

House Bill 429  
Jamie Story, President of the Grassroot Institute of Hawaii  
February 3, 2009

Thank you so much for giving me the opportunity to share some information.

I am no political insider, but this bill is so unclear as to what the goals and incentives/penalties are that it is difficult to comment with specificity, but I'll do my best.

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**8 (b) The energy efficiency portfolio standards shall be  
9 designed to achieve four thousand three hundred gigawatts of  
10 electricity savings statewide by 2030;**

Comment: This is a confused statement. Gigawatt is a unit of power, of plant capacities, not energy. 4300 gigawatts exceeds the entire electrical capacity of the US. It is likely meant to be gigawatt-hours (a unit of energy). This is also a huge number for which an itemized breakdown should be provided.

Comment: Sea water air-conditioning screams to engineers about corrosion problems to be paid in huge maintenance costs. Such mundane maintenance costs are often ignored in such cost analyses. The price will be paid either with high cost corrosion equipment and piping capital costs, or in high cost maintenance requirements)

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Efficiency is a good thing. Governments like to mandate it but are unable to truly achieve efficiency without the complete information found in the free market. If efficiency upgrades make sense and save money then utilities and ratepayers will voluntarily pay for the upgrades themselves. If the free market is not paying for these upgrades then they must not make legitimate business sense—perhaps of prohibitive costs, insufficient benefits, or other unintended consequences. In other words, Hawaii citizens will be paying for efficiency upgrades that don't save much energy but cost a lot.

Differentiate between market-driven efficiency gains—which generate cost savings for consumers, vs. government-mandated efficiency measures, which increase consumer costs.

What are the costs? Many other legislative bodies utilize fiscal notes or economic impact statements on bills such as these—although with a bill this vague, I don't even know how you would go about creating one. "incentives and penalties based on performance." I am not sure what that refers to or how the incentives or penalties work—which makes this a particularly dangerous statement. Lots of details are omitted here, and not the least is the huge costs---all of this has the potential of being a huge economy killer.

In conclusion: We are completely in favor of increasing energy efficiency, and the market has done a tremendous job of doing that over the past several decades. However, especially in tough economic times such as these, it is detrimental to strangle businesses, taxpayers, and families with higher costs and further regulations. Instead, we should continue to let the free market work.

Testimony on

## **H.B. NO. 429 - RELATING TO ENERGY EFFICIENCY**

Before the  
House Committee on Energy & Environmental Protection  
Tuesday, February 3, 2009, 9:00 a.m., Conference Room 325

by  
David Rezachek, Consultant  
Honolulu Seawater Air Conditioning LLC

Good morning Chair Morita, Vice Chair Coffman, and members of the Committee. My name is David Rezachek and I am testifying on behalf of Honolulu Seawater Air Conditioning, LLC (HSWAC).

HSWAC strongly supports the intent of H.B. 429, which directs the public utilities commission to establish energy efficiency portfolio standards.

However, **HSWAC cannot support the bill as it is currently written.**

HSWAC, and other testifiers, have previously supported the establishment of an energy efficiency portfolio standard for various energy efficiency technologies that are now erroneously included in the State's renewable portfolio standard.

At the same time, HSWAC, and others, have provided considerable evidence as to why renewable energy electricity displacement technologies should continue to be included in the renewable energy portfolio standard.

Renewable energy electricity displacement technologies include solar water heating, seawater air conditioning district cooling systems, and solar air-conditioning.

While these technologies do not generate electricity, they do provide electricity savings through displacement of the electricity used to perform the same tasks. They

definitely use renewable energy resources, but they are not energy efficiency technologies.

HSWAC maintains that displacement of electricity use by thermal applications of renewable energy technologies, is just as important and beneficial as electricity generation from renewable resources. And, as a result, renewable energy electricity displacement technologies should continue to be part of the renewable energy portfolio standard.

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.

However, if this bill passes, and the PUC is directed to establish an energy efficiency portfolio standard, then HSWAC respectfully requests that:

(1) renewable energy electricity displacement technologies should continue to be part of the renewable energy portfolio standard, or

(2) no further efforts be made to remove renewable energy electricity displacement technologies from the renewable portfolio standard unless, and until, a separate energy efficiency portfolio standard has been developed which includes these technologies.

Furthermore, HSWAC would respectfully request that renewable energy electricity displacement technologies continue to be included in any definition of renewable energy for the purpose of being eligible to meet federal mandates and goals for renewable energy use and to allow these technologies to be eligible for any incentives provided to other renewable energy technologies (e.g., preference for priority processing of permits, renewable energy facility siting and permitting assistance, etc.)

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  
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
FEBRUARY 03, 2009**

**MEASURE:** H.B. No. 429  
**TITLE:** Relating to Energy Efficiency.

Chair Morita and Members of the Committee:

**DESCRIPTION:**

This bill proposes to add a new section to chapter 269, Hawaii Revised Statutes ("HRS") requiring the Public Utilities Commission ("Commission") to establish energy efficiency portfolio standards ("EPS" or "Standards") that will offset the forecasted electrical load growth statewide between 2009 and 2030. The EPS standards shall be designed to achieve four thousand three hundred gigawatts of electricity savings by 2030. The Commission shall also establish interim goals for energy use reductions during and over the period up to 2030. This bill also requires the public benefits fee ("PBF") administrator, also known as the third-party administrator, established under section 269-122, HRS, to develop energy efficiency programs designed to facilitate the achievement of the EPS.

