decision and order on March 13, 2008 in its proceeding relating to NEM. In this decision and order, the Commission, among other things, approved the stipulations filed by the parties, including Hawaiian Electric Company, Inc. (“HECO”), Hawaii Electric Light Company, Inc. (“HELCO”), Maui Electric Company, Limited (“MECO”) (collectively, “HECO Companies”) and Kauai Island Utility Cooperative (“KIUC”). As a result, the maximum allowable NEM cap is increased from 0.5% to 1.0% of the respective utility’s system peak demand. The maximum capacity for individual customer generators is increased from 50 to 100kW, for the HECO Companies’ customers, and remains at 50kW for KIUC customers.**
 - In their respective stipulations with the other parties to the docket, the HECO Companies and KIUC also agreed to allocate 40% to 50%¹ of their system peak demand for small systems that have a NEM generator size of 10KW or less.

¹In its stipulation, KIUC will allocate 50% of its peak demand to the smaller systems. In the stipulation involving HECO, HELCO, MECO; the HECO Companies agreed to reserve 40%, 50% and 50% of the 1.0% system peaks for small systems, respectively.

- The Commission also ordered the HECO Companies and KIUC to 1) expand their IRP planning processes to include studies on the rate and revenue impacts of NEM, reliability, safety, and power quality issues and the effects, if any, of changes in NEM on the utility's interconnection standards, 2) evaluate the economic effects of NEM in future rate case proceedings and 3) establish a NEM Pilot Program that will allow a limited number of larger generating units (of up to 500kW or greater) for NEM purposes.
 - The expanded IRP planning process will provide the Commission a regular review of the NEM limits to ensure a sound basis for future decisions regarding NEM.
 - Future rate case proceedings shall include testimony regarding the total economic impact of NEM. This information will allow the Commission to analyze the effect of NEM in greater detail relating to revenues, rates, expenses, fuel consumption, and peak demands.
 - The NEM Pilot Program will assist the Commission in evaluating the effects of further increasing the NEM unit size and system capacity units beyond those established in the decision and order.
- **Rather than increasing the maximum capacities as set forth in the bill, the Commission would prefer the electric utilities be allowed to implement the requirements under our recent decision and order and, after a period of time, evaluate whether the maximum capacities should be further increased.**
- **This version of the bill would arbitrarily increase the NEM caps without an extensive examination process, similar to that conducted in the Commission's NEM investigation.**
- **With respect to the proposed new Section 269-111(d), requiring the Commission to adopt best practices interconnection standards through rulemaking, the Commission has already reviewed and approved the NEM tariffs of the electric utilities that include interconnection standards or requirements. Accordingly, this added provision is not necessary.**

Thank you for the opportunity to testify.

**Testimony before the
Senate Committee on
Energy and Environment**

H.B. 2550 HD2– Related to Public Utilities

**Tuesday, March 18, 2008
3:15 pm, Conference Room 414**

**By Arthur Seki
Director of Technology
Hawaiian Electric Company, Inc.**

Chair Menor, Vice Chair Hooser, and Members of the Committee:

My name is Arthur Seki – I am the Director of Technology in the Energy Solutions & Technology Department at Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO), hereby referred to collectively as the HECO Utilities.

In general, H.B. 2550 HD2 would increase the total rated generation capacity produced by eligible net energy metering (NEM) customer-generators, increase the size of NEM systems, and require the State of Hawaii Public Utilities Commission (PUC) to adopt modified interconnection rules. In light of the stipulated agreement related to net energy metering that was filed with the PUC on September 17, 2007 and the recent PUC decision and order issued on March 13, 2008, we respectfully oppose this measure. This bill is not necessary.

As you may know, the PUC docket (Docket No. 2006-0084) investigated whether the PUC should:

1. increase the maximum capacity of eligible NEM customer-generators to more than 50 kilowatts;

2. increase the total rated generating capacity produced by eligible NEM customer-generators to an amount above 0.5 percent of an electric utility's system peak demand; and
3. adopt, modify, or decline to adopt, in whole or in part, the NEM standard articulated in PURPA as amended by the Energy Policy Act of 2005.

On September 17, 2007, a stipulated agreement was filed with the PUC which was agreed to by all parties (Hawaii Solar Energy Association, Hawaii Renewable Energy Alliance and Consumer Advocate, and HECO) in the docket. The stipulation proposes to:

- Increases the maximum size of the eligible customer-generator that can qualify for a NEM agreement from 50 kW to 100 kW;
- Increases the total rated generating capacity produced by eligible customer-generators from 0.5% to 1.0% of the utility's system peak demand;
- Reserves 40%, 50%, and 50% of the total rated generating capacity produced by eligible customer-generators for HECO, HELCO, and MECO, respectively, for residential and smaller commercial NEM customers (system sizes of 10 kW or less)—similar to the amendments made in H.B.2550 HD1;
- Utilizes the Integrated Resource Planning (IRP) process to evaluate impacts to the Utilities' systems and determine further adjustments to the NEM system size and cap limits (limits re-examined on an annual basis); and
- Recommends that the Commission not adopt or modify the standard for NEM as articulated in the Public Utility Regulatory Policies Act of 1978 (PURPA) as amended by the Energy Policy Act of 2005.

Productive meetings between the parties to Docket No. 2006-0084 were held to reach a stipulation that proposes increased NEM system size and total rated capacity limits as well as provisions to ensure widespread and fair participation in NEM by smaller customers. These recommendations considered the continued evaluation of operational impacts to the HECO Utilities, including the examination of size and participation limits on an annual basis during the IRP Advisory Group meeting process.

On March 13, 2008, the PUC rendered Decision and Order No. 24089 to Docket No. 2006-0084. In general, the PUC agreed with the stipulated agreement and included several additional terms:

- NEM processes, safety, and reliability on the utility system will be reviewed and addressed in the IRP;
- Economic effects of NEM shall be evaluated in future rate case proceedings; and
- Electric utilities shall design and propose a NEM pilot program for a limited number of participants:
 - Outside of current NEM law (not part of NEM count);
 - Include generating units sizes 100 kW to 500 kW (may consider 500+ kW)
 - Provide update in NEM reports;
 - File with the PUC within 45 days of decision and order date; and
 - Parties and participants can provide comments.

H.B 2550 HD2 also calls for the PUC to open proceedings for adoption of an interconnection standard for solar, wind biomass and hydroelectric energy generating facilities. There is no need for these proceedings or adoption of new standards. The PUC approved Rule 18 which has an interconnection standard in place for review by HECO Utilities on NEM systems larger than 10 kW that preserves the ability of HECO Utilities to ensure the safety of its personnel and operational stability of its grid systems. This standard is based on the present HECO interconnection standard (Rule 14) that also has PUC approval. Safety and grid system reliability must remain a high priority.

In conclusion, we request the bill be held in committee. This bill is not necessary given the recent PUC decision and order in Docket No. 2006-0084.

Thank you for the opportunity to present this testimony.



PHOTOVOLTAIC SOLAR ENERGY
SOLAR HOT WATER AND HEATING
ENERGY EFFICIENCY INTEGRATION

HI License # C-26505

March 18, 2008

Testimony in Strong Support of SB2550 SD1 HD2 Relating to Net Energy Metering

Dear Chair Menor, Vice-Chair Hooser, and Members of the Committee on Energy and Environment Committee:

In SB 2550, the committee has an opportunity to address a recurring problem and potentially binding constraint on the deployment of renewable energy generating technology in our state. The provision of the bill that fulfills this promise is the proposal to raise the peak demand share caps governing net energy metering (NEM) to 2 percent in 2009 and 5 percent in 2010.

These provisions enable investment from thousands of homeowners and small businesses to help our state transition from burning carbon intensive fossil fuels, as envisioned in the '20 percent in 2020' RPS and '70 percent in 2030' renewable generation target. Without additional space under the peak demand cap, it is estimated that Maui and the Big Island will reach their cap levels late in 2008. At that point, homeowners and small businesses will face substantial cost increases if they decide to use renewables, or else deploy only a fraction of the generating capacity that they would if they had access to NEM.

In the debate over this issue it is essential to note that, due to the unprecedented pace of alternative energy generating equipment deployment in 2008, the recent decision by the PUC (Docket 2006-0084), despite the best intentions of the participants in the process, has not solved the NEM issue, only postponed it to later this year. It is also worth noting that that process that raised the peak demand cap from 0.5 to 1.0 percent, took nearly two years to play out. If we began a similar process tomorrow, the earliest the cap would be raised is 2010, leaving more than a year in which installations downsized and/or ignored, decelerating the state's transition away from carbon-intensive fuels.

A second point worth noting is that there is no technical or engineering threat to the stability of the grid from so-called 'intermittent' generating sources such as wind and solar until much higher levels of penetration are achieved. As evidence of this claim, the state of Minnesota recently passed a measure to raise their cap to 20 percent.

In this testimony, our firm is not taking a position on the other key provision of HB 2550, the qualifying system size cap for NEM. As the committee is aware, the current cap is 100 kW, while the bill proposes raising this to 1 MW. We would like to point out that, once the peak demand cap is set, the system size cap strongly influences the types of installations that the state will see and the types of companies that will be doing these installations.

In terms of solar, all else equal, a lower cap skews installations toward rooftop systems installed by small and medium sized companies. Larger system size caps will skew installations toward ground-mounted systems emplaced by large installers.

In conclusion, I would like to make clear that NEM is wholly consistent with the legislature's public policy goals - as embodied most clearly in the 35 percent renewable energy tax credit - of investing the state's resources to spur the transition to cleaner energy sources. At this point, this strategic and far-sighted social choice made by Hawaii's government could easily be undermined by more mundane and obscure issues such as the NEM peak demand caps. On behalf of the people of Hawaii and the alternative energy industry I urge you to address the peak demand cap issue as provided for in SB 2550, and ensure access to NEM for citizens and small business owners.

Thank you for the opportunity to testify.

Sincerely,

Mark Duda
Vice President of Finance



TESTIMONY OF SUNEDISON, LLC IN SUPPORT OF HB2550 HD2,
NET ENERGY METERING FOR RENEWABLE ENERGY TECHNOLOGIES
BEFORE THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
TUESDAY, MARCH 18, 2008

Chair Menor, Vice-Chair Hooser and Members of the Committee.

SunEdison is a developer of large solar photovoltaic (PV) systems with seven offices in five states. We simplify the installation of solar electric resources so that the benefits of solar energy, particularly the reduction in oil-fired grid-supplied electricity, can be realized in Hawaii. SunEdison develops PV systems at the lowest possible cost and, as a result, has been the fastest growing solar developer in the nation. We believe that Hawaii's dependence on oil and the resultant high electricity prices create an excellent opportunity for solar resources. Our commitment to Hawaii includes involvement in PUC proceedings, the legislative process and the acquisition of a local solar company. Our projects employ many people, create economic benefits for the host customer and local community, and save all utility ratepayers money.

In our view, Hawaii is at a crossroads. It can create a viable market for larger solar installations by passing HB2550 HD2, or it can move slowly under existing processes. This stark choice must be considered in light of the near *doubling* of oil prices since the beginning of the Net Energy Metering (NEM) process at the PUC almost two years ago. While moving slowly to expand solar energy may seem like a deliberate, conservative approach, oil prices are not subject to similar constraints.

