



**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

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

Statement of  
**THEODORE E. LIU**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**  
Tuesday, January 29, 2008  
8:30 AM  
State Capitol, Conference Room 312

in consideration of  
**HB 3068**  
**RELATING TO RENEWABLE ENERGY.**

Chair Morita, Vice Chair Carroll, and Members of the  
Committee.

The Department of Business, Economic Development, and  
Tourism (DBEDT) strongly supports HB 3068, an Administration Bill  
which requires the electric utilities to use electricity  
generation from renewable resources only to meet the renewable  
portfolio standard (RPS) established in Section 269-91 and 269-  
92, Hawaii Revised Statutes, to ensure the increased use and  
development of renewable energy resources.

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 exposure to the volatile prices of the world oil market, and resulting to less dollars leaving Hawaii's economy;
2. Reduced cost of fuel for electricity generation;
3. Risk management by increased diversification of the electricity generation portfolio;
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.

The Governor has set the vision for a 20% renewable energy by 2020 to achieve energy security, independence, and sustainability. The long-term path and effort to achieve this objective cannot be delayed today.

The significance of this bill 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.

Any new fossil fuel-based generation installed in the future will have a useful lifetime of 30 to 50 years or more, which will perpetuate Hawaii's dependence on imported oil, compromising Hawaii's future energy security and sustainability as well as the attendant negative impact on Hawaii's economy and environment. Furthermore, the price risks of Hawaii's heavy dependence on imported fossil fuel for electricity generation are currently borne entirely by Hawaii's consumers. To the extent possible, future requirements for additional electricity generation must be met by electricity generation from renewable resources. While these will not necessarily be less expensive than petroleum-based power, they will certainly be more stable in price.

The utilities will face myriad challenges in cutting its 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.

Hawaii can achieve the objective set by the bill. 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 photovoltaic 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.

Hawaii's current renewable portfolio standard (RPS) includes electricity energy savings from the use of renewable displacement or off-set technologies and from energy efficiency programs. DBEDT unequivocally supports all cost-effective, technically feasible energy efficiency and conservation resources and off-set technologies, and does not in any way prevent, preclude, or inhibit the use of such resources and technologies for decreasing Hawaii's dependence on imported fossil fuels. The establishment of separate energy efficiency standards is an important policy option that deserves serious consideration on its own merits.

The purpose of this bill is to ensure that more renewable sources will be deployed to meet the renewable portfolio standard and increase renewable electricity generation, which is the true intent of setting a renewable

portfolio standard. This is supported by the fact that of the twenty-nine states with RPS, there are only six other states besides Hawaii, that include energy efficiency savings in their RPS. Energy savings from off-set technologies and energy efficiency programs decrease electricity demand, but do not lead to increase deployment of renewable sources for electricity generation. Further, energy savings from off-set technologies and energy efficiency programs result in double counting the energy savings in calculating the renewable portfolio standard achieved by the utilities. In 2006, the Hawaii utilities reported achieving almost 14% renewable portfolio standard, which includes renewable generation and energy efficiency and conservation savings. However, the utilities achieved RPS based on renewable generation is only 8.2%.

This adjustment of the renewable portfolio standard to a classic RPS will help ensure achieving the State vision of increasing the use and development of renewable energy resources.

Thank you for the opportunity to offer these comments.

# GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

GOVERNMENT RELATIONS TEAM:

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ANNE T. HORIUCHI, ESQ.  
MIHOKO E. ITO, ESQ.  
JOANNA J. H. MARKLE\*  
LISA K. KAKAZU\*\*

\* Government Relations Specialist  
\*\* Legal Assistant

ALII PLACE, SUITE 1800 • 1099 ALAKEA STREET  
HONOLULU, HAWAII 96813

MAIL ADDRESS: P.O. BOX 3196  
HONOLULU, HAWAII 96801

TELEPHONE (808) 547-5600 • FAX (808) 547-5880  
info@goodsill.com • www.goodsill.com

INTERNET:

gslovin@goodsill.com  
cpablo@goodsill.com  
ahoriuchi@goodsill.com  
meito@goodsill.com  
jmarkle@goodsill.com  
lkakazu@goodsill.com

January 28, 2008

TO: Representative Hermina Morita  
Chair, Committee on Environmental Protection  
Hawaii State Capitol, Room 314  
Via Email: [EEPttestimony@Capitol.hawaii.gov](mailto:EEPttestimony@Capitol.hawaii.gov)

FROM: Gary M. Slovin, Esq.

