

**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. 433
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 benefits fee ("PBF") administrator, also known as the third-party administrator ("TPA"), established by the Public Utilities Commission ("Commission") pursuant to part VII, chapter 269, HRS, to develop and implement a program encouraging residential retail electricity customers to replace qualifying household appliances with qualifying "Energy Star" energy efficient appliances, with the goal of replacing fifty per cent of qualifying appliances in five years.

POSITION:

The Commission supports the intent of this bill, however, advises the committee that this bill may not be necessary:

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 to be used to support energy-efficiency and demand-side management programs and services.**
 - In 2009, the Commission will contract with a PBF administrator who will provide energy efficiency programs in the HECO Companies' service territories.

- Numerous other states and/or municipalities, including Maine, California, and Colorado, along with many private organizations, have, or are in the process of creating or studying, energy efficient appliance programs that offer a range of incentives.
- The Hawaii PBF administrator will also be required to review and develop new programs, including appliance recycling incentives programs.
- The Commission recommends the committee allow the Commission to work with the PBF administrator to develop these programs and to determine if the programs are in the public interest.

Thank you for the opportunity to testify.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 3rd, 2008, 9:00 A.M.

Room 325

(Testimony is 1 page long)

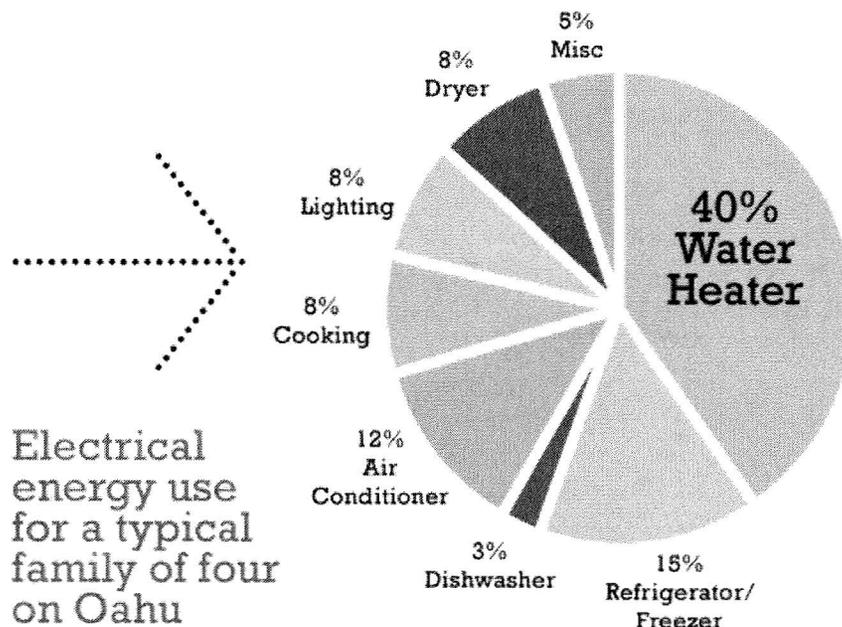
TESTIMONY IN SUPPORT OF HB 433, SUGGESTED AMENDMENT

Chair Morita and members of the committee:

The Blue Planet Foundation strongly supports the intent of House Bill 433, directing 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. Blue Planet would like to see this measure amended to specify that the incentive program apply specifically to old refrigerators as well, with the same qualifying conditions as described in subsection (b) of HB 433.

Refrigerators and freezers make up a significant portion of a household's electricity use. While many homes lack air conditioners, few lack refrigerators. Expanding this important incentive programs to explicitly include refrigerators would increase efficiency and reduce electricity bills across a larger spectrum of households.

Thank you for the opportunity to testify.



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Sierra Club Hawai'i Chapter

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HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

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

(Testimony is 3 page long)

TESTIMONY IN SUPPORT OF HB 433

Chair Morita and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 5500 dues paying members statewide, supports HB 433, directing 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. Energy efficiency is considered the lowest of hanging-fruit in the range of options necessary to reduce Hawai'i's energy costs and greenhouse gas emissions.

The Sierra Club also suggests an amendment to apply to old refrigerators, with the same qualifying conditions as described in subsection (b) of HB433.

The Sierra Club acknowledges a recent editorial opinion¹ that addresses this general subject in a humorous manner, but effectively makes a point.

