



**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

**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Tuesday, March 17, 2009  
8:30 A.M.  
State Capitol, Conference Room 325

in consideration of  
**SB 1258, SD2**  
**RELATING TO RENEWABLE ENERGY.**

Bill No. 1258

Support  Y  N

Date 3/16/09

Time 4:31

Cat AF  AS  AX  BC

Type  1  2  WI

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

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports this bill. Senate Bill 1258, SD2 establishes comprehensive measures to promote the increased use and development of renewable energy resources that will greatly benefit the State's economy, environment, energy security and sustainability.

SB 1258, SD2 will help achieve Hawaii's transformation to a clean renewable energy economy with its attendant benefits including:

1. Energy security through reduced reliance on imported oil supplies and exposure to the volatile prices of the world oil market;

2. Risk management by increased diversification of the electricity generation portfolio;
3. Economic benefits including increased quality job creation, economic development and diversification, and fewer dollars leaving Hawaii's economy; and
4. Reduced greenhouse emissions and the attendant negative impact on climate change, global warming, and Hawaii's environment.

SB 1258, SD2, 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 from efficiency measures 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. This bill requires that beginning 2015, one hundred per cent of the renewable portfolio standards shall be met by electrical generation from renewable energy resources. DBEDT strongly supports these amendments to Hawaii's RPS law, and would like to recommend the following modifications to the bill to further promote and accelerate Hawaii's transition to non-petroleum energy sources.

1) Change the amendment to §269-91.2.(2) to read as follows: **"... provided that such electrical energy savings except those brought about by customer-sited, grid-connected renewable energy systems, will not count towards the renewable portfolio standards beginning in 2015;"**

2) Add the following amendment to Section 269-92(b) as proposed in SB 1671, SD1: “(4)

**Effective July 1, 2009, the public utilities commission shall not approve any application by a public utility as defined in section 269-1 to build a new generation facility with a rated capacity greater than two megawatts that uses fossil fuel as the source of electricity generation.”**

These proposed changes will help further strengthen Hawaii’s RPS law, and effectively achieve its intent of increasing the development and use of renewable energy resources in Hawaii.

Another major provision in this bill which supports the achievement of the HCEI goal is the creation and designation of renewable energy zones to increase the use and development of renewable energy resources, as well as the identification and qualification of transmission projects and infrastructure crucial to the development of renewable energy resources which may receive assistance in accessing the use of special purpose revenue bonds for financing. We strongly support the bill’s proposed inclusion of these statutory functions of creating and designating renewable energy zones, and identifying, qualifying, and assisting access to the use of special purpose revenue bonds to finance transmission projects and infrastructure in the Energy Resources Coordinator’s statutory roles and functions as established in Section 196-4, Hawaii Revised Statutes.

DBEDT supports the amendment offered in Section 7 of this bill to expand the definition of “qualified business” in Section 209E-2, Hawaii Revised Statutes, to include businesses engaged in development or production of various types of renewable energy which may qualify for State enterprise zone tax incentives and regulatory flexibility which stimulate business,

agricultural, and industrial growth in areas that would result in neighborhood revitalization. Adding other forms of 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 current approved business activities which presently include wind energy production. The incentives provided for in the EZ program will provide the impetus to help attract these businesses to Hawaii.

Another major issue addressed by this bill is renewable energy projects' permitting and facilitation. DBEDT supports Sections 8 and 9 of this bill which offer amendments to Section 201-12.5 and Sec 201N, Hawaii Revised Statutes. The bill proposes to expand the duties of the renewable energy facilitator by specifying the inclusion of renewable energy facilities' land parcels, production structure or equipment, transmission lines, and on-site infrastructure necessary for the development of renewable energy resources in the definition of renewable energy projects that are qualified for the facilitator's services.

DBEDT also supports the bill's proposed amendment to Section 201N, Hawaii Revised Statutes, to enable renewable energy facilities between five and two hundred megawatts and biofuel production facilities to apply to the Energy Resource Coordinator for approval to receive permitting process assistance from the renewable energy facilitator. This bill also speeds and clarifies the expediting process for renewable energy facilities permitting by amending Section 201N-4, HRS. DBEDT strongly supports these proposed amendments.

This bill provides significant modifications to current energy-related statutes that are critical in achieving the HCEI goals and DBEDT recommends that these amendments become effective on July 1, 2009. Thank you for the opportunity to testify.

LINDA LINGLE  
GOVERNOR

JAMES R. AIONA, JR.  
LT. GOVERNOR



KURT KAWAFUCHI  
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Bill No. 1258

Support Y N

Date 3/16/09

Time 1711

Cat AF (AS) AX B C

Type 1 (2) WI

HOUSE COMMITTEES ON ENERGY & ENVIRONMENTAL PROTECTION  
TESTIMONY REGARDING SB 1258 SD 2  
RELATING TO RENEWABLE ENERGY

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: MARCH 17, 2009

TIME: 8:30AM

ROOM: 325

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This bill, among other things, broadens the definition of "qualified business" for purposes of the tax incentives available under the State's enterprise zone program.

The Department of Taxation (Department) defers to the Department of Business, Economic Development, and Tourism regarding the effect of this measure on incentivizing alternative energy.

If amended to provide a current effective date, this measure will result in a revenue loss of approximately \$3.2 million in FY10, \$4.2 million in FY11, and \$5.5 million per year in FY12, FY13 and FY15.



