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Statement of
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before the

HOUSE COMMITTEE ON CONSUMER FINANCE

Monday, March 2, 2009

10:30 A.M.

State Capitol, Conference Room 308

in consideration of
HB 1843, HD2
RELATING TO RENEWABLE ENERGY.

Good morning, Chair Oshiro, Vice Chair Lee, and Members of the Committee.

House Bill 1843, HD2, establishes comprehensive measures for increasing the production and use of renewable energy in the State, necessary for and contributing to the achievement of the Hawaii Clean Energy Initiative's goal to transition Hawaii to seventy percent renewable energy resources-based economy by 2030. The Department of Business, Economic Development, and Tourism (DBEDT) supports this bill and we would like to offer some suggestions for the committee's consideration to further enhance the provisions of this bill to more effectively achieve its intent of increasing the production and use of renewable energy in Hawaii.

The significance of this bill towards achieving Hawaii's energy goals of energy independence and security with its attendant benefits to the economy and the environment cannot be overstated. Currently, the Hawaii utilities use fossil fuel to generate over ninety per cent of the total electricity they sold, which represents approximately twenty-five per cent of Hawaii's total oil imports. Only about nine per cent of the electricity sold is generated from renewable resources.

Any new fossil fuel-based generation installed today will have a useful lifetime of 30 to 50 years or more, and will perpetuate Hawaii's dependence on imported oil for another generation, compromising Hawaii's energy security, Hawaii's economy, and Hawaii's environment. More importantly, the economic risks and high price volatility 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 energy must be met by electricity generation from renewable resources and energy efficiency.

HB 1843, HD2, provides a number of important and achievable measures that will help to significantly reduce Hawaii's dependence on imported fossil fuel for electricity generation. Part I of this bill provides amendments to Section 196 and Section 269-7.5, Hawaii Revised Statutes (HRS), to prohibit the permitting and issuance of certificate for the construction or operation of a new fossil-based only electricity generation facility except under extraordinary circumstances as determined by the Public Utilities Commission ("PUC" or "Commission"). It also provides significant amendments to Hawaii's Renewable Portfolio Standards (RPS) law mandated in Section 269-91, HRS, (1) to require that the electrical energy savings and efficiency measures except those brought about by customer-sited grid connected renewable energy systems, shall not

count towards the RPS starting in 2015; (2) to increase the RPS goal from twenty per cent to twenty-five per cent of net electricity sales by December 31, 2020; and (3) to establish a forty per cent RPS goal by 2030. DBEDT notes that these amendments to the RPS goals are relatively conservative compared to the Long Island Power Authority's (LIPA) RPS goal of forty percent by 2015.

While DBEDT supports these provisions, and we would like to recommend modifying the amendment to Section 269-91(2) to read as follows: ***“Electrical energy savings brought about by the use of renewable displacement or off-set technologies , including solar water heating, sea-water air conditioning district cooling systems, solar air-conditioning, and customer-sited, grid connected renewable energy systems; provided that beginning January 1, 2015, electrical energy savings except those brought about by and customer-sited, grid connected renewable energy systems, shall not count towards renewable energy portfolio standards; or”*** .

We also believe that in order to optimally strengthen and accelerate the achievement of the RPS, the prohibition on the use of fossil fuel for electricity generation should extend to any generation units which have fossil fuels components. DBEDT also believes that allowing the PUC the authority to allow a new fossil-based only generation under “extraordinary circumstances” as determined by the Commission weakens this prohibition, and further postpones the day when Hawaii reaches a future based on clean, renewable energy sources. We respectfully suggest that the amendment to §196 and §269-7.5 is changed to read as follows:

“§196- New electrical generation facility; permit prohibition. No state or county shall issue a permit to any applicant for the construction or operation of a new electrical generation facility that produces electrical energy primarily from the combustion of any type of fossil fuel.”

