

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

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Statement of  
**THEODORE E. LIU**  
**Director**

Department of Business, Economic Development, and Tourism  
before the

**COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Tuesday, February 3, 2009

9:00 a.m.

State Capitol, Conference Room 325

in consideration of

**HB430**

**RELATING TO ENERGY EFFICIENCY**

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

The Department of Business, Economic Development, and Tourism (DBEDT) supports HB430, which directs the Public Benefits Fee Administrator to conduct an energy efficiency assessment of energy use patterns in the State, develop an aggressive energy efficiency plan, and report on findings no later than December 31, 2010. HB430 mirrors a section of HB1053, which is a comprehensive bill introduced under the Hawaii Clean Energy Initiative (HCEI), a partnership of the state and the U.S. Department of Energy.

Both bills require the energy use assessment to include identification of potential energy savings, recommendations of energy efficiency programs and research on end use for homes, businesses, and other utility customers. The bills define cost effectiveness as a measure of all resources that cover the incremental cost of investment within fifteen years as measured against average electricity rates for the various sectors. Any changes in the energy code will be netted out of the requirements.

Both bills direct the Public Benefits Fee Administrator, Public Utilities Commission, and Department of Business, Economic Development, and Tourism to collaborate with stakeholders to identify a limited set of cost-effective energy efficiency measures that will have significant market penetration and immediately result in high energy savings.

The energy efficiency use assessment is a positive step toward the increased realization of energy efficiency in the State and will play an integral role in meeting the targets of HCEI, helping to remove barriers to implementing cost-effective energy efficiency in Hawaii.

Thank you for the opportunity to offer these comments.



February 3, 2009

Representative Hermina Morita, Chair  
 Committee on Energy and Environmental Protection  
 Conference Room 325  
 State Capitol  
 415 South Beretania Street

Representative Morita:

Subject: **House Bills No. HB 429, HB 430, HB 432, HB 433 and HB 436  
 Relating to Energy Efficiency**

My name is Dean Uchida, Vice President of the Hawaii Developers' Council (HDC). We represent over 200 members and associates in development-related industries. The mission of Hawaii Developers' Council (HDC) is to educate developers and the public regarding land, construction and development issues through public forums, seminars and publications.

It is also the goal of HDC to promote high ethics and community responsibility in real estate development and related trades and professions.

The HDC is concerned on the approach proposed in each of the bills to that are intended to make the State of Hawaii more energy efficient.

The following is a list that attempts to summarize what is being proposed in each of the five (5) bills being heard.

Energy Efficiency Bills	HB 429	HB 430	HB 432	HB 433	HB 436
Proposal:	Directs the public utilities commission to establish energy efficiency portfolio standards.	Public benefits fee administrator conduct an energy efficiency assessment of energy use patterns in the State	Expands the pay as you save pilot program to include photovoltaic energy systems and refrigerator exchanges	Directs the public benefits fee administrator to develop and implement a program to encourage residential retail electricity customers to replace inefficient household appliances with ENERGY STAR appliances	Directs the public utilities commission to establish a consumer information program on energy efficient properties
Statutes:	Amend Chapter		Amends Act 240,	Amend Chapter	Amend Chapter 196

	269 HRS		SLH 2006	269 HRS	HRS
Intent:	PUC establish energy efficiency portfolio standards		Adds photovoltaic energy systems to the Pay as you save program	The public benefits fee administrator shall establish a program goal of replacing 50% of qualifying household appliances in the State within five years of the implementation of the program	Provide for the reporting of energy efficiency information on a subject property to consumers, lenders and realtors. Also, allow for information to be stored in a data base for internet access
Mandates or Incentives	Establishes incentives and penalties based on performance		Each electric utility shall implement by tariff a pay as you save model system program for consumers	The public benefits fee administrator develop and implement a cash financial incentive program for the replacement of other qualifying household appliances	
Funding Source:		\$500,000 from the PUC special fund to conduct an energy efficiency assessment	Tariff imposed on future electric bills	The public benefits fee administrator may expend moneys collected through the public benefits fee	

As in most public policy issues, the process toward energy efficiency has many “unintended consequences.” For example, last session the Legislature approved SB No. 644 which “mandated” the installation of a solar water heater in all new single family residences. The bill effectively:

1. Required all new single family residences constructed after January 1, 2010 to include a solar water heater system;
2. Eliminated the Solar thermal energy systems tax credits on all single-family residential properties after 1/1/2010; and
3. Prohibited a single family residential developer from claiming any renewable energy technologies tax credits for systems installed between now and 2010.