# Sierra Club Hawai'i Chapter

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Bill No. 1258

Support  N

Date 3/16/09

Time 1639

Cat AF AS AX  BC

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
Type 1  2 WI

March 17, 2009, 8:30 A.M.  
(Testimony is 3 pages long)

## TESTIMONY IN SUPPORT OF SB 1258 SD2 WITH AMENDMENTS

Aloha Chair Morita and Members of the Committee:

The Sierra Club, Hawaii Chapter, with 5500 dues paying members statewide, supports SB 1258 SD2 with amendments, establishing comprehensive measures for increasing the production and use of renewable energy in the State. Hawaii's state policy should reflect our preferred choice of clean, indigenous, renewable sources of electricity. Moreover, energy efficiency -- a wonderful concept -- should be encouraged independently of our efforts to develop renewable energy.

Hawaii is the most dependent state in the nation on imported oil. Some 50 million barrels are imported annually, nearly 80% of which originate from foreign sources. In addition, over 805,000 tons of coal are imported into our state. These sources provide power for over 92% of Hawaii's electricity generation. The combustion of these resources also contributes over 23 million tons of climate changing greenhouse gas into our atmosphere annually.

The move away from fossil fuels is not unprecedented. In 1973, when the oil crisis hit, Denmark received 90% of its energy from petroleum, much like Hawai'i today. Unlike other countries, Denmark, did not forget the lessons of 1973 and made tremendous strides to reduce its dependency. Time Magazine<sup>1</sup> recently noted:

The fruits of that investment and innovation are best tasted in an unlikely place that has emerged as the symbol of Denmark's greenness: Samsø island. Located in the Kattegat Strait, Samsø (pop. 4,300) was far from cutting-edge when, in 1997, it won a government competition to become a model for how a community can run on renewable energy. At

<sup>1</sup> "The Gusty Superpower. How Denmark's green energy initiatives power its economy." Time Magazine, March 16, 2009. Available at <http://www.time.com/time/magazine/article/0,9171,1881646,00.html>.

the time Samsø was entirely dependent on oil and coal, both of which it imported from the mainland. A little more than a decade later Samsø is effectively carbon negative, producing more than 100% of the electricity it needs from renewable sources, chiefly wind and biomass. The architect of that transformation is Søren Hermansen, a former farmer and environmental studies teacher, who lobbied, cajoled and pushed his initially reluctant neighbors to go green.

A tour of Samsø feels a bit like a greatest hits collection of Denmark's successful energy policies. The island features district heating plants fired by waste biomass such as straw. The plants provide heat to homes in lieu of more polluting oil-burning furnaces. When the sun is shining — which, admittedly, is not often — solar thermal panels provide hot water. Wind power is everywhere — on land, where towering turbines shade cows on a dairy farm, and offshore, where 10 turbines greet the incoming ferries like a row of sentinels. Many of the turbines are owned collectively by resident associations, with members chipping in to buy a slice of wind power. ("If you let people become a part of the solution," says Hermansen, "it works better.") Others are owned by single investors like Jørgen Tranberg, a dairy farmer. Tranberg, who likes to spend his spare time watching his cows on closed-circuit TV ("It's better than the news"), believes Samsø's success could be replicated elsewhere. "We're not special people here," he says.

As with any bill, however, improvements could be made. With respect to Section 10, we are concerned a "renewable energy facility" could be automatically approved due to agency ignorance or gamesmanship by the developer. For example, it is possible a fossil fuel facility -- such as a recent proposal by Kauai Ethanol LLC -- could be wrongly considered a renewable energy facility.

Our first preference is to strike the automatic approval language entirely. Barring that step, we suggest an additional line requiring the renewable energy facilitator -- before the expiration of twelve months -- to notify the pertinent agency of the deadline and the requirement of an ongoing report. The renewable energy facilitator should have the capacity to track and identify true renewable energy facilities. For example on pages 19-20, lines 20-22 and lines 1-4 could be amended to state:

If the coordinator has given at least thirty days written notice stating the permit plan application is subject to this section and a permit is not approved or denied within twelve months after approval of a completed permit plan application, the permitting agency, within thirty days

following the twelve-month period, shall provide the coordinator with a report identifying diligent measures that are being taken by the agency to complete processing and action as soon as practicable.

This language reduces the possibility that an environmentally undesirable project is allowed to wrongly proceed because of the automatic approval provision.

Hawaii's economic, environmental, and energy security demand that we reduce the amount of fossil fuel imported and consumed in Hawaii. This bill is a solid step in that direction.

Thank you for this opportunity to provide testimony.

# HAWAII RENEWABLE ENERGY ALLIANCE

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Bill No. 1258

Support  Y  N

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Herbert M. (Monty) Richards  
Kahua Ranch Ltd.

## TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Date 3/16/09

Time 2018

### SB 1258 SD2, RELATING TO RENEWABLE ENERGY

Cat AF AS /  B  C

March 17, 2009

Type 1  2  3  4  5  6  7  8  9  10  11  12  13  14  15  16  17  18  19  20  21  22  23  24  25  26  27  28  29  30  31  32  33  34  35  36  37  38  39  40  41  42  43  44  45  46  47  48  49  50  51  52  53  54  55  56  57  58  59  60  61  62  63  64  65  66  67  68  69  70  71  72  73  74  75  76  77  78  79  80  81  82  83  84  85  86  87  88  89  90  91  92  93  94  95  96  97  98  99  100  101  102  103  104  105  106  107  108  109  110  111  112  113  114  115  116  117  118  119  120  121  122  123  124  125  126  127  128  129  130  131  132  133  134  135  136  137  138  139  140  141  142  143  144  145  146  147  148  149  150  151  152  153  154  155  156  157  158  159  160  161  162  163  164  165  166  167  168  169  170  171  172  173  174  175  176  177  178  179  180  181  182  183  184  185  186  187  188  189  190  191  192  193  194  195  196  197  198  199  200  201  202  203  204  205  206  207  208  209  210  211  212  213  214  215  216  217  218  219  220  221 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