“§269-7.5 (f) The commission shall not approve the construction or operation of a new electrical generation facility that produces electrical energy primarily from the combustion of any type of fossil fuel.”

Part II of HB 1843, HD2, provides amendments to Section 196-4 to expand the statutory role and duties of the Energy Resources Coordinator (ERC) to include the development of a systematic process to identify, create, and designate renewable energy zones. It also expands the duties of the renewable energy facilitator by including the permitting of the land parcels on which the facility is situated including the transmission system and infrastructure. The creation of renewable energy zones and the facilitation of transmission projects and infrastructure are vital elements in the transformation of Hawaii’s economy from one that is heavily dependent on imported fossil fuel to one that is powered by clean indigenous renewable energy. DBEDT believes that this function is best served by the ERC whose current functions and energy programs already support this requirement. Furthermore, the ERC’s relationships and partnerships with federal entities and national laboratories such as the US Department of Energy and the National Renewable Energy Laboratory will effectively enable the collection and analysis of data and information necessary in identifying geographic areas that are rich with renewable energy resource potential that may be designated as renewable energy zones.

HB 1843, HD2, also amends and expands the definition of “qualified business” in Section 209E-2, Hawaii Revised Statutes, to include renewable energy developers and producers in the Hawaii enterprise zone and qualify for the zone’s tax incentives and regulatory flexibility to stimulate business, agricultural, and industrial growth. Adding other forms of alternative energy from renewable resources including sun, falling water, biogas, geothermal, ocean water, currents, and waves, biomass, biofuels and hydrogen production from renewable energy sources into the Enterprise Zone (EZ) program is consistent with the currently approved business activities which presently includes wind energy production.

Another important provision of this bill relates to renewable energy permitting and facilitation. DBEDT generally supports Part V of this bill, which amends the definition of a “Renewable energy facility” in Section 201N-1, and clarifies the permitting process and approval in Section 201N-4. However, the proposed language would only include new renewable energy facility projects with capacity between 5 megawatts and 200 megawatts, or new biofuel production facility projects with production capacity of exactly one million gallons annually, to qualify for designation as renewable energy facilities for the purpose of receiving permitting facilitation process assistance. This proposed language effectively excludes new renewable energy projects with capacity greater than 200 megawatts, and new biofuel facilities with capacity greater than one million gallons annually. DBEDT supports amending the definition of a renewable energy facility in Section 201N-1, and respectfully suggest to modify the proposed amendment to the definition of Renewable Energy Facility to read as follows: ***“Renewable energy facility or “facility” means a new facility located in the [State] state with the capacity to produce from renewable energy at least two hundred megawatts of electricity[-] provided that***

new electricity generation facilities with rated capacity between five and two hundred megawatts and new biofuel production facilities with capacity of at least one million gallons per year may apply to the coordinator for designation as renewable energy facility, with such designation to be at the sole discretion of the coordinator.”

In Section 10, this bill expedites and clarifies the permitting process for renewable energy by amending Section 201N-4, Hawaii Revised Statutes, to require the pertinent permitting agency to provide the Energy Resource Coordinator with a report identifying diligent measures being taken by the agency to process and act upon the permit, within thirty days following the twelfth month after any permit which is part of an approved permit plan has not yet been approved or denied. DBEDT strongly supports this amendment, but believes that there is a need for additional language to effectively expedite the permitting process. We respectfully request and support inclusion of the following language in Section 201N-4 before the last sentence in this section: *“If no further processing and action are reported by the permitting agency within five months, the coordinator may deem the permit approved.”*

DBEDT supports HB 1843, HD 2, and believes that the inclusion of the suggested changes to the language of this bill will substantively enable the achievement of the State’s goal of a secure, clean energy future by increasing the use and development of renewable energy resources. The importance of this bill in enabling Hawaii to reduce its dependence on imported fossil fuel and to achieve energy security cannot be overstated, and we respectfully request that this Act takes effect on July 1, 2009.

Thank you for the opportunity to testify.