RE: H.B. No. 3068 – Relating to Renewable Energy  
Hearing: Tuesday, January 29, 2008 at 8:30 a.m.

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Dear Chair Morita and Members of the Committee on Environmental Protection

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

HB 3068 requires the electric utilities to use electricity generation from renewable energy resources to meet the standards set in Hawaii's Renewable Portfolio Standards law.

Covanta **supports** the intent of this measure; however, we note the absence of *municipal solid waste* or the words *waste-to-energy* in the preamble (Section 1) and the proposed amendments to Section 269-91, HRS (Section 2) and Section 269-92 (Section 3). Municipal solid waste is an indigenous, replenishable source of energy, and waste-to-energy facilities like HPOWER are one of the very few ways that we have to produce energy without importing fossil fuels. Continuing to recognize Waste-to-Energy as a renewable energy source would be consistent not only with existing Hawaii statute, but also with nearly 30 years of Federal policy. As a product of Carter Administration in response to the need to diversify America's energy fuel stream with renewables, WTE serves not only as vital municipal solid waste infrastructure, but as a key base load renewable energy source. On average, one ton of waste processed at a WTE facility can generate approximately 520 KWh of electricity, offset a barrel of oil, and reduce on ton of carbon dioxide emissions. Additional information regarding waste-to-energy as a renewable energy source is provided in the enclosed Fact Sheet.

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In addition to serving as a valuable source of renewable energy, HPOWER also serves as a reducer of greenhouse gas emissions, as noted by the Environmental Protection Agency. Most of this reduction is brought about by preventing the generation of methane when waste is processed at a facility instead of being sent to a landfill. Methane (which is more than 21 times more potent a greenhouse gas than carbon dioxide) is produced by landfills, and is the second largest greenhouse gas in the United States. It is such a potent greenhouse gas that the European Union has placed fees nearing \$100/ton above tip fees on trash going to landfills in an attempt to greatly restrict their use. The EU is meeting the greenhouse gas reduction requirements of the Kyoto protocol by discouraging landfills and increasing WTE and recycling. Moreover, HPOWER's conversion of municipal solid waste to energy has been done in a manner that meets extremely strict environmental standards.

Therefore, Covanta requests that HB 3068 be amended as follows:

1. **Preamble** [Section 1]: Insert the words "*converting municipal solid waste to energy*" in line 5 of page 1 (Section) after the word "wave", so the sentence will now read, as follows:

"The increased use of Hawaii's abundant renewable energy resources, such as wind, solar, ocean thermal, wave, municipal solid waste, and biomass resources, are keys to reducing Hawaii's dependence on imported fossil fuels, reducing Hawaii's green house gas emissions and contribution to global warming, and creating new job opportunities and economic diversification.

2. **Definitions** [Section 2]: Amend the definition of "Renewable energy" [page 6, beginning at line 11] by:
  - a. Deleting the word "and" on page 6, line 22 and inserting the word "and" at the end of line 1, page 7;
  - b. Inserting a new sub-paragraph (10) on page 7, line 2 to read as follows: "municipal solid waste".

With these amendments, Covanta is pleased to offer support for HB 3068.

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Page 2

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Testimony on

## H.B. NO. 3068 - RELATING TO RENEWABLE ENERGY

Before the

House Committee on Energy and Environmental Protection  
Tuesday, January 29, 2008, 8:30 a.m., Conference Room 312

by

David Rezachek, Honolulu Seawater Air Conditioning LLC

Honolulu Seawater Air Conditioning LLC (HSWAC) **STRONGLY OPPOSES** H.B. 3068, Relating to Renewable Energy, which “requires that the renewable portfolio standards of 20 per cent by 2020 be met by classic electricity generation from renewable sources” and which amends the definition of “renewable energy” to include only those renewable energy technologies that produce electricity.