Government “Mandates” that attempts to direct the free market system generally result in penalizing one section of the market. For example, in this case, while the arguments that a \$7,000 thermal solar water heating system can easily be incorporated into the mortgage of the average priced home in Hawaii resulting in the homeowner realizing a net savings as energy cost rise over time, the mandate does not recognize or provide a mechanism to assist buyers seeking units priced for residents making less than 80% and less than 120% of the Housing and Urban Development (HUD) median income levels in Hawaii. For Honolulu, the HUD median income for a family of four is \$77,300. Irrespective of costs, developers are required to provide generally 20% of their total units for families making 120% or less of the HUD median income and 10% of their total units for families making 80% or less of the HUD median income.

Adding the cost of a thermal solar water heating unit to these houses effectively means the buyer gets \$7,000 “less” house.

If the goal was really to significantly reduce our 90% dependency on imported oil, wouldn't it have made more of an impact on our energy dependency to require all existing housing units (approximately 491,000 as of July 2005) to convert to solar water heaters as opposed to requiring only new units to have solar (approximately 5,700 units in 2006). Why do you think the focus was on new units as opposed to existing?

No one disagrees with the intended goal of moving the state toward becoming more energy self sufficient. The concern is in the manner our elected leaders are choosing to accomplish this goal.

As was the case last session, none of the energy efficiency bills clearly identifies the specific problem or problems that need to be addressed through the proposed legislation. If the underlying intent is to encourage more energy efficient perhaps the proposed legislation should be expanded to include an assessment and analysis of the various proposed legislation with clearly articulated criteria for outcomes that unintended consequences of the proposed legislation.

In other Cities or municipalities, government has led by example by "Mandating" that all government projects achieve a certain green or sustainable design standard. In so doing, the design professionals and contractors in these Cities were educated and developed the necessary hands on experience to build a green or sustainable project. AFTER the design professionals and contractors gained this experience, there were incentives created based on their hands on experience, to encourage the private projects to incorporate green or sustainable design. People were able to see that costs and benefits of changing behavior and moving toward more energy efficiency.

There also does not appear to be a comprehensive approach or "game plan" for how we should approach our dependency on imported oil. A comprehensive approach would require research and analysis of the programs and desired outcomes along with the economic analysis of all the costs associated with achieving these outcomes.

We strongly recommend that the Legislature develop a full understanding of the economic impacts created by this type of legislation. Perhaps the Legislature should conduct its own analysis or comparison to determine, at a minimum, the following:

1. What specific outcome or range of outcomes would each of the bills achieve;
2. Discuss the public benefits among the different outcomes and assess whether or not government involvement is necessary;
3. If government involvement is desired, assess the pros and cons of providing incentives or mandating compliance to achieve the desired outcomes.

While we see interest in the market moving toward more energy efficiency and sustainable designs, we believe there is much more that needs to be done before public policy makers "Mandate" any more "green or sustainable" legislation.

Thank you for the opportunity to share our views with you.

February 3, 2009

Representative Hermina Morita, Chair  
Committee on Energy and Environmental Protection  
Conference Room 325  
State Capitol  
415 South Beretania Street

Representative Morita:

Subject: **House Bills No. HB 429, HB 430, HB 432, HB 433 and HB 436  
Relating to Energy Efficiency**

My name is Jim Tollefson, President of the Chamber of Commerce of Hawaii. The Chamber of Commerce of Hawaii works on behalf of its members and the entire business community to:

- Improve the state's economic climate
- Help businesses thrive

The Chamber of Commerce of Hawaii is concerned on the approach proposed in each of the bills to that are intended to make the State of Hawaii more energy efficient.

The following is a list that attempts to summarize what is being proposed in each of the five (5) bills being heard.