One critical issue to keep in mind throughout this discussion is that NEM addresses only economic issues. Safety, reliability, and technical issues are addressed in interconnection standards. Thus, any increase in NEM standards is still subject to interconnection standards and will not compromise the integrity of the grid.

Option 1: Reject HB2550 HD2, solar market based on NEM settlements at the PUC

The Commission adopted on March 13, with modification, settlements filed six months earlier. The Commission Decision and Order (D&O) does the following:

	HECO old/new	MECO old/new	HELCO old/new	KIUC old/new
System size limit	50kW/100kW	50kW/100kW	50kW/100kW	50kW/50kW
Aggregate limit (% of peak demand)	0.5% / 1.0%	0.5% / 1.0%	0.5% / 1.0%	0.5% / 1.0%
Small system requirement ¹	None / 40%	None / 50%	None / 50%	None / 50%

Future changes to net metering limits can only occur through a lengthy, complex and cumbersome administrative process. In addition, other requirements of the D&O include:

- For the HECO Companies:
 - Further restriction on future NEM changes by requiring attainment of a threshold of 75% of the aggregate cap before a change may even be suggested, and

¹ Small systems are those less than 10 kW.



- Changes to the aggregate cap limit must be justified by a specific potential market evaluation in the IRP process.
- KIUC performs an annual review and makes the final decision.
- Each utility is to design a pilot program for a limited number of participants for generating units between 100 kW and 500 kW.

Option 2: Adopt HB2550 HD2, and grow commercial solar market effectively

The following chart compares the Commission D&O with HB2550 HD2:

2008	HECO D&O/2550	MECO D&O/2550	HELCO D&O/2550	KIUC D&O/2550
System size limit	100kW/250kW	100kW/250kW	100kW/250kW	50kW/250kW
Pilot program	100-500 kW	100-500 kW	100-500 kW	100-500 kW
Aggregate limit (% of peak demand)	1.0% / 1.0%	1.0% / 1.0%	1.0% / 1.0%	1.0% / 1.0%
Small system market ²	40%/no limit	50%/no limit	50%/no limit	50%/no limit

For 2008, HB2550 HD2 is equivalent to the Commission D&O. In subsequent years, HB2550 HD2 establishes reasonable growth in the NEM limits that achieve levels similar to leading net metering states. Indeed, many states have moved to a 2 MW size limit – twice that proposed by this bill at its highest level. Closer to the mark, in 2007, Puerto Rico adopted a cap of one MW, with no aggregate limit – well beyond the policies contemplated by HB2550 HD2.

In addition, HB2550 HD2 provides the Commission with the authority to modify these limits based on a cost/benefit evaluation. Thus, the PUC maintains control over the future implementation of NEM.

The bottom line for developers of large PV systems is whether or not there will be a viable market in Hawaii. Without higher NEM limits, best practice interconnection policy, and a usable tax credit, it is unlikely that there will be any significant use of solar electric systems by larger customers, despite the fact that these systems would by lower cost, provide more ratepayer benefits, and more quickly reduce the state’s dependence on volatile imported oil. Artificially limiting access to larger PV systems for the commercial, industrial, and government sectors at best increases the costs of such installations, such as the Department of Transportation’s Request for Proposals for about 34 MW of photovoltaic systems.

We urge the Committee to adopt HB2550 HD2 in its current form.

Thank you for the opportunity to present our viewpoint.

Keith Cronin, President
SunEdison Hawaii

Rick Gilliam
Managing Director, Western States Policy
SunEdison, LLC

² Small systems are those less than 10 kW.

Testimony Before the Senate Committee on
Energy and Environment

By Michael V. Yamane P.E.
Senior Electrical Engineer
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Tuesday, March 18, 2008, 3:15 p.m.
Conference Room #414

House Bill No. 2550 H.D. 2 – Relating to Public Utilities

To the Honorable Ron Menor, Chair; Gary Hooser, Vice-Chair,
and members of the Committee:

Thank you for the opportunity to testify on this measure. My name is Mike Yamane, representing Kauai Island Utility Cooperative. I am here today to testify on HB 2550 H.D. 2 relating to Public Utilities regarding Net Energy Metering (“NEM”) limitations (aka, NEM Limits).

KIUC acknowledges and commends the Legislature’s desire to create incentives to promote and, when practical, increase the role of renewable generation. However, KIUC respectfully opposes H.B 2550 H.D. 2 as the Hawaii Public Utilities Commission (“Commission”) has already addressed many of the NEM Limits issues noted in this measure in Docket No. 2006-0084. In this NEM Limits proceeding, KIUC has been diligently working with the Commission, the Consumer Advocate, Hawaii Solar Energy Association (“HSEA”), and Hawaii Renewable Energy Association (“HREA”) to develop reasonable and appropriate NEM Limits for the island of Kauai, particularly in light of KIUC’s unique, electric cooperative structure. A summary of this proceeding is noted below as follows:

- On April 10, 2006, the Commission initiated an investigatory proceeding to determine, among other issues, whether, and to what extent, the Commission should increase (1) the maximum capacity of eligible customer-generators to more than fifty (50) kilowatts (“kW”); and (2) the total rated generating capacity produced by eligible customer-generators to an amount above 0.5 percent of an electric utility’s system peak demand, under Hawaii’s NEM Law, codified as Hawaii Revised Statutes §§ 269-101 to 269-111.
- On September 17, 2007, KIUC, the Consumer Advocate, HSEA and HREA submitted their Stipulated Settlement Letter in connection with modifying the existing thresholds or NEM Limits as it pertains to KIUC, as well as their agreements to propose a new mechanism and review process by which KIUC will ensure the regular and ongoing review of these thresholds or NEM Limits via the existing integrated resource planning process established by the Commission (“KIUC’s Stipulation”).

- On March 13, 2008, the Commission issued Decision and Order No. 24089 approving, among other things, KIUC's Stipulation to change the NEM Limits (e.g., increase KIUC's total rated generating capacity limit from 0.5% to 1.0% subject to certain stipulated allocations), and to regularly examine any future changes in NEM Limits in KIUC's existing integrated resource planning process. In addition, to allow the Commission to consider the impact of incorporating more NEM generation and facilitate future Commission decisions concerning NEM, the Commission directed all electric utilities including KIUC to institute a NEM Pilot Program subject to certain parameters, as stated in said Decision and Order.

As you are aware, KIUC is a member-owned electric cooperative. Unlike for-profit corporations, cooperatives are non-profit and member-run. Without the need for profits and shareholder dividends, cooperatives are free to invest what would normally be profits (cooperatives call them "margins") in the business by allocating margins to the cooperative's members as capital credit contributions, or, eventually, by making patronage capital refunds to its members.

Thank you for the opportunity to testify today representing KIUC.

Testimony of ERIK KVAM
Chief Executive Officer of Zero Emissions Leasing LLC
2800 Woodlawn Drive, Suite 131, Honolulu, Hawaii 96822
tel: 808-371-1475 e-mail: ekvam@zeroemissions.us

In SUPPORT of HB 2550 HD 2 RELATING TO PUBLIC UTILITIES

Before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 18, 2008 3:15 pm

Good afternoon, Chair Menor, Vice-Chair Hooser and members of the Committee.

My name is Erik Kvam. I am the CEO of a Hawaii solar power developer called Zero Emissions Leasing LLC ("Zero Emissions").

HB 2550 HD 2 provides (1) amending the definition of "eligible customer-generator" to include utility customers who lease or purchase electricity from renewable energy generating facilities, (2) increasing the net energy metering (NEM) customer capacity limit to 1 MW, and increasing the NEM total capacity limit to 5% of utility system peak demand, over 3 years, and (3) directing the public utilities commission (PUC) to establish best practices interconnection rules. Zero Emissions SUPPORTS enactment of HB 2550 HD 2.

Hawaii Taxpayers Will Be The Biggest Winners If HB 2550 HD2 Passes and Will Be the Biggest Losers If It Fails to Pass

Two weeks ago, the State of Hawaii awarded a contract for the development of 12 MW of large (> 100 kW) grid-connected photovoltaic solar power projects at Hawaii's public airports and other Department of Transportation facilities. Under long-term power purchase agreements between the project developer and the Hawaii state government, the solar power from these projects will be sold to the Hawaii state government at a rate that will probably be about 25% lower than the cost of electric power supplied by the utility. These projects will cost about \$100 million to build and will *triple* total solar power generating capacity in Hawaii. By this time next year, the Hawaii state government is going to be the biggest potential customer-generator in the state of Hawaii and Hawaii taxpayers are going to be the biggest potential beneficiaries of NEM.

I say "potential" because, as state law and PUC policy now stand, *none of those 12 MW of solar power projects will be eligible for NEM*. Any excess solar power delivered to the utilities from these projects will be valued at an avoided cost rate that is way less than the retail rate under NEM. More importantly, the Hawaii state government will be vulnerable to stiff "standby charges," assessed by the utilities, that will wipe out the electricity cost savings to the Hawaii state government and Hawaii taxpayers under the

solar power purchase agreements. None of those 12 MW ever will be eligible for NEM unless the legislature acts now to pass HB 2550 HD2.

Current law and PUC policy puts up three obstacles preventing the Hawaii state government (and Hawaii taxpayers indirectly) from receiving the benefits of NEM. Those benefits are: (1) guaranteed acceptance by the utility of deliveries of renewable electricity from such projects, (2) valuing such electricity at retail utility rates, and (3) avoidance of utility standby charges. HB 2550 HD2 addresses all three obstacles.

Obstacle 1: the owner-operator requirement

Under current law, NEM is only available to a customer-generator that "owns and operates" a renewable energy project. Although the 12 MW of solar power projects located on Hawaii state government facilities will generate electricity primarily for those facilities, the Hawaii state government is not eligible for NEM with respect to those projects because the Hawaii state government will not own and operate those projects. Instead, those projects will be owned and operated by third parties that keep the tax benefits from such projects and sell the solar power from such projects to the Hawaii state government under long-term power purchase agreements.

HB 2550 HD2 eliminates the owner-operator obstacle by making a utility customer, like the Hawaii state government, eligible for NEM if the customer purchases electricity from a renewable energy project owned by a third party, provided that the project was intended primarily to offset the customer's electricity requirements.

Obstacle 2: the customer capacity limit

Under current law and PUC policy, NEM is only available for renewable energy projects that are 100 kW or smaller in size, except on Kauai where NEM is only available for renewable energy projects that are 50 kW or smaller in size. Most, if not all, of those 12 MW of solar power projects at Hawaii's airports are going to be larger than 100 kW. Thus, even if the owner-operator obstacle is eliminated, the Hawaii state government still would not be eligible for NEM on those projects because those projects exceed the 100 kW (50 kW on Kauai) customer capacity limit.

HB2550 HD2 raises the customer capacity limit to 1 MW over three years. That would bring at least some of those 12 MW of airport projects into NEM, provided that the other obstacles are also overcome.

The initial draft of HB2550 would have raised the customer capacity limit to 2 MW over three years. That would bring more of those 12 MW of airport projects into NEM, provided that the other obstacles are also overcome.

The legislature can raise the customer capacity limit to 2 MW with no risk to the safety or reliability of the grid because the PUC's 2006 decision in the Distributed Generation docket (the "DG Docket") made the NEM customer capacity limit obsolete. The

customer capacity limit was originally justified to protect the integrity of the grid because, when NEM was enacted in 2001, procedures to ensure the safety and reliability of interconnection of distributed generation systems (including NEM systems) had not been established.