H.B. 3068 seeks to remove solar water heating, seawater air conditioning district cooling systems, and solar air-conditioning from the existing statutory definition of renewable energy technologies. HSWAC **STRONGLY OPPOSES** this change for the following reasons:

- **Displacement of electricity use by thermal applications of renewable energy technologies is just as important and beneficial as electricity generation from renewable resources.** While these technologies do not generate electricity, they provide electricity savings by displacement of the electricity used to perform the same tasks. And, they definitely use renewable energy resources.
- **Displacement technologies may actually be more beneficial than using renewable energy generated electricity to provide energy for the same end use.** Using renewable energy generated electricity for water heating or space cooling, makes no more sense than using fossil fuel generated electricity for the

same purpose. Solar thermal allows direct use of solar energy. SWAC allows direct use of cold, deep seawater.

- **Displacement technologies are generally sited at, or near, the end user and reduce or eliminate transmission and distribution (T&D) losses.** In addition to the benefits of direct use of thermal energy, displacement technologies reduce the T&D losses of electricity by more than 11%. More of the electricity produced goes to end users.
- **Solar water heating and SWAC have the potential to provide more than 30% of the renewables needed to meet the 20% requirement for Oahu in 2020.** If these displacement technologies are not included in RPS requirements, other renewable energy technologies will have to make up the difference. An additional 340 megawatts of PV would be required, in addition to that already needed by 2020. This is 10 times the goal of the State's recently announced Department of Transportation initiative. This is also equivalent to nearly 126,000 residential PV systems at 2.5 kW each. Or, an additional 223 megawatts of wind would be required.
- **Solar water heating and SWAC are cost effective and available today and can be developed in a rapid manner.** More than 56,000 solar water heating systems have already been installed on Oahu, to-date. A reasonable goal is 100,000 systems by 2020. A 25,000-ton SWAC system is currently under development for Downtown Honolulu. Three to five more SWAC systems of this size are possible on Oahu.
- **It is critical that we accelerate renewable energy development to address greenhouse gas and global climate change problems, immediately – we cannot afford to wait – or to eliminate any renewable energy technologies from being counted.** Hawaii needs to use all renewables, in any form - electricity, thermal, mechanical, to reduce the use of fossil

- **Some renewable energy technologies are not available and/or cost effective yet. Their contribution may be a little farther in the future. Some may not be able to make a significant contribution before 2020.**
- **With a large population and electricity demand, and limited land for siting of renewable energy systems, eliminating renewable displacement technologies will make it much more difficult to reach 20% by 2020.**  
Including such electricity displacement technologies will help the utilities to more easily reach RPS mandates and will increase the number of candidate renewable energy technologies. This is particularly important for a high population, high electricity use location with limited land area, such as Oahu.
- **Redefining renewable, electricity displacement technologies will adversely impact marketing efforts.** Potential customers of both solar water heating and SWAC systems want to use renewable energy. Displacement technologies are renewable, and this fact helps to market them.

HSWAC maintains that these important renewable energy, electricity displacement technologies should be included in any RPS for Hawaii.

H.B. 3068 expresses a concern about “double counting the energy savings in calculating the renewable portfolio standard achieved by the electric utilities.”

HSWAC agrees that energy efficiency should be removed from the definition of renewable energy. This would eliminate any potential double counting of the contribution of these technologies.

It is then very simple to calculate the contribution of renewable energy, electricity displacement technologies.

Therefore, HSWAC respectfully requests that the definition of renewable portfolio standard be amended as follows:

" 'Renewable portfolio standard' means the percentage of the of total of electrical energy sales and electrical energy displacement that is represented by renewable energy."

The percentage of renewables can then be calculated as follows:

$$\% \text{ Renewables} = \frac{\text{Renewable Generated Electricity} + \text{Renewable Displacement}}{\text{Renewable Displacement} + \text{Total Electricity Production}}$$

If the goal of the bill is to provide more renewables (rather than energy efficiency), then two options are to: (1) raise the requirement to 30+%, or more; or (2) keep displacement technologies with renewable generated electricity and develop a separate but compatible and complimentary energy efficiency portfolio standard.