**POSITION:**

The Commission supports the intent of this bill, and has several comments and suggestions as follows:

**COMMENTS:**

- **Currently, part VII, chapter 269, HRS, provides that the Commission may, by order or rule, require that all or a portion of the moneys collected by Hawaii's electric utilities from its ratepayers through a demand-side management surcharge ("Public Benefits Fee" or "Fee") be transferred to a Commission-contracted PBF administrator to be used to support energy-efficiency and demand-side management programs and services.**
  - The Commission has established the Public Benefits Fee and is currently negotiating a contract with a PBF administrator who will provide energy efficiency programs in the HECO Companies' service territories.
  - The contract will include performance requirements (including energy savings and total resource benefits) that the PBF administrator must meet in order to receive incentives. The PBF administrator's performance will be independently analyzed and verified to determine compliance with the requirements, and the requirements themselves will be reviewed and updated at least every two years.

- While some states, including New York and Illinois, have, or are in the process of creating or studying, energy efficiency portfolio standards and accompanying interim targets for energy efficiency, other states have opted to take a broader policy approach and require by law that electricity resource needs be met first through all available energy efficiency and demand reduction resources that are cost-effective or less expensive than supply.
- The Commission prefers the latter approach and would strongly support statutory language that provides policy direction to the Commission to acquire all cost-effective energy efficiency working in conjunction with the PBF Administrator. This would have the benefit of allowing the Commission to balance net resource benefits, savings to customers, rate impacts and other considerations.
- The approach taken by this measure may be difficult to administer as it would require the Commission to identify all parties and stakeholders that would be responsible for each element of the energy efficiency portfolio and establish incentive and penalties based on performance, but it may be unclear whether the Commission will have jurisdiction to award incentives and impose penalties on various parties and stakeholders that may include various state and county government agencies and companies and industries that may not be currently regulated by the Commission.
- The bill is also unclear in that the base time and data from which energy efficiency savings should be calculated, among other detail and operational issues that may need to be addressed.
- Should the Legislature prefer that specific energy efficiency standards as described in this bill be set by the Commission, we will defer to that determination and we should be able to incorporate the standards into energy efficiency program goals and requirements. In addition, the Commission requests that it be allowed to determine whether the 4300 gigawatt hours of electricity savings by 2030 specified in this measure is an appropriate mandate, and that the Commission be authorized to further implement this mandate by rule or order.

Thank you for the opportunity to testify.



# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803  
808.537.9019 [hawaii.chapter@sierraclub.org](mailto:hawaii.chapter@sierraclub.org)

## HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 3, 2009, 9:00 A.M.

(Testimony is 2 page long)

### TESTIMONY IN SUPPORT OF HB 429

Chair Morita and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports the intent of HB 429, directing the Public Utilities Commission to establish energy efficiency portfolio standards. Energy efficiency is considered the lowest of hanging-fruit in the range of options necessary to reduce our energy costs and greenhouse gas emissions. There are a host of public policy considerations supporting this billing, including:

- **Energy Efficiency Is a Power Source.** Energy efficiency is a source of energy like coal, gas, or nuclear, except instead of drilling for it or blowing up mountaintops to get to it, we can tap into this clean energy source by using ingenuity to do more with the energy we generate: *we work smarter, not harder.*
- **Energy Efficiency Creates Jobs.** A recent 2009 report found that California's economy grew as a result of aggressive energy efficiency projects.<sup>1</sup> Cutting energy bills let California consumers and companies spend their cash on other things, and helped create 1.5 million jobs. Now imagine if Hawai'i had followed California's example? It's not too late to embark on job creation.
- **Energy Efficiency Reduces Our Carbon Footprint.** Buildings contribute to nearly half (43%) of all U.S. carbon emissions.<sup>2</sup> Improving their energy efficiency lowers energy bills, eliminates the need for new power plants, increases our energy independence, reduces air and water pollution and cuts the carbon emissions that cause global warming.

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<sup>1</sup> See 2009 California Green Innovation Index, available at [www.next10.org](http://www.next10.org)

<sup>2</sup> The recent Hawai'i report entitled Greenhouse Gas Inventory Revised, 1990 & 2007, does not appear to have broken these figures out by this category.

- **Even Small Efficiency Improvements Add Up.** If every household in the United States switched to Energy Star light fixtures, we could prevent 50 million tons of global warming pollution per year, the equivalent of taking 10 million cars off the road. In every home, office, and factory we can use energy more efficiently by putting to work currently available products like advanced lighting, better windows, more efficient heating and cooling systems, and new appliances that use far less energy than their older counterparts.

**This Is Not a Dream.** Other states have already followed this model and have observed tangible results. For example, California's aggressive efforts to improve the efficiency of things like air conditioners and refrigerators have helped hold its electric demand steady per capita for *three decades*. By contrast, electricity consumption has grown by 50 percent for the U.S. as a whole in that same time period.

While the Sierra Club supports HB 429, we believe it could go further. We suggest that it be amended to express that "It is the policy of the state of Hawaii to implement commercially available and cost effective energy efficiency measures to the maximum extent feasible." This would bring our overall energy policy in comport with the belief that energy efficiency should be the first power source considered, i.e., we should work smarter, not work harder.

Finally, we suggest that in order to bring compliance with the energy efficiency portfolio standard, a system of incentives and penalties to the third party administrator and the utility for achievement should be established in addition to the standards.

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