On January 27, 2006, the PUC issued Decision and Order No. 22248 in the DG Docket. In its Decision and Order, the PUC required utilities:

- To establish requirements that require all necessary safety equipment and operational procedures as a condition for connecting distributed generation to the distribution system
- To establish reliability and safety requirements, by proposed tariff for approval by the commission, for distribution that is connected to the electric utility's distribution system

The customer capacity limit could be raised to 2 MW, as provided in the initial draft of HB 2550, without compromising the safety and reliability of the grid because, under the Decision and Order in the DG Docket, the utility has the ability (and obligation) to prevent interconnection of any NEM system, regardless of its capacity, that might threaten the safety or reliability of the grid. The PUC Decision made the NEM customer capacity limit obsolete because a net energy metered system of any size – whether 5 kW or 5 MW – simply is not going to be interconnected with the grid unless the system passes the utility's own rigorous safety and reliability requirements.

California, Colorado, Connecticut, Delaware, Florida, Maryland, Nevada, New Jersey, New Mexico, Oregon, Pennsylvania, Puerto Rico and Rhode Island – places that have electricity prices lower than Hawaii's with nothing like Hawaii's 79% dependence on imported oil for electricity generation – have adopted or are preparing to adopt customer capacity limits of 1 MW or more to encourage customer investment in renewable energy generation. These states (and Puerto Rico) have gone to 1 MW and larger customer capacity limits out of recognition that NEM systems up to these sizes pose no particular safety and reliability issues, if they ever did.

There is no evidence that customer capacity limits of 1 MW or more have led to interconnection of net energy metered systems that impaired the safety and reliability of the grid. Other states have figured out that customer capacity limits can be raised to 1 MW and higher to encourage renewable energy without compromising the safety and reliability of the grid. Hawaii can do the same.

Far from impairing the reliability of the grid, interconnection of distributed generation systems, such as NEM systems, enhances the operation of the grid through avoided grid losses, reactive power savings, transmission capacity benefits, transformer deferral benefits and reliability benefits that are worth at least 7¢ per kWh.

Obstacle 3: the total capacity limit

Under current law and PUC policy, NEM is not available to any new renewable energy project if the total generating capacity of all existing NEM projects exceeds 1% of utility peak system demand. The total generating capacity of those 12 MW of airport projects probably would be about .7% of utility peak system demand. Thus, even if the owner-operator and the customer capacity obstacles are overcome, the Hawaii state government probably would not get NEM for these solar power projects because the generating capacity of these new projects, when added to the generating capacity of existing NEM projects, would exceed the 1% total capacity cap.

HB2550 HD 2 raises the total capacity limit to 5% over three years. That would be sufficient to bring most of the 12 MW of airports projects within NEM, if the other obstacles are overcome by passage of HB2550 HD2 in its entirety.

The legislature can raise the total capacity limit to 5% without any adverse effect on utility ratepayers because NEM is not a ratepayer subsidy. When distributed generation benefits (conservatively valued at 7¢ per kWh based on studies performed for PG&E and Austin Energy) to the utility and its ratepayers of NEM are added to the utility's avoided fuel costs (about 10¢ per kWh for HECO for the 2nd quarter of 2007), the true economic value of NEM (about 17¢ per kWh) to the utility and its ratepayers is about equal to the retail rate (about 17¢ per kWh for the 2nd quarter of 2007) at which the utility is obliged to value such electricity.

NEM is not a ratepayer subsidy because the true economic value of NEM renewable energy to utility ratepayers is at least equal to the NEM retail rate at which the utility (and its ratepayers) are obliged to value such renewable energy. If other benefits such as reduced greenhouse gas emissions are given economic values and added to the distributed generation benefits, the total economic value of NEM renewable energy substantially exceeds its cost to the utility and its ratepayers.

Because NEM is not a ratepayer subsidy, the total capacity limit could be eliminated entirely as an obstacle to the greater use of renewable energy in Hawaii. That is what many other states have done. Of 8 states that have raised the customer capacity limit to 2 MW, 6 states (Colorado, Connecticut, New Jersey, New Mexico, Oregon and Pennsylvania) have no total capacity limits for some or all of the state's utilities, and 1 state (Maryland) has a total capacity limit of 1500 MW (enough to power all of Oahu). These states – with nothing like Hawaii's 79% dependence on imported oil for electricity generation – have concluded that the benefits of encouraging greater renewable energy use through elimination of the total capacity limit outweigh any ratepayer subsidy effects from such elimination. These states are serious about encouraging greater use of renewable energy. Hawaii can be, too.

The PUC Should Be Directed to Establish Best Practices Interconnection Rules.

In *Freeing The Grid*, published in September 2007 by the Interstate Renewable Energy Council (IREC), in collaboration with the Network for New Energy Choices, Solar Alliance and Vote Solar Initiative, Hawaii's interconnection rules were scored on a dozen criteria including eligible technologies, individual system capacity, "breakpoints" for interconnection process, timelines, interconnection charges, engineering charges, external disconnect switch, certification, technical screens, spot/area network interconnection, insurance requirements and dispute resolution. Hawaii's grade was "F," ranking 32nd out of the 34 states graded. Hawaii got ½ point on a scale where the top-rated state – New Jersey – scored 12½ points.

The "F" grade meant "Interconnection rules retain many barriers to interconnection. Few to no generators will experience expedited interconnection and few to no state best practices are adopted. Many to most DG systems will be blocked from interconnecting because of the rules." HB 2550 HD2 addresses the multiple deficiencies in Hawaii's interconnection rules by directing the PUC to initiate a rulemaking proceeding to adopt best practices interconnection rules like those promulgated by FERC and best practices organizations like IREC.

Conclusion

With Hawaii burning imported oil for 79% of its electricity and oil going for \$100 a barrel, the legislature should act now to encourage greater use of renewable energy by (1) extending NEM benefits to customer-generators that lease renewable energy facilities or purchase renewable energy from third parties, (2) raising the NEM customer capacity limit to 2 MW and either eliminating the total capacity limit or raising the total capacity limit to at least 5% of utility system peak demand, and (3) directing the PUC to establish best practices interconnection rules.



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803

808.537.9019 hawaii.chapter@sierraclub.org

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 18th, 2008, 3:15 P.M.

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 2550 HD2, WITH AMENDMENTS

Chair Menor and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 2550 HD2, expanding Hawaii's net metering law to foster more home-grown, clean energy.

While we understand that the PUC has recently issued a ruling in their net metering docket, we believe the legislature can accelerate the adoption of photovoltaic and other clean energy devices by increasing the system penetration cap. We do not support increasing the allowed system size at this time, however, as such commercial systems are receiving substantial support and we want to encourage more smaller, residential applications.

After wisely being passed in 2001, net energy metering slowly began with a handful of renewable energy generators. As more homeowners learn about the program and its impacts on the payback period for renewable energy devices, the subscription rate will increase. In fact, we may be nearing a "tipping point" where many residential customers invest in renewable energy devices because of their relative cost and environmental advantages. House bill 2550 should pick up where prior legislation left off—increasing the total amount of net metered energy on the grid. While we understand that the Public Utilities Commission has a docket open that examines the possibility of increasing the caps, this legislation could remove uncertainty and set out a clear policy on net metering.

The benefits of expanding net energy metering are numerous:

- Private individuals invest in the power plants of tomorrow—instead of ratepayers. Each new installed system can reduce the need to construct massive, expensive power plants, with all of their associated siting, environmental, and financial impacts. Private investors take on the risk of such investments, not ratepayers such as families and businesses.
- Diversified and decentralized power strengthens the power grid, providing more buffering from blackouts, oil price spikes, and accidents.
- Decentralized power reduces the need for ugly powerlines.
- The allowable net energy systems in this program are clean and have less impact on Hawaii's environment than coal and oil-fired powerplants.
- Growth in the renewable energy industry in Hawai'i creates jobs and high-tech business opportunities—diversifying Hawaii's economy.
- A clean kilowatt from photovoltaic systems or other clean energy devices is worth much more for Hawai'i than a dirty kilowatt from one of Hawaiian Electric's oil-fired powerplants. We should ensure that it is given at least as much value on the market.

Please forward an amended HB 2550 HD2 to expand our statewide net metering program. Thank you for the opportunity to testify.

HB 2168 HD1



TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

ON THE FOLLOWING MEASURE:

H.B. NO. 2168, H.D. 1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

BEFORE THE:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

DATE: Tuesday, March 18, 2008 **TIME:** 3:15 PM

LOCATION: State Capitol, Room 414
Deliver to: Committee Clerk, Room 208, 1 Copy

TESTIFIER(S): Mark J. Bennett, Attorney General
or Brian Aburano, Deputy Attorney General

Chair Menor and Members of the Committee:

The Attorney General has comments regarding whether the special purpose revenue bonds proposed by this bill would be tax-exempt under current federal tax laws.

This bill is to authorize the issuance of special purpose revenue bonds under part V, chapter 39A, Hawaii Revised Statutes (HRS), in a total amount not to exceed \$50,000,000, for the purpose of assisting H2 Technologies Incorporated or a partnership in which H2 Technologies Incorporated is a general partner, or a newly formed LLC in which H2 Technologies Incorporated is a managing member or the successor in interest or an assignee of H2 Technologies Incorporated for the construction of a hydrogen generation appliance research, development, and manufacturing facility and laboratory and a gasoline- or diesel-to-hydrogen automobile conversion garage on the island of Hawaii [page 6, line 17 to page 7, line 7].

Generally, the purpose of issuing special purpose revenue bonds is to issue tax-exempt bonds, i.e., bonds that will pay interest that is exempt from federal income taxes. Tax-exempt bonds have lower interest rates than taxable bonds or commercial loans since they produce interest that is exempt from federal taxation. As outlined below,

current federal tax laws will make it difficult for the special purpose revenue bonds proposed by this bill to be tax-exempt bonds.

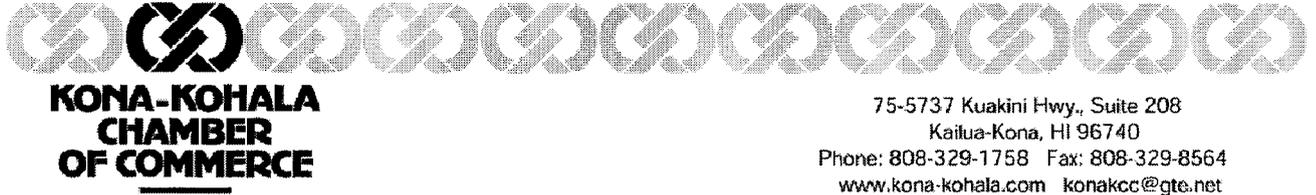
Tax-exempt bonds may be issued under 26 U.S.C. § 142(a)(8) so long as 95 percent or more of the net proceeds of the bonds are used to provide "facilities for the local furnishing of electrical energy or gas." However, this provision is limited to entities that were engaged in the furnishing of electrical energy or gas on January 1, 1997, and the proposed facility must serve the area served by that entity on January 1, 1997. See 26 U.S.C. § 142(f)(3). H2 Technologies Incorporated would not qualify to issue tax-exempt bonds under this provision, because it was not furnishing electrical energy in Hawaii on January 1, 1997.