HSWAC prefers the establishment of a "Energy Efficiency and Demand Reduction Portfolio Standard" that includes the following energy efficiency and demand reduction technologies: heat pump water heating, ice storage, quantifiable energy conservation measures, use of rejected heat from co-generation and combined heat and power systems excluding fossil-fueled qualifying facilities that sell electricity to electric utility companies, and central station power projects.

H.B. 3068 also apparently supports this in stating that "that in addition to strengthening Hawaii's renewable portfolio standards ... the separate establishment of similarly robust energy efficiency standards is an extremely attractive policy option and deserves serious consideration on its own merits, which are undeniably significant."

Therefore, HSWAC **STRONGLY OPPOSES** the proposed change in the definition of renewable energy and respectfully requests that this bill be held.

HSWAC recommends that this issue be addressed in a PUC proceeding to make sure that no renewable energy technology is overlooked, and that energy efficiency technologies also are emphasized. We need to accelerate the development of both.

Thank you for this opportunity to testify.

**Testimony before the  
House Committee on  
Energy & Environmental Protection**

**H.B. 3068 – Relating to Renewable Energy**

Tuesday, January 29, 2008  
8:30 am, Conference Room 312

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

Chair Morita, Vice Chair Carroll and Members of the Committee:

My name is Arthur Seki – I am the Director of Technology 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) (hereinafter collectively referred to as HECO).

As you know, the discussions on RPS at the Legislature over the past several years have gone through a variety of iterations and, based on the contents of the bills, varying levels of support by HECO. In 2001, HECO supported a RPS bill that led to Act 272. In 2004, HECO supported a RPS bill that led to Act 95. This Act created RPS levels for the electric utilities of 8% in 2005, 10% in 2010, 15% in 2015 and 20% in 2020. Act 95 contained a number of safeguards to allow the law to be revised and recalculated as needs dictated. In 2006, HECO supported a RPS bill that allowed the PUC to establish standards provided at least 50% of the RPS must be from renewable energy generation (Act 62). This bill was part of a package developed by the Hawaii Energy Policy Forum members.

H.B. 3068 removes electrical energy savings from off-set and energy efficiency technologies. We feel that the current RPS definitions are all useful in reducing oil use in Hawaii. Other states (Arizona, Colorado and Pennsylvania) have RPS definitions that also include solar water heating, energy savings from efficiency and conservation programs and cogeneration.

We do not feel that H.B. 3068 is needed since the PUC already has the authority to dictate what percentage should come from renewable energy generation. The previous Acts

call for the PUC to have the Hawaii Natural Energy Institute conduct an update of the RPS law in 2009. We would recommend that we wait for the outcome of this study before making any changes to the current RPS law.

We take the RPS law very seriously and have demonstrated through our actions the commitment of our company to achieving these levels. There have been a number of renewable energy projects and initiatives related to renewable energy that we have undertaken:

- integrate wind generated electricity from 3 new wind farms--Hawi (10 MW) and Pakini Nui (20 MW) at South Point on the Big Island and Kaheawa (30 MW) on Maui;
- signed a power purchase contract for a wood energy facility on the Big Island;
- negotiating for new contracts related to wind on Maui and Oahu, solar and geothermal on the Big Island and ocean energy for Oahu;
- will soon release a (100 MW) non-firm Renewable Energy Request for Proposal for Oahu;
- committed the 2009 power plant (100 MW) at Campbell Industrial Park to be 100% biofueled;
- tested biodiesel blends in its diesel engines and combustion turbine at Maalaea power plant;
- partnering with biofuels developer to build a 40 million gallon per year biodiesel production plant on Maui;
- developing test plans biofuel blends demonstration in a steam boiler generating unit on Oahu;
- implement biodiesel blend tests in a diesel engine at Big Island unit;
- implement glycerin tests (biodiesel by-product) in a Kahului steam boiler;
- provided seed funding to the Hawaii Agriculture Research Center (HARC) and the agriculture departments at the University of Hawaii's Manoa and Hilo campuses to conduct biofuel crop research; and
- evaluating micro-algae for biofuels and ocean energy projects.

In summary, HECO has demonstrated its concerted effort to increase renewable energy in Hawaii. We have done a lot and will do more.

Thank you for the opportunity to testify.