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Proposal:	Directs the public utilities commission to establish energy efficiency portfolio standards.	Public benefits fee administrator conduct an energy efficiency assessment of energy use patterns in the State	Expands the pay as you save pilot program to include photovoltaic energy systems and refrigerator exchanges	Directs the public benefits fee administrator to develop and implement a program to encourage residential retail electricity customers to replace inefficient household appliances with ENERGY STAR appliances	Directs the public utilities commission to establish a consumer information program on energy efficient properties
Statutes:	Amend Chapter 269 HRS		Amends Act 240, SLH 2006	Amend Chapter 269 HRS	Amend Chapter 196 HRS
Intent:	PUC establish energy efficiency portfolio standards		Adds photovoltaic energy systems to the Pay as you save program	The public benefits fee administrator shall establish a program goal of replacing 50% of qualifying household	Provide for the reporting of energy efficiency information on a subject property to consumers, lenders and realtors. Also,

				appliances in the State within five years of the implementation of the program	allow for information to be stored in a data base for internet access
Mandates or Incentives	Establishes incentives and penalties based on performance		Each electric utility shall implement by tariff a pay as you save model system program for consumers	The public benefits fee administrator develop and implement a cash financial incentive program for the replacement of other qualifying household appliances	
Funding Source:		\$500,000 from the PUC special fund to conduct an energy efficiency assessment	Tariff imposed on future electric bills	The public benefits fee administrator may expend moneys collected through the public benefits fee	

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1. Required all new single family residences constructed after January 1, 2010 to include a solar water heater system;
2. Eliminated the Solar thermal energy systems tax credits on all single-family residential properties after 1/1/2010; and
3. Prohibited a single family residential developer from claiming any renewable energy technologies tax credits for systems installed between now and 2010.

Government “Mandates” that attempts to direct the free market system generally result in penalizing one section of the market. For example, in this case, while the arguments that a \$7,000 thermal solar water heating system can easily be incorporated into the mortgage of the average priced home in Hawaii resulting in the homeowner realizing an net savings as energy cost rise over time, the mandate does not recognize or provide a mechanism to assist buyers seeking units priced for residents making less than 80% and less than 120% of the Housing and Urban Development (HUD) median income levels in Hawaii. For Honolulu, the HUD median income for a family of four is \$77,300. Irrespective of costs, developers are required to provide generally 20% of their total units for families making 120% or less of the HUD median income and 10% of their total units for families making 80% or less of the HUD median income.

Adding the cost of a thermal solar water heating unit to these houses effectively means the buyer gets \$7,000 “less” house.

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No one disagrees with the intended goal of moving the state toward becoming more energy self sufficient. The concern is in the manner our elected leaders are choosing to accomplish this goal.

As was the case last session, none of the energy efficiency bills clearly identifies the specific problem or problems that need to be addressed through the proposed legislation. If the underlying intent is to encourage more energy efficient perhaps the proposed legislation should be expanded to include an assessment and analysis of the various proposed legislation with clearly articulated criteria for outcomes that unintended consequences of the proposed legislation.

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We strongly recommend that the Legislature develop a full understanding of the economic impacts created by this type of legislation. Perhaps the Legislature should conduct its own analysis or comparison to determine, at a minimum, the following:

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# BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

February 3, 2009

Representative Hermina Morita, Chair  
 Committee on Energy and Environmental Protection  
 Conference Room 325  
 State Capitol  
 415 South Beretania Street

Representative Morita:

**Subject: House Bills No. HB 429, HB 430, HB 432, HB 433 and HB 436  
 Relating to Energy Efficiency**

I am Karen Nakamura, Chief Executive Officer of the Building Industry Association of Hawaii (BIA-Hawaii). Chartered in 1955, the Building Industry Association of Hawaii is a professional trade organization affiliated with the National Association of Home Builders, representing the building industry and its associates. BIA-Hawaii takes a leadership role in unifying and promoting the interests of the industry to enhance the quality of life for the people of Hawaii.

BIA-HAWAII is concerned on the approach proposed in each of the bills to that are intended to make the State of Hawaii more energy efficient.

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Executive Vice President & Chief Executive Officer