Tax-exempt bonds may be issued under 26 U.S.C. § 144(a) if they are "qualified small issue bonds." Bonds issued after December 31, 1986, do not qualify as "qualified small issue bonds" unless 95 percent of the net proceeds of those bonds are used to provide a "manufacturing facility" or farm property. See 26 U.S.C. § 144(a)(12)(A) and (B). A "manufacturing facility" is defined as a facility used "in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property)." See 26 U.S.C. § 144(a)(12)(C). The part of H2 Technologies Incorporated's proposed facility that would manufacture hydrogen generating appliances and its proposed gasoline- or diesel-to-hydrogen conversion garage may qualify as a "manufacturing facility," but the research and laboratory parts of the proposed facility would not qualify. In addition, the amount of the proposed bonds exceeds the amount that is allowed for small issue bonds. See 26 U.S.C. § 144(a)(1) and (4) (\$1,000,000 and optional \$10,000,000 limit).

Tax-exempt bonds may be issued under 26 U.S.C. § 145(a) if all property to be provided by the net proceeds of the bonds is to be owned by a 501(c)(3) organization, i.e., a nonprofit organization under 26 U.S.C. § 501(c)(3). The records of the Department of Commerce and Consumer Affairs do not indicate that H2 Technologies Incorporated is a

nonprofit organization. Rather, they indicate that it is a domestic profit corporation. As such, the bonds to be issued under this bill would not qualify as tax-exempt bonds under 26 U.S.C. § 145(a).

While not tax-exempt, the proposed bonds could receive favorable tax treatment if they qualify as "clean renewable energy bonds" (CREB) under 26 U.S.C. § 54. However, the borrower who uses the proceeds of CREB special purpose revenue bonds must be a mutual or cooperative electric company, i.e., a nonprofit organization organized under 26 U.S.C. § 501(c)(12) or 1381(a)(2)(C). See 26 U.S.C. § 54(d)(1)(B) and (j)(5). H2 Technologies Incorporated does not appear to be such a company. The bonds proposed by this bill also may not meet other requirements for CREB bonds set out in 26 U.S.C. § 54, including a current requirement that the bonds be issued before December 31, 2008. See 26 U.S.C. § 54(m).



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March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

RE: Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

The Kona-Kohala Chamber of Commerce (KKCC) represents nearly 700 business members and is the leading business advocacy organization on the west side of Hawai'i Island. The KKCC also actively works to enhance the environment, unique lifestyle and quality of life in West Hawai'i.

The Kona-Kohala Chamber of Commerce supports HB 2168 HD1. After review of the H2 Technologies executive summary, we believe this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing us more money to survive. We believe electricity and fuel prices will continue to go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. We fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, The KKCC is in support of this bill and thanks the committee for the opportunity to testify.

Sincerely,

Vivian Landrum

Vivian Landrum
Executive Director

H2 Technologies, Inc.
73-4347 Malie Place
Kailua-Kona, HI 96740
www.h2-techs.com

March 16, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Guy Toyama and I am the COO of H2 Technologies, Inc..

H2 Technologies supports HB 2168 HD1. I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, H2 Technologies is in support of this bill and thank the committee for the opportunity to testify.

Sincerely,
Guy Toyama
COO, H2 Technologies, Inc.
808-938-6325

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday March 18, 2008
3:15 PM
State Capitol, Conference Room 414

In consideration of
HB 2168 HD1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

Chair Menor, Vice Chair Hooser, and Members of the Senate Committee on Energy and Environment.

The High Technology Development Corporation (HTDC) supports HB 2168 HD1 which authorizes Special Purpose Revenue Bonds to H2 Technologies, Inc. for construction of a Hydrogen Generator Appliance Laboratory and Hydrogen Generation and Conversion Facilities.

H2 Technologies, Inc. physically located on the Big Island of Hawaii is a member of the Statewide Incubation Network which is managed by the HTDC. Through this network there will be access to resources and assistance to further their plans to develop their technology to produce hydrogen-based renewable energy.

Thank you for the opportunity to submit testimony in support.

March 12, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Will Rolston and I am the Energy Manager of the Hawai'i Gateway Energy Center at NELHA.

Will Rolston supports HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, Will Rolston is in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Will Rolston



March 12, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Mattson Davis and I am the President / CEO of Kona Brewing Company.

I support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

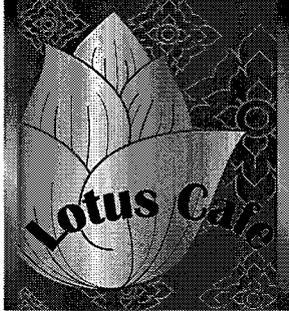
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The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Mattson C. Davis
President / CEO
Kona Brewing Company



Lotus Café

**73-5617 MAIAU ST
Kailua kona, Hi 96840
808 327-3270 F 329-6549**

March 12, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Howie Simon and I am the owner of Lotus Café in Kona

I strongly support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Howie Simon

Lotus Café

Hawaii's first completely solar powered cafe

73-5617 Maiiau St.

Kailua Kona, Hi. 96740

[letterhead]

March 12, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is _____GregMenke_____ and I am the ___owner_____ of ___Sacred Fire Candle Company_____.

Sacred Fire _____ supports HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, __Greg Menke_____ is in support of this bill and thank the committee for the opportunity to testify.

Sincerely,
Greg Menke
Sacred Fire

March 16, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Cyndy Dyal and I am a Hawaii resident, taxpayer and Real Estate agent on The Big Island of Hawaii. I also represent Hawaiian Solar, Plumbing & Spas as a Marketing/Sales representative.

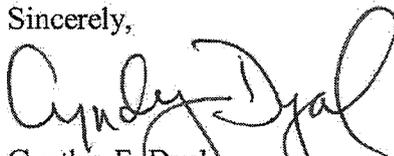
I strongly support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

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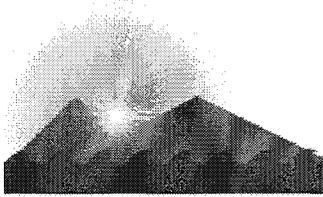
The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,



Cynthia E. Dyal
P.O. Box 5622
Kailua-Kona, HI 96745
808-937-9937



Aurora Research, LLC

73-4372 Hulilau St.
Kailua Kona, HI 96740
808-325-1631

March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Roderick Hinman and I am the Principal member of Aurora Research, LLC.

Aurora Research, LLC, as a company involved in solar and alternative energy research, supports HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. On Hawaii Island in particular, the addition of more renewable energy sources will require some form of energy storage to buffer the differences between generation and consumption. Hydrogen is one good way to store excess energy generation; it also can be used as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on the island rather than imported will save money now and even more over time.

I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, Aurora Research, LLC, is in support of this bill and thanks the committee for the opportunity to testify.

Sincerely,

Roderick T. Hinman, Ph.D
Principal

testimony

From: John and Linda Oery [loery@hawaii.rr.com]
Sent: Saturday, March 15, 2008 4:02 PM
To: testimony; Testimony@Capital.Hawaii.Gov
Subject: HB2168HD1

Please be advised that we are full-time residents of the Island of Hawaii in the State of Hawaii and in full support HB2168HD1. This bill is a step in sustainability for this Island and the quality of life of its residents.

Respectfully,

John and Linda Oery
75-6025 Alii Drive
Kailua Kona, HI 96740

testimony

From: John Scott [johnscott@hawaii.rr.com]
Sent: Friday, March 14, 2008 9:07 PM
To: testimony
Subject: Senate ENP Committee 3/18/2008 HB2168 HD 1

John R. Scott
73-4344 Wainana pl.
Kailua Kona, HI. 96740

March 12, 2008

Senator Ron Menor

Chair, Energy and Environment Committee

Senator Gary Hooser

Vice Chair, Energy and Environment Committee

State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee,

my name is John R. Scott, and I am a resident of Hawaii county

I support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will

3/14/2008

only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

John R. Scott

73-4344 Wainana pl.

Kailua Kona, HI. 96740

March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Shirley Ann Fukumoto, and I am the Assistant Headmaster at Hawaii Preparatory Academy.

I support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

HPA is at the forefront in promoting Go Green and have many sustainability initiatives planned. Again, for these reasons, I support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Shirley Ann K. Fukumoto

[letterhead]

March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Keith Davenport and I am a resident of Kailua Kona supports HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

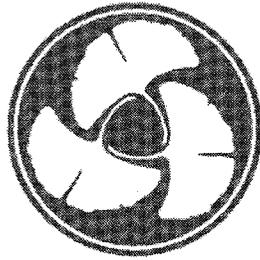
Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Keith Davenport



NATURAL
INVESTMENTS LLC

March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Michael Kramer and I am a Managing Partner of Natural Investments LLC and also volunteer to coordinate the Kuleana Green Business Program of the Kona-Kohala Chamber of Commerce. I am in the business of channeling investment capital towards resources which can contribute to the island sustainability and self-reliance.

To this end, I fully support HB 2168. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawai'i and will be a key step in bringing Hawai'i to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawai'i is extremely vulnerable. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

For these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Michael Kramer,
Accredited Investment Fiduciary[®]

PO Box 390595 Keauhou, HI 96739
www.NaturalInvesting.com
808-331-0910



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



Statement of
RONALD N. BAIRD
CHIEF EXECUTIVE OFFICER
Natural Energy Laboratory of Hawaii Authority
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
and the
SENATE COMMITTEE ON TOURISM AND GOVERNMENT OPERATIONS
and the
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION
Tuesday, March 18, 2008
3:15 p.m.
State Capitol, Conference Room 414

in consideration of

HB2168, HD1
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

Chair Nishihara, Vice-Chair Kim, members of the Senate Committee on Tourism and Government Operations, Chair Fukunaga, Vice-Chair Espero, and members of the Senate Committee of economic Development and Taxation, I am Ron Baird, Chief Executive Officer of the Natural Energy Laboratory of Hawaii Authority.

I want to state my support for this bill, which I believe will help move Hawaii into a more energy secure and environmentally responsible situation. Transportation fuel, especially if it is an alternative to gasoline and diesel fuels, will help reduce a major financial burden on the people of Hawaii and is good for this State. This bill will help bring the hydrogen economy to Hawaii, perhaps allowing us to rely less on imported fuel sources by commencing the conversion of vehicles and production of a hydrogen fuel.

The company H2 Technologies has indicated its intentions of becoming a tenant at NELHA and will, I understand, file its format request to do so before our March 19th Board meeting.

We at NELHA would be very excited to have an entity based at NELHA actually doing work on development of the hydrogen economy as a method of freeing us from the constantly increasing price of petroleum. This would be the first company at NELHA doing direct work on hydrogen usage for transportation fuels. I should note, though in this regard, that Cellana LLC. Is doing research at NELHA aimed toward producing jet fuel or diesel from marine algae. Indeed, NELHA is rapidly emerging as *the* location in Hawaii and the United States to conduct research and development of the next generation of fuels and power sources.

73-4460 Queen Kaahumanu Hwy. #101, Kailua-Kona, Hawaii USA 96740-2637
Phone: (808) 329-7341 Fax: (808) 326-3262 Email: nelha@nelha.org Website: <http://www.nelha.org>

Finally, I support this bill because its intent is to foster production of hydrogen from a renewable energy source such as solar, wind, or geothermal and would compliment the possible production of hydrogen from the inexpensive power source, OTEC, for which we intend to issue an RFP in March.

I encourage this committee to approve HB2168 HD1 and hasten its passage.