SUBJECT: REQUEST FOR URGENT BUSINESS RELATIONSHIP

Please excuse this unsolicited correspondence. I am sure and have confidence of your ability and reliability to prosecute a transaction of this great magnitude. An unusual circumstance on an island in the CENTRAL PACIFIC OCEAN has availed an opportunity for great fortune to be gained. Needed from you is access to investment of \$100,000,000, for which you will be thusly compensated \$50,000,000 annually for the next 10 years. As you see this business transaction provides you a yield of 50 percent annually. Please, note that this transaction is 100 percent SAFE AND GUARANTEED. Time is of the essence, as thousands will continue to suffer without your timely

¹ Editorial Opinion printed on 8/24/2008 in the Honolulu Star Bulletin, available at <http://archives.starbulletin.com/2008/08/24/editorial/special.html>

investment. I simply need your full name and also your BANK NAME AND ACCOUNT, where the money will be transfer into ...

...Does this scam sound vaguely familiar? It should. Only this one isn't a scam at all. It's the real-life earnings potential for an energy efficiency investment in Hawaii. Aside from being legitimate, this investment's added benefits include reduced greenhouse gas emissions, local job creation and an infusion of cash locally.

Skyrocketing energy costs have positioned efficiency investments as head-spinning money makers - particularly with this down economy. Yield rates of 25 percent, 50 percent, or higher - unheard of in the financial markets - are possible with properly structured investments in clean technology.

Consider the above example - a salivating 50 percent annual "return" on investment for a 10-year term. How? Imagine you have an energy SWAT team that can go into homes and replace the water heater and light bulbs. The homeowners continue to pay the same average monthly cost for electricity, but instead of sending a check to the utility, they send it to you. You pay the lower actual bill - reaping the savings from the efficiency investments. The homeowners benefit from having a stable electricity cost and new lights and a water heater that they own after time.

Here are the numbers: A residential solar water heater installed will run about \$5,000. After the rebate and state tax credit are taken, the effective cost is about \$2,700 (leaving out the federal tax credit, whose future is currently uncertain). Solar will save about 2,800 kilowatt-hours annually over an electric heater, which means a Kauai resident who pays \$0.44 per kwh will save about \$1,232 every year. Add to that a handful of compact fluorescent light replacements, replacing seven 75-watt incandescent bulbs with 20-watt CFLs. Let's say those cost \$9 each (with labor) for a total cost of \$63 for the lights (they last about 10,000 hours). If those lights are on about three hours a day, the annual savings is 422 kwh per year, or \$185 annually for a Kauai resident.

Add it all up and you have a \$2,763 initial investment that saves (or yields) \$1,417 over the course of each year on Kauai - the equivalent of a 50 percent return on investment. Estimating that 10,000 homes on Kauai could benefit from this retrofitting (of the 30,000 housing units on the island) and you have nearly a \$28 million investment potential. Let's say

you include an additional 15,000 retrofits on the Big Island (cost: \$40 million) and 12,000 on Maui (\$32 million). The electricity rates are slightly lower on these islands but the solar rebates are higher. Put them together and you have a \$100 million investment that has the potential to return about \$50 million every year.

But wait, there's more. This statewide investment would reduce greenhouse gas emissions by about 120,000 tons annually and provide hundreds of local jobs.

So where do you sign up? Good question, because the financing structure for such an investment at this scale isn't in place. Sure, individual homeowners are replacing bulbs and buying solar, but not at a pace that matches their money-making potential. Since these investments are so lucrative and add so much value to Hawaii and the environment, there must be a way to put our brightest business minds to work and figure out how to leverage this massive investment potential across the state.

So where are Hawaii's heavy investors? Where are Hawaii's "local" banks, moneyed institutions like Kamehameha Schools and private investors putting their money? Is it helping local folks in Hawaii? Are they getting a better yield than 50 percent? What do we need to do to focus serious money on vastly improving Hawaii's energy efficiency in the short term?

This proposal just looked at solar water heaters and lights for a limited number of homes. Hundreds of millions of additional energy efficiency investments exist in the form of Energy Star appliances, air conditioning, insulation and commercial equipment, among others.

If we're not maxing out our local energy efficiency investments, we might as well be falling for the spam fraud and sending our hard-earned money overseas to questionable regimes and unscrupulous business interests. With our utter dependency on oil, we already do that every day.

Thank you for the opportunity to testify.