Thank you very much for your consideration of my views and

If you have any questions that I might be answer, I would be happy to take and answer them now to the best of my ability. Thank you again for your time.

testimony

From: JKCOHawaii@aol.com
Sent: Monday, March 17, 2008 12:25 PM
To: testimony
Subject: Testimony re. HB2168 HD1 3/17/08

Senate Committee on Energy and Environment
State Capitol Building

Letter of Testimony

By
Hawaii Pacific Productions

Senate Committee on Energy and Environment
March 18, 2008. 3:15am
Regarding Measure number: HB2168 HD1
Sending via email to: testimony@capitol.hawaii.gov



P.O. Box 2082, Kailua-Kona, HI 96745
(808) 326-7336 • Email: jkcohawaii@aol.com

March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is John Kitchen and I

am the President of Hawaii Pacific Productions.

I strongly support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Finally, the authors of this bill are among the most knowledgeable in the State of Hawaii about the creation and implementation of hydrogen based fuels technology.

Again, for these reasons, Hawaii Pacific Productions is in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

John Kitchen

John Kitchen, President

It's Tax Time! [Get tips, forms and advice on AOL Money & Finance.](#)

March 17, 2008

Senator Ron Menor

Chair, Energy and Environment Committee

Senator Gary Hooser

Vice Chair, Energy and Environment Committee

State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Charlotte Kono and I am a registered voter in the Makiki district.

I support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Charlotte Kono

March 17, 2008

Senator Ron Menor
Chair, Energy and Environment Committee
Senator Gary Hooser
Vice Chair, Energy and Environment Committee
State Capitol, Honolulu Hawaii 96813

Testimony in Support of HB 2168 HD1 Relating to the Issuance of Special Purpose Revenue Bonds

Chair Menor, Vice Chair Hooser and members of the committee, my name is Kenneth R. Fowler and I am a long term Substitute Teacher k-12 for HDOE, working this year at Kealakehe High School here on the Big Island. I would very much like to see Hawaii Island realize its potential for sustainable energy development becoming a leader for the very urgent changes that need to be made on a local and global scale.

I, Kenneth R. Fowler support HB 2168 HD1. After review of the H2 Technologies executive summary, I believe that this project is in the best interest of the people of Hawaii and will be a key step in bringing Hawaii to self sufficiency with regards to both electricity and transportation fuels.

Because we import 90% of our energy source and fuel and 85% of our food, as an island state, Hawaii is extremely vulnerable. Because we rely on importing all our necessities, it is costing all of us more money to survive. And I am certain that electricity and fuel prices will only go up over time causing more hardship. However, blessed with abundant sunshine, wind, geothermal, ocean currents and falling waters, we are in a great position to become less dependent on our imported energy needs. With so many renewable ways to produce electricity, Hawaii is also in a great position to be a major producer of clean hydrogen for use as a transportation fuel. The ability to convert a car or truck to run on hydrogen which can be produced on site will save money now and even more over time.

The price of gasoline and diesel are hitting us hard in the pocketbooks. I fully support any efforts to develop safe alternative transportation fuels made in Hawaii as it will benefit our society and our local economy.

Again, for these reasons, I am in support of this bill and thank the committee for the opportunity to testify.

Sincerely,

Kenneth R. Fowler
74-5533 Luhia St. B-1A#506
Kailua-Kona, HI 96740

SENT VIA EMAIL

DATE: March 17th, 2008

TO: Representative Marcus Oshiro, Chair,
Representative Marilyn Lee, Vice-Chair
House Finance Committee

FROM: Mark McGuffie, Executive Director
Hawaii Island Economic Development Board

REF: HB2168 HD1 RELATING TO THE ISSUANCE OF SPECIAL
PURPOSE REVENUE BONDS

ENE Committee March 18, 2008 3:15PM

Dear Chair Menor, Vice Chair Hooser and Committee Members:

On behalf of the directors and the 115 member organizations of Hawaii Island Economic Development Board, we support HB2168 HD 1 moving Hawaii toward a more energy secure and environmentally responsible State.

By addressing the critical issue of transportation fuel, will help reduce a major financial burden on the people of Hawaii. This bill will help bring the hydrogen economy to Hawaii, thereby reducing the reliance on imported fuel sources.

Supporting the intent of this bill will foster production of hydrogen from renewable energy sources such as solar, wind, hydro and geothermal.

We encourage this committee to approve HB2168 HD1.

Thank you for your consideration of this testimony

Respectfully submitted,

Mark McGuffie
Executive Director

HB 2401 HD2



TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

ON THE FOLLOWING MEASURE:

H.B. NO. 2401, H.D. 2, AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST OCEANLIX HAWAII LLC.

BEFORE THE:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

DATE: Tuesday, March 18, 2008 **TIME:** 3:15 PM

LOCATION: State Capitol, Room 414
Deliver to: Committee Clerk, Room 208, 1 Copy

TESTIFIER(S): Mark J. Bennett, Attorney General
or Brian Aburano, Deputy Attorney General

Chair Menor and Members of the Committee:

The Attorney General has comments regarding whether the special purpose revenue bonds proposed by this bill would be tax-exempt under current federal tax laws.

This bill is to authorize the issuance of special purpose revenue bonds under part V, chapter 39A, Hawaii Revised Statutes (HRS), in a total amount not to exceed \$20,000,000, for the purpose of assisting Oceanlinx Hawaii LLC with the planning, design, and construction of a hydrokinetic power generation facility off-shore of Maui [page 3, lines 1-11].

Generally, the purpose of issuing special purpose revenue bonds is to issue tax-exempt bonds, i.e., bonds that will pay interest that is exempt from federal income taxes. Tax-exempt bonds have lower interest rates than taxable bonds or commercial loans since they produce interest that is exempt from federal taxation. As outlined below, current federal tax laws will make it difficult for the special purpose revenue bonds proposed by this bill to be tax-exempt bonds.

Tax-exempt bonds may be issued under 26 U.S.C. § 142(a)(8) so long as 95 percent or more of the net proceeds of the bonds are used to provide "facilities for the local furnishing of electrical energy or gas." However, this provision is limited to entities that were engaged

in the furnishing of electrical energy or gas on January 1, 1997, and the proposed facility must serve the area served by that entity on January 1, 1997. See 26 U.S.C. § 142(f)(3). Oceanlinx Hawaii LLC would not qualify to issue tax-exempt bonds under this provision, because it was not furnishing electrical energy in Maui on January 1, 1997.

Tax-exempt bonds may be issued under 26 U.S.C. § 144(a) if they are "qualified small issue bonds." Bonds issued after December 31, 1986, do not qualify as "qualified small issue bonds" unless 95 percent of the net proceeds of those bonds are used to provide a "manufacturing facility" or farm property. See 26 U.S.C. § 144(a)(12)(A) and (B). A "manufacturing facility" is defined as a facility used "in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property)." See 26 U.S.C. § 144(a)(12)(C). Oceanlinx Hawaii LLC's proposed hydrokinetic power generation facility would not qualify as a "manufacturing facility" as the production of electrical energy is not the production or manufacture of tangible personal property. Further, the amount of the proposed bonds exceeds the amount that is allowed for small issue bonds. See 26 U.S.C. § 144(a)(1) and (4) (\$1,000,000 and optional \$10,000,000 limit).

Tax-exempt bonds may be issued under 26 U.S.C. § 145(a) if all property to be provided by the net proceeds of the bonds is to be owned by a 501(c)(3) organization, i.e., a nonprofit organization under 26 U.S.C. § 501(c)(3). The records of the Department of Commerce and Consumer Affairs do not indicate that Oceanlinx Hawaii LLC is a nonprofit organization. Rather, they indicate that it is a domestic limited liability company. As such, the bonds to be issued under this bill would not appear to qualify as tax-exempt bonds under 26 U.S.C. § 145(a).

**TESTIMONY OF GERALD A. SUMIDA, ESQ.
ON BEHALF OF OCEANLINX HAWAII LLC
BEFORE THE
COMMITTEE ON ENERGY AND ENVIRONMENT
THE SENATE
ON
H.B. NO. 2401, H.D.2 AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE
REVENUE BONDS TO ASSIST OCEANLINX HAWAII LLC
MARCH 18, 2008**

Mr. Chair and Members of the Committee:

I am Gerald A. Sumida, Of Counsel in the Hawaii law firm of Carlsmith Ball LLP. I am very pleased to appear before you on behalf of Oceanlinx Hawaii LLC, a Hawaii limited liability company ("Oceanlinx"), and to present testimony in favor of H.B. No. 2401, H.D. 2 to authorize the issuance of up to \$20,000,000 of special purpose revenue bonds ("SPRBs") to Oceanlinx.

Oceanlinx is a recently formed company whose purpose is to undertake the development and operating of a wave energy conversion facility offshore of the Island of Maui. This facility will have a capacity of 2.7 megawatts and will provide electricity to Maui Electric Company, Limited ("MECO") on Maui to help meeting Maui's electric energy demand. Oceanlinx is a subsidiary of Oceanlinx Ltd., based in Botany, Australia, which is engaged in developing wave energy conversion systems throughout the world. I am pleased to provide an overview of Oceanlinx's wave energy project in Hawaii (the "Project").

PROJECT DESCRIPTION

The Project is a 2.7 megawatt wave energy conversion system, which will be located about 1/2 to 3/4 of a mile offshore of Maui's Pauwela Point. It will consist of 2 or 3 wave energy conversion units, depending on the outcome of our wave logging analysis. These units will float on the ocean surface and, by use of a patented Oscillating Water Column device, will generate electric energy from the motion of the ocean waves. The Project's total electricity out will be 2.7 megawatts and will be sold to MECO for distribution to Maui's general public. There will be no emissions or other discharges from this Project.

The Project will be located offshore of Maui's Pauwela Point. This location has been chosen after an analysis of the wave energy potential in this area. This location is far away from any commercial or recreational boating and shipping routes, any surfing and wind surfing areas, and any fishing locations. The coastal area of Maui at this location is one of high cliffs, and the land area above the cliffs is comprised of agricultural lands.

Oceanlinx has been in preliminary discussions with MECO for arrangements to provide Maui with electricity generated from one of Maui's, and Hawaii's, most plentiful renewable energy resources. The electricity generated by the Project will be delivered from the Project to

MECO's grid through undersea electric transmission cables. These cables will be buried once they reach the shore area.

PROJECT STATUS

Oceanlinx has held ongoing information meetings with Maui's community, including Maui's governmental officials and is pleased to have substantial support from the community. We have also had similar meetings with persons from the State Government, the University of Hawaii and the business community, and have received strong support for our technology as well as our plans to harness Hawaii's ocean wave energy resources.

Oceanlinx is in the process of obtaining the necessary permits, which includes an environmental assessment. We hope to complete the Project and begin operations by late 2009.

BENEFITS FROM THE PROJECT

Oceanlinx's Project will provide many benefits to Maui and also to the State of Hawaii and beyond:

- The Project will provide electric energy to Maui's public that will be generated by one of Hawaii's most abundant renewable energy resources, the power inherent in the energy of the ocean's waves. This will help in furthering the County of Maui's goal and the State of Hawaii's goal of using Hawaii's renewable energy resources to generate electric energy, reduce Hawaii's dependency upon very expensive imported fossil fuels, and increase Hawaii's energy self-sufficiency.
- The Project will use a proven, innovative technology that is environmentally sound and clean, with no emissions or other discharges that would raise environmental concerns. It will also showcase renewable energy development initiatives on Maui and Hawaii, and provide an important example for other areas in the world that have the potential for wave energy conversion projects.
- The communities and leaders in Maui, and in Hawaii, have expressed their strong support for this Project and Oceanlinx's efforts, and Oceanlinx will continue to work closely with them.

BACKGROUND ON OCEANLINX LIMITED

Oceanlinx Limited is an international renewable energy company based in Australia, with headquarters in Botany, New South Wales, Australia. Oceanlinx Limited is currently developing wave energy conversion projects, using its own technology, in Australia, Rhode Island, the United Kingdom, Namibia and Hawaii.

The company was originally founded in 1997 and was initially called Energetech Australia Pty. Ltd., and changed its name in 2007 to Oceanlinx Limited.

PROJECT COST AND SPRB AUTHORIZATION REQUEST

The total cost of the Project is estimated to be some \$20,000,000 to 30,000,000. Of this, Oceanlinx desires to fund approximately \$20,000,000 through the issuance of SPRBs to assist in developing the Project. As the Committee is aware, the repayment of these types of bonds is guaranteed by either the borrower or a financial institution, and the interest paid to the bondholders is exempt from taxation. This enables the borrower to pay an interest rate which is lower than interest rates on non-exempt taxable borrowings. Section 39A-161 of the Hawaii Revised Statutes specifically provides that SPRBs are not an obligation of the State of Hawaii and are payable solely from the revenues pledged from the Project for the repayment of the SPRBs.

Given Oceanlinx's development schedule, Oceanlinx is currently planning to seek to issue the authorized SPRBs during 2008 to assist in financing the Project's development.

We thus respectfully request your favorable action on H.B. 2401, H.D. 2, since this will greatly assist Oceanlinx in the development of this innovative and important renewable energy project to assist MECO and the Island of Maui's public as well as assist in furthering the State's policy to developing and harnessing Hawaii's indigenous renewable energy resources and reducing Hawaii's dependency upon oil.

Mr. Chair and Members of the Committee, I would be very pleased to respond to any questions that you may have.

Thank you very much for the opportunity to appear before your Committee.

Gerald A. Sumida, Esq.
Of Counsel
Carlsmith Ball LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, Hawaii 96813
Tel: (808) 523-2528
Fax: (808) 523-0842
Email: gsumida@carlsmith.com

Company Contact:

Dr. Peter Kalish
Advisor
Oceanlinx Limited
Level 2, 2A Lord Street
Botany, NSW 2019, Australia
Tel: +61 2 9549 6300
Fax: +61 2 9475 4761
Email: peter.kalish@oceanlinx.com

Testimony before the Senate
Committee on Energy & Environment

H.B. 2401, HD2 Authorizing the Issuance of Special Purpose
Revenue Bonds to Assist Oceanlinx Hawaii, LLC

Tuesday, March 18, 2008
3:15 p.m., Conference Room 414

By Ed Reinhardt
President, Maui Electric Company, Inc.

Chair Menor, Vice Chair Hooser, and members of the Committee:

Hawaiian Electric Company, Inc., and its subsidiary utilities, Maui Electric Company, Ltd., and Hawaii Electric Light Company, Inc. strongly support House Bill 2401, HD2 which would authorize issuance of Special Purpose Revenue Bonds in the amount of \$20 million to assist Oceanlinx Hawaii, LLC.

Oceanlinx Hawaii, the local subsidiary of Australia-based Oceanlinx, has developed a unique, commercially efficient system for extracting energy from ocean waves and converting it to electricity.

Oceanlinx proposes to install floating wave energy converters at sea north of Pauwela Point in Northeast Maui and a sub-sea cable crossing east of Maliko Bay, where it will feed into a substation and provide up to 2.7 megawatts to the Maui grid. This wave farm could be expanded to provide energy to the Maui grid and throughout the islands.

The Hawaiian Electric companies, in common with most Hawaii residents, are concerned with Hawaii's dependence on imported fossil fuel and the economic, security and environmental vulnerability that brings. We are actively seeking environmentally-friendly ways to reduce Hawaii's dependence on imported fossil fuel, increase our energy security and reduce our global warming impact.

Over the last dozen years, Hawaiian Electric's renewable energy specialists have closely monitored the progress of more than a dozen ocean energy technologies – and our companies have consulted and

assisted with those companies' efforts whenever possible. In Oceanlinx, we believe we have found a wave technology that makes sense for Hawaii.

Oceanlinx Hawaii will prepare an Environmental Impact Statement as part of the approvals it must seek. Maui Electric Company will work with Oceanlinx to negotiate a purchase power agreement beneficial to Maui ratepayers and fair to that company. That PPA will, of course, be subject to approval by the Hawaii Public Utilities Commission.

Wave energy will be an excellent compliment to other renewable resources on Maui, including biomass energy from the Hawaiian Commercial & Sugar (HC&S) plantation, wind energy from UPC's Kaheawa Wind Farm, the small Makilo Hydro plant we hope to see returned to service, and plans to use clean, renewable biodiesel to fuel our generators at Ma'alaea that comprise 85 percent of Maui's generation capacity. This is the true definition of a renewable portfolio: a variety of sources of power, and the more that are local the better.

In discussions with the Mayor and Maui County officials and environmental leaders on Maui, we have heard nothing but support for this project. We all know the tremendous advocacy role for ocean energy that has been played by Representative Cynthia Thielen. In addition, Representative Angus McKelvey has been instrumental in bringing this ocean energy project on Maui, along with other members of the Maui delegation.

Getting started with wave energy will not be inexpensive. Although costs should go down with mass production, wider deployment and greater experience, being a first mover has costs and risks. That cost, to be borne by Oceanlinx and its investors, is estimated at \$30 million.

Clearly, being able to finance this project in part under the auspices and preferred rates of a Special Purpose Revenue Bond would help move this project forward at no cost or liability to Hawaii taxpayers.

We urge you to pass this bill. Thank you for the opportunity to testify.

HB 2661 HD2



TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

ON THE FOLLOWING MEASURE:

H.B. NO. 2661, H.D. 2, RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST INDUSTRIAL ENTERPRISES.

BEFORE THE:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

DATE: Tuesday, March 18, 2008 **TIME:** 3:15 PM

LOCATION: State Capitol, Room 414
Deliver to: Committee Clerk, Room 208, 1 Copy

TESTIFIER(S): Mark J. Bennett, Attorney General
or Brian Aburano, Deputy Attorney General

Chair Menor and Members of the Committee:

The Attorney General has comments regarding whether the special purpose revenue bonds proposed by this bill would be tax-exempt under current federal tax laws.

This bill is to authorize the issuance of special purpose revenue bonds under part V, chapter 39A, Hawaii Revised Statutes (HRS), in a total amount not to exceed \$38,000,000, for the purpose of assisting Hui Mana'Oma'o or an enterprise or commercial entity in which Hui Mana'Oma'o possesses a vested equity interest, for establishment of facilities to convert renewable energy resources into electrical energy [page 2, lines 5-13].

Generally, the purpose of issuing special purpose revenue bonds is to issue tax-exempt bonds, i.e., bonds that will pay interest that is exempt from federal income taxes. Tax-exempt bonds have lower interest rates than taxable bonds or commercial loans since they produce interest that is exempt from federal taxation. As outlined below, current federal tax laws will make it difficult for the special purpose revenue bonds proposed by this bill to be tax-exempt bonds.

Tax-exempt bonds may be issued under 26 U.S.C. § 142(a)(8) so long as 95 percent or more of the net proceeds of the bonds are used to provide "facilities for the local furnishing of electrical energy or

gas." However, this provision is limited to entities that were engaged in the furnishing of electrical energy or gas on January 1, 1997, and the proposed facility must serve the area served by that entity on January 1, 1997. See 26 U.S.C. § 142(f)(3). Hui Mana'Oma'o would not qualify to issue tax-exempt bonds under this provision, because it was not furnishing electrical energy in Hawaii on January 1, 1997.

Tax-exempt bonds may be issued under 26 U.S.C. § 144(a) if they are "qualified small issue bonds." Bonds issued after December 31, 1986, do not qualify as "qualified small issue bonds" unless 95 percent of the net proceeds of those bonds are used to provide a "manufacturing facility" or farm property. See 26 U.S.C. § 144(a)(12)(A) and (B). A "manufacturing facility" is defined as a facility used "in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property)." See 26 U.S.C. § 144(a)(12)(C). Hui Mana'Oma'o's proposed facility for the production of electrical energy from renewable resources would not qualify as a "manufacturing facility" as the production of electrical energy is not the production or manufacture of tangible personal property. Further, the amount of the proposed bonds exceeds the amount that is allowed for small issue bonds. See 26 U.S.C. § 144(a)(1) and (4) (\$1,000,000 and optional \$10,000,000 limit).

Tax-exempt bonds may be issued under 26 U.S.C. § 145(a) if all property to be provided by the net proceeds of the bonds is to be owned by a 501(c)(3) organization, i.e., a nonprofit organization under 26 U.S.C. § 501(c)(3). The records of the Department of Commerce and Consumer Affairs do not indicate that Hui Mana'Oma'o is a nonprofit organization. Rather, they indicate that it is a domestic limited liability company. Also, IRS Publication 78, Cumulative List of Organizations described in section 103 of the Internal Revenue Code of 1986 does not list Hui Mana'Oma'o as an organization described in 26 U.S.C. § 501(c)(3). As such, the bonds to be issued under this bill would not qualify as tax-exempt bonds under 26 U.S.C. § 145(a).

While not tax-exempt, the proposed bonds could receive favorable tax treatment if they qualify as "clean renewable energy bonds" (CREB) under 26 U.S.C. § 54. However, the borrower who uses the proceeds of CREB special purpose revenue bonds must be a mutual or cooperative electric company, i.e., a nonprofit organization organized under 26 U.S.C. § 501(c)(12) or 1381(a)(2)(C). See 26 U.S.C. § 54(d)(1)(B) and (j)(5). Hui Mana'Oma'o does not appear to be such a company. The bonds proposed by this bill also may not meet other requirements for CREB bonds set out in 26 U.S.C. § 54, including a current requirement that the bonds be issued before December 31, 2008. See 26 U.S.C. § 54(m).

HAWAII STATE SENATE
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON ENERGY AND ENVIRONMENT

**Tuesday, March 18, 2008
3:15 p.m., Room 414**

TESTIMONY OF HUI MANA 'OMA'O, LLC

**SUBJECT: H.B. 2661-HD2, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE
REVENUE BONDS TO ASSIST INDUSTRIAL ENTERPRISES.**

The Honorable Ron Menor, Chair and Members of the Committee:

Good morning. My name is William W. Milks. I am the managing member of Hui Mana 'Oma'o, LLC (HMO), a Hawaii business entity. Thank you for scheduling H.B. 2661-HD2 for a hearing this afternoon.

HMO supports enactment of H.B. 2661-HD2. Earlier, its companion bill, S.B. 2329 was referred to your Committee which took favorable action on it, on February 14, 2008.

Hui Mana 'Oma'o is Hawaiian for Consolidated Green Power. HMO is dedicated to the development and operation of renewable energy projects for delivery of electricity to Hawaii's franchised electric utility companies.

HMO is in the process of developing more than one renewable energy project for the Island of Oahu. To date it has spent considerable time and funds preparing to be responsive to Hawaiian Electric Company's (HECO) RFP for 100 mw of renewable energy, which RFP is soon to be formalized and approved by the Hawaii Public Utilities Commission.

Authorization of up to \$38 million of SPRBs is for Phase I of HMO's currently planned, three-phased multi-project effort. Phase I is planned to include a solar thermal facility on one site and generators converting methane to electricity on one or more other sites. The methane-related project could substantially reduce the volume of Oahu's municipal solid waste. The plan is to integrate energy from at least two stand-alone sites in order to make the energy "firm," or "dispatchable." HMO's power hopefully will qualify as reliable renewable energy.

BACKGROUND

In 2007, the Island of Oahu spent slightly more than \$2,000,000.00 a day (on average) just for fossil fuels needed to generate Oahu's electricity. What amounted to three quarters of a billion dollars spent on Oahu, in 2007, will certainly be more costly each ensuing year: early 2008, the market price for petroleum exceeded \$100.00 per barrel, for the first time in history. Refer, a Pacific Business News press clip (attached), dated March 14, 2008.

Hawaii's dependence upon oil is to the point of being extreme, not only because of our continuing need for oil to generate electricity, but also for vehicles, for jet fuel, and for utility gas. Also, many of our consumable products and fertilizer for our agricultural products are oil based.

The following points demonstrate that HMO's objective of providing renewable electric energy for Oahu's consumers is in the public interest.

- While nuclear power may be a solution, it requires amendment to our State Constitution. While coal supplies might be abundant, thermal pollution and carbon emissions require us to be less reliant on coal for Oahu's future. And while the development/commercialization of bio-fuels offers some hope, that industry is currently experiencing its own set of uncertainties.
- As the world's demand for petroleum accelerates, the number of newly discovered oil fields declines. The laws of supply and demand and political and military might will dictate the availability and price of oil in the future.
- Bringing renewable energy technologies to commercialization is costly, but such costs must be incurred. Electric utility companies have chosen to place those high costs—and the inevitable failures—on developers such as HMO.
- To make “dispatchable” renewables a reality for Oahu, cooperation among government developers and the utility company will be essential.
- Direct funding from the State of Hawaii to financially assist developers of renewable energy currently is beyond the state's available funds and will remain so for the foreseeable future.
- To integrate renewables into existing electrical systems, all forms of kokua are needed: Act 221/Act 215 provisions are needed; special purpose revenue bonds are needed; Department of Land and Natural Resources leases for sites are needed; a goal-oriented PUC is needed; and an aggressive and enlightened electric utility is needed.

HMO SHALL BE THE “RESPONSIBLE PARTY” FOR THE "PROJECT'S" SPRBs

H.B. 2661, HD2 would authorize the Hawaii Department of Budget and Finance (B & F) to proceed to qualify HMO. For HMO obtain B & F's declaration as a “Responsible Party” to arrange for the underwriting and sale of bonds for the “Project,” HMO will need to submit volumes of information with regard to its project's economic forecasts and financial feasibility.

Until such time as details of the projects are encompassed in a submittal to B & F, financials will not be available for public disclosure.

The processes set up by the Legislature and codified as Chapter 39A, Haw.Rev.Stat., provide safeguards to maintain the State of Hawaii's financial integrity: required guarantees will be in place or the bonds will not be underwritten. Indentures in the bonds absolve the State from being the ultimate financial recourse.

Special purpose revenue bond funding procedures cost the State of Hawaii virtually nothing. The "Project" has to reimburse B & F for all of the costs it incurs.

Further, this process does not require expenditure of General Funds. Ultimately, the project will benefit consumers, advance sustainability, and mitigate green house gas emissions.

Here, the State of Hawaii will lend its name to an energy projects developer in order to provide tax incentives to investors in renewable energies. The HECO family of companies has been the recipient of special purpose revenue bonds on numerous occasions over the past several years. That has been a good deal for Oahu's consumers in the past; HMO's use of SPRB in the future will be in the public interest, as well.

CONCLUSION

Oahu's need for electric energy from renewable resources is extreme. The State's cooperation to develop renewables is essential, but both the State and HECO have such other compelling priorities that capital intensive renewable projects cannot be directly funded by either of them. The franchised utility has provided ample evidence over the past several years that it is unwilling to assume the costs of developing renewable energy resources suited for island environments. Therefore, the passage of S.B. 2329 is in the public's interest.

Thank you for your attention and serious consideration to the merits of the proposal set forth in H.B. 2661, HD2. HMO urges favorable Committee action on H.B. 2661, HD2.

HMO will be happy to respond to any questions you may have.

PACIFIC BUSINESS NEWS

Honolulu, Hawaii

March 14, 2008 Vol. 46, No. 2

\$2.00

HECO fuel charges up 21% in 5 months

BY MARIE KALANI
PACIFIC BUSINESS NEWS

As oil prices hit record levels, Hawaii businesses and residents are being shocked not only at the gas pump but at the electric meter.

Since October, the fuel surcharge that Hawaiian Electric Co. passes on to its customers

has shot up 21 percent.

It now accounts for 57 percent of the average customer's bill on Oahu, with some Neighbor Island customers paying even more.

While other utilities across the nation also levy fuel surcharges, they are modest compared with the fuel costs charged by Hawaiian Electric Co. and its subsidiar-

ies, Maui Electric Co. and Hawaii Electric Light Co.

Other states rely on a mix of coal, natural gas, oil, nuclear power and hydroelectricity, but 90 percent of Hawaii's power comes from oil-fired generators.

This week, oil prices touched a record \$110 per barrel, suggesting even higher prices lie ahead for

Hawaii consumers.

Cary Groendyke, who owns the 16,000-square-foot Punahou Fitness & Spa in Honolulu, said he's now paying \$6,500 a month for electricity to power his fitness machines, pool filters, saunas, steam rooms and air conditioning.

"It's a really big concern because people are on memberships

here so I can't just arbitrarily raise their rates," Groendyke said. "My profit margin really starts taking hits and I don't feel there's a whole lot I can do."

Last October, HECO's fuel surcharge — labeled "energy cost adjustment" on its bills — was

SEE ELECTRIC, PAGE 39

ELECTRIC: Efforts to conserve erased by bigger bills

FROM PAGE ONE

12.368 cents per kilowatt-hour. This means the average Oahu home, which uses 600 kilowatt-hours of electricity a month, paid a \$74.21 surcharge.

This month, with the fuel surcharge at 14.937 cents per kilowatt-hour, the average homeowner will see a bill for \$158.33 with a surcharge of \$89.62, \$15 more than in October.

The surcharge is calculated a month in advance based on projected fuel costs, and does not require the approval of the state Public Utilities Commission. The same formula is applied to both residential and commercial customers' kilowatt-hour usage.

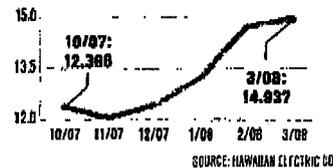
HECO stresses that it doesn't profit from the surcharge, which has been applied to all customer accounts since 1963.

"The energy cost adjustment clause ensures customers that Hawaiian Electric doesn't make a penny [and] guarantees they're only paying for actual cost of fuel," said HECO spokesman Darren Pai. "The PUC and the [state] Office of Consumer Advocacy review all of our fuel contracts and the surcharge appears as a separate line on their bills."

HECO and its subsidiaries spent \$774.1 million on fuel oil in 2007, according to the most recent financial statement of parent

Pennies per hour add up

Hawaiian Electric Co. adds a fuel surcharge to its bills labeled "energy cost adjustment." The charge goes directly to pay the utility's fuel costs. It is calculated monthly in cents per kilowatt-hour, and has risen 21 percent since October.



SOURCE: HAWAIIAN ELECTRIC CO.

company Hawaiian Electric Industries, which also owns American Savings Bank. The utilities collectively sold 10.1 million kilowatt-hours in 2007.

The formula HECO uses to determine each month's fuel surcharge looks at its projected cost of fuel for providing electric service to customers and compares that with the fuel cost already included in the utility's rates.

"The difference is used to make the calculation for the following month," Pai said. "In the event that the estimate is off, there is a reconciliation to make up the difference between actual and estimated."

One of the biggest problems for HECO is that it has been aggressively pushing energy conservation, but rising fuel costs are wiping out savings from low-power light bulbs, luke-warm showers and most solar systems.

Pai said HECO has received a number of complaints, especially from those who have invested hundreds or thousands of dollars in energy-efficient equipment.

"When customers do install things like solar water heaters but fuel costs continue to drive their bills, it's very understandable that they're unhappy," he said. "But we try to do as much as possible to have incentives and help them control the energy they're using."

He said over the past 11 years HECO has paid out \$62 million in rebates to customers who have installed energy-efficient systems.

The Maui Ocean Center in Maalaea has seen its electric bill double since opening a decade ago and is working to install wind turbines to help reduce its dependence on the utility.

"But our usage has stayed the same, or in fact, is down 2 percent," said General Manager Kate Zolezzi.

Zolezzi said that aquarium pumps running 24 hours a day drive most of the center's energy costs, which currently exceed

\$600,000 annually to keep alive sea life in its main 750,000-gallon aquarium and 85 smaller exhibits.

Last year, Maui Ocean Center announced plans for a \$46,000 wind turbine project to help reduce energy costs.

Maui Electric Co. agreed to contribute \$10,000 for the six, 1,000-kilowatt turbines that are expected to be on line in September.

Groendyke, the owner of the Punahou fitness club, switched the facility's air-conditioning system in 2001 to one that used less power but he's since seen those savings disappear.

"I figured I would pay for the redo over three years," he said. "I cut the electricity charges by over \$2,000 the first month I installed it, but that's been long ago eclipsed and it's back up to \$6,500 a month again."

HECO's position is that fuel surcharges will only come down when Hawaii uses less oil, generating a larger share of power by renewable means, including solar, wind and wave power.

"We see a definite need to move away from being so dependent on oil, and we're continuing to work to develop renewable energy sources that can provide reliable service to our customers," Pai said.

nikaloni@hawaii.com | 955-8001

Staggering utility costs require action now

Hawaii's efforts at being even slightly less energy dependent are lurching along at a disappointing pace, while the speed with which fuel surcharges and pass-throughs are tacked on to shipping, electricity and airfares is astonishing.

Take a look at your most recent electric bill and you'll find that more than 40 percent comes from the "energy cost adjustment" line item. That's what Hawaiian Electric Co. is getting charged for the fuel that keeps its generators running and it's passing along the cost to you.

So what incentive do we have to invest in solar or take cold showers if our bills keep going up anyway?

While there are a lot of interesting alternative energy projects under way in Hawaii, we're concerned that none of them seems to have much traction.

As PBN reported last week, Hawaii

isn't a bit closer to producing one drop of ethanol than it was in 2004 when the state moved to require all locally sold gasoline to be blended with 10 percent ethanol.

The production of biodiesel, which is supposed to cut the importation of "straight" diesel and help revive Hawaii's agriculture industry, is having its own financial and technological challenges.

Experiments with algae, oil palms and crops like jatropha, which could produce the "bio" to add to the diesel, still are in early stages and there is plenty of disagreement over which crops produce the most "juice" and cause the least environmental damage.

Solar, wind, biomass, biodiesel, geothermal, hydroelectric and wave energy all have their advocates and all have their limitations when it comes to providing cheap, reliable power to a remote chain of islands.

Gov. Linda Lingle is correct to be con-

cerned about the "security" of Hawaii, with its 90-percent dependence on oil, far more than other states that mostly use a mix of oil, coal, natural gas and nuclear energy to run their power plants.

"We are completely dependent on foreign governments for our energy security for our economic survival," Lingle told the National Governors' Association in February. "The fact is that we are the most energy-insecure state in America."

Lingle deserves credit for wading into this confusing arena and trying to provide leadership and focus.

So far, the Legislature has simply added to the muddle by proposing more studies and offering more chatter about sustainability (We do, however, support the landmark "Right to Dry" legislation that gives us all the right to use a clothesline.)

But even the Lingle initiatives are aimed further into the future than we're

comfortable with.

The looming specter of \$4 gasoline can only lead to budget-blowing "energy cost adjustments" that could stop what meager economic growth is forecast for the year.

In the short run, we'd suggest more meaningful incentives for conservation. HECO, with the blessing of the state Public Utilities Commission, should move ahead with a tiered rate structure that would reward off-peak usage.

Substantial rebates for customers who cut usage by 10 percent or more should also be considered — now that might be a fun family project.

And the state needs to think about what it can do through grants or aggressive tax incentives to get lenders and investors moving more quickly to fund projects like the Gay & Robinson ethanol enterprise on Kaula, or to get someone to start a jatropha plantation before gas hits \$5 a gallon.

HB 2825 HD1



TESTIMONY OF THE STATE ATTORNEY GENERAL TWENTY-FOURTH LEGISLATURE, 2008

ON THE FOLLOWING MEASURE:

H.B. NO. 2825, H.D. 1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST SOPOGY, INC., IN THE DEVELOPMENT OF RENEWABLE ENERGY ON THE ISLAND OF OAHU.

BEFORE THE:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

DATE: Tuesday, March 18, 2008 **TIME:** 3:15 PM

LOCATION: State Capitol, Room 414
Deliver to: Committee Clerk, Room 208, 1 Copy

TESTIFIER(S): Mark J. Bennett, Attorney General
or Brian Aburano, Deputy Attorney General

Chair Menor and Members of the Committee:

The Attorney General has comments regarding whether the special purpose revenue bonds proposed by this bill would be tax-exempt under current federal tax laws and would qualify for issuance under part VI, chapter 39A, Hawaii Revised Statutes (HRS).

This bill is to authorize the issuance of special purpose revenue bonds under part VI, chapter 39A, HRS, in a total amount not to exceed \$35,000,000, for the purpose of assisting Sopogy, Inc. with the planning, designing, construction, equipping, and operating of a solar farm power plant on the island of Oahu.

Generally, the purpose of issuing special purpose revenue bonds is to issue tax-exempt bonds, i.e., bonds that will pay interest that is exempt from federal income taxes. Tax-exempt bonds have lower interest rates than taxable bonds or commercial loans since they produce interest that is exempt from federal taxation. As outlined below, current federal tax laws will make it difficult for the special purpose revenue bonds proposed by this bill to be tax-exempt bonds.

Tax-exempt bonds may be issued under 26 U.S.C. § 142(a)(8) so long as 95 percent or more of the net proceeds of the bonds are used to provide "facilities for the local furnishing of electrical energy or

gas." However, this provision is limited to entities that were engaged in the furnishing of electrical energy or gas on January 1, 1997, and the proposed facility must serve the area served by that entity on January 1, 1997. See 26 U.S.C. § 142(f)(3). Sopogy, Inc. would not qualify to issue tax-exempt bonds under this provision, because it was not furnishing electrical energy in Oahu on January 1, 1997.

Tax-exempt bonds may be issued under 26 U.S.C. § 144(a) if they are "qualified small issue bonds." Bonds issued after December 31, 1986, do not qualify as "qualified small issue bonds" unless 95 percent of the net proceeds of those bonds are used to provide a "manufacturing facility" or farm property. See 26 U.S.C. § 144(a)(12)(A) and (B). A "manufacturing facility" is defined as a facility used "in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property)." See 26 U.S.C. § 144(a)(12)(C). Sopogy, Inc.'s proposed solar farm power plant would not qualify as a "manufacturing facility" as the production of electrical energy is not the production or manufacture of tangible personal property. Further, the amount of the proposed bonds exceeds the amount that is allowed for small issue bonds. See 26 U.S.C. § 144(a)(1) and (4) (\$1,000,000 and optional \$10,000,000 limit).

Tax-exempt bonds may be issued under 26 U.S.C. § 145(a) if all property to be provided by the net proceeds of the bonds is to be owned by a 501(c)(3) organization, i.e., a nonprofit organization under 26 U.S.C. § 501(c)(3). The records of the Department of Commerce and Consumer Affairs do not indicate that Sopogy, Inc. is a nonprofit organization. Rather, they indicate that it is a foreign profit corporation. As such, the bonds to be issued under this bill would not appear to qualify as tax-exempt bonds under 26 U.S.C. § 145(a).

While not tax-exempt, the proposed bonds could receive favorable tax treatment if they qualify as "clean renewable energy bonds" (CREB) under 26 U.S.C. § 54. However, the borrower who uses the proceeds of CREB special purpose revenue bonds must be a mutual or cooperative

electric company, i.e., a nonprofit organization organized under 26 U.S.C. § 501(c)(12) or 1381(a)(2)(C). See 26 U.S.C. § 54(d)(1)(B) and (j)(5). Sopogy, Inc. does not appear to be such a company. The bonds proposed by this bill also may not meet other requirements for CREB bonds set out in 26 U.S.C. § 54, including a current requirement that the bonds be issued before December 31, 2008. See 26 U.S.C. § 54(m).

Finally, it should be noted that special purpose revenue bonds under part VI, chapter 39A, HRS, must be for an "energy project." In order to qualify as an "energy project," the facilities for the project must be certified by the Public Utilities Commission as being for the local furnishing of electric energy or gas. See HRS § 39A-191(2).

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
ON
HOUSE BILL NO. 2825, H.D. 1

March 18, 2008

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST SOPOGY INC. IN THE DEVELOPMENT OF RENEWABLE ENERGY ON
THE ISLAND OF OAHU

House Bill No. 2825, H.D. 1, authorizes the issuance of special purpose revenue bonds to assist Sopogy, Inc., to finance the planning, designing, construction, equipping, and operating of Sopogy, Inc.'s solar farm power plant on the island of Oahu.

The Department has a comment on this bill.

House Bill No. 2825 H.D. 1 authorizes the issuance of the special purpose revenue bonds for Sopogy, Inc. pursuant to Part VI, Chapter 39A, Hawaii Revised Statutes (HRS), entitled "Assisting Utilities Serving the General Public in Providing Electric Energy or Gas". We would like to point out that pursuant to Act 229, Session Laws of Hawaii 2007, Sopogy, Inc. has an existing \$10 million authorization to issue special purpose revenue bonds under Part V, Chapter 39 A, HRS, entitled "Assisting Industrial Enterprises".

The Department recommends that Sopogy, Inc. seek appropriate legal guidance to determine whether the proposed activity and facility qualifies for financing under Part V, Chapter 39A, HRS or Part VI, Chapter 39A, HRS.

HAWAII RENEWABLE ENERGY ALLIANCE

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

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Cully Judd

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Warren S. Bollmeier II
WSB-Hawaii

John Crouch
PowerLight Corporation

Cully Judd
Inter Island Solar Supply

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

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

HB 2825 HD1, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST SOPOGY INC. IN THE DEVELOPMENT OF RENEWABLE ENERGY

March 18, 2008

Chair Menor, Vice-Chair Hooser and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's 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 HREA's 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 purpose of HB 2825 HD1 is to authorize issuance of special purpose revenue bonds in an amount not exceeding \$35,000,000 to assist Sopogy Inc. with planning, designing, construction, equipping, and operating a solar farm power plant on the island of Oahu to produce electricity from solar power. HREA **supports this measure** and offers the following comments in support:

- (1) Sopogy Inc. is currently developing a solar power plant to be located at NELHA near Kona on the Big Island to generate 1 MW of electricity for export to HELCO and possibly for meeting power needs at NELHA. Sopogy's technology includes the integration of an array of concentrating solar collectors (parabolic dish troughs) to produce steam to power turbine-generators. The Sopogy technology could also incorporate thermal storage to "firm" up power delivery to the grid for up to several hours after sunset; and
- (2) Potential Sopogy Project Benefits. Sopogy is currently evaluating projects sites and facility size on Oahu. However, as an example of what a potential facility could provide HECO in the way of solar electricity to help HECO meet their RPS requirements, HREA estimates that a 10 MW system could potentially be operated up to 40% to 60% capacity factor, resulting in delivery of 35,040 MWhs to 52,560 MWhs of electricity per year and save 58,400 to 87,600 barrels of oil per year.

Thank you for this opportunity to testify.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday March 18, 2008
3:15 PM
State Capitol, Conference Room 414

In consideration of
**HB 2825 HD1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE
BONDS TO ASSIST SOPOGY INC., IN THE DEVELOPMENT OF RENEWABLE
ENERGY ON THE ISLAND OF OAHU.**

Chair Menor, Vice Chair Hooser, and Members of the Senate Committee on Energy and
Environment.

The High Technology Development Corporation (HTDC) supports HB 2825 HD1 which
authorizes Special Purpose Revenue Bonds in an amount not exceeding \$35,000,000 to assist
Sopogy, Inc. with planning, designing, construction, equipping, and operating a solar farm power
plant on the island of Oahu to produce electricity from solar power.

Thank you for this opportunity to submit testimony in support.



**To: Senator Menor, Chair
Committee on Energy and Environment**

From: Sopogy, Inc.

Date: March 18, 2008

Subject: Support for HB 2825 HD1 - Relating to the issuance of Special Purpose Revenue Bonds to assist Sopogy, Inc., in the development of renewable energy on the Island of Oahu.

Chair Menor, Vice-Chair Hooser, and Members of the Committee:

Sopogy, Inc. (Sopogy) is a solar power technology company based in Hawaii. Our purpose is to bring renewable solar energy technologies to Hawaii and its people for the betterment of our environment, reduce our independence from volatile imported fossil fuels, and provide a reliable renewable energy source for Hawaii.

Energy demand on Oahu is the highest in the State, therefore the need for a renewable energy plant on Oahu will continue to rise. Sopogy supports the intent of HB 2825 in that it would allow Sopogy to utilize a lower cost of capital to build and construct a multi-megawatt renewable power plant on Oahu utilizing our patent pending concentrated solar power technology. Such large scale projects are essential for the state to meet its aggressive goal of 70% renewable energy by 2030.

We support the purpose of HB 2825 and request the HD1 amended version be adopted. Based upon the current language of HB 2825, Sopogy would not be able to issue the full \$35 million under the rules and regulations of part V, chapter 39A, Hawaii Revised Statutes. Our proposed amendment request authorization for our bonds under part VI, chapter 39A, Hawaii Revised Statutes, which will exempt us from the lower issuance limit set forth in part V, chapter 39A, Hawaii Revised Statutes.

In general, Sopogy supports the adoption of renewable energy and energy efficiency measures that lessen the state's dependence on oil, reduce greenhouse gas emissions, and provide energy price stability to Hawaii's consumers.

Thank you for this opportunity to testify.



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