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Statement of
THEODORE E. LIU
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Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON FINANCE

Monday, April 6, 2009
2:00 P.M.
State Capitol, Conference Room 308

in consideration of

SB 1671 SD1 HD2
RELATING TO FOSSIL FUELS

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

The concept behind Senate Bill 1671 SD1 HD2 originated from recommendations of the Hawaii Clean Energy Initiative (HCEI). However as the bill is currently drafted, DBEDT cannot support the measure. DBEDT would strongly support the measure if amended as proposed below.

SB 1671 SD1 HD2 prohibits the permitting of the construction or operation of a new facility that generates electricity solely from the combustion of any type of fossil fuels, except under extraordinary circumstances as determined by the Public Utilities Commission, and provided further that its used for the facility's own internal operation and has a rated capacity of less than 2 MW.

DBEDT strongly supports the prohibition of any new electric generation unit that generates power using any type of fossil fuel as necessary to the achievement of the Hawaii Clean Energy Initiative's (HCEI) goal to transition Hawaii's energy sector to 70% non-fossil based sources by 2030. We believe that in order to optimally strengthen and accelerate the achievement of HCEI goals, the prohibition on the use of fossil fuel for electricity generation should extend to any generation units which is based on any fossil fuel. The use of the word “solely” in the proposed language of the bill means that a new facility that is designed to use up to 99% fossil fuel will not be subject to this law as it is not solely using fossil fuel. This bill, as drafted, does nothing substantively to further Hawaii's energy security and self-sufficiency.

We therefore propose that the language of the bill be amended to delete the word “solely”.

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 further weakens this prohibition, and further postpones the day when Hawaii reaches a future based on clean, renewable energy sources. The bill provides that “extraordinary circumstances” may include “detrimental and adverse impacts on the ratepayers or the viability of the public utility”, without defining what “detrimental and adverse impacts” mean or could include. We respectfully suggest that the amendments to §196 and §269- are changed to read as follows:

“§196- New fossil fuel-powered electrical generation facilities; prohibition. No state or county shall issue a permit to any applicant for the construction or operation of a

new electrical generation facility with capacity greater than 2 megawatts and that produces electrical energy from the combustion of any type of fossil fuels.”

“§269- New fossil fuel-powered electrical generation facilities; prohibition. The commission shall not approve the construction or operation of a new electrical generation facility with capacity greater than 2 megawatts and that produces electrical energy from the combustion of any type of fossil fuels.”

This bill with the incorporation of our recommended changes will contribute significantly towards achieving Hawaii’s energy security and independence with the attendant economic and environmental benefits. Currently, the Hawaii utilities use fossil fuel to generate over ninety per cent of the total electricity they sold, which represents almost 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. 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 clean indigenous renewable resources and increased energy efficiency.

We recommend that these amendments become effective on July 1, 2009.

Thank you for the 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 FINANCE**

APRIL 6, 2009

MEASURE: S.B. No. 1671 S.D.1 H.D.2

TITLE: Relating to Fossil Fuels

Chair Oshiro and Members of the Committee:

DESCRIPTION:

This bill amends chapters 196 and 269, Hawaii Revised Statutes ("HRS"), by adding new sections that prohibit the construction or operation of any new electricity generating facility using fossil fuel, except under extraordinary circumstances, as determined by the Hawaii Public Utilities Commission ("Commission"), or when the electric generation unit has rated capacity of less than 2 megawatts and is used primarily to serve a facility's own internal operation.

POSITION:

The Commission supports this bill that will prohibit the construction and operation of new fossil fuel based electricity generation with a rated capacity over two megawatts, except under extraordinary circumstances.

COMMENTS:

The Commission supports the State's move to clean energy generation.

Thank you for the opportunity to testify.

Testimony Before the House Committee on
Finance

By Michael V. Yamane P.E.
Manager, Engineering
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Monday April 6, 2009, 2:00 p.m.
Conference Room # 308

Senate Bill No. 1671, S.D. 1, H.D. 2 – Relating to Renewable Energy.

To the Honorable Marcus Oshiro, Chair; Marilyn Lee, Vice-Chair, and Members of the Committee:

Thank you for the opportunity to testify on this measure. My name is Mike Yamane, representing Kauai Island Utility Cooperative (KIUC). I am here today to testify in support of S.B. No. 1671, H.D. 2 and would like to provide comment on the provision of the bill regarding the prohibition against the building of new generators utilizing fossil fuels.

KIUC is the only electric cooperative in the State of Hawaii, and the only electric utility serving the people on the island of Kauai. Unlike the for-profit, investor-owned, and much larger utility companies in Hawaii, KIUC is member-owned, its shareholders and ratepayers being one in the same. KIUC members elect the Board of Directors through a democratic process and this Board, along with KIUC staff, develops KIUC's Strategic Plan.

KIUC'S Strategic Plan sets forth two priorities: (1) to generate at least 50% of our electricity from renewable energy sources by 2023, a goal that will lower KIUC's greenhouse gas emissions to 1990 levels; and (2) to commit to fair and equitable rates for reliable service. As evidenced by its priorities, KIUC is committed to breaking the State's dependence on foreign oil and to taking steps to protect our environment but KIUC also needs to ensure the viability of the cooperative for the sake of its members/customers. Thus, a balance has to be struck between what would otherwise appear to be competing interests to enable actual change over time to occur.

That balance could be jeopardized if this bill contained an absolute prohibition against the building of new generators that burn fossil fuels. Reasonably, the prohibition in sections 1 and 2 of this bill does not go to that extreme.

Sections 1 and 2 prohibit the building of generators that utilize *solely* fossil fuels and provide the Public Utilities Commission with the discretion to lift the prohibition under extraordinary circumstances. This flexibility allows utilities such as KIUC to work toward increasing its renewables while still being able to ensure an adequate supply of electricity, at an affordable rate, to its members/customers.

KIUC would like to propose some language change to further clarify portions of this bill.

"§196- **New fossil fuel-powered electrical generation facilities; prohibition.** (a) No state or county agency shall issue a permit to any applicant for the construction or operation of a new fossil fueled electrical generation unit facility that produces electrical energy solely from the combustion of any type of fossil fuel; provided that under extraordinary circumstances, as explicitly determined by the public utilities commission, a permit may be issued; provided further that this section shall not apply when the electric generation unit is primarily used to serve a non-electric utility the facility's own internal operation whose primary purpose is the refining of fossil fuels or the cumulative rated capacity of the fossil fueled electrical generation units of an electric generating facility is and has a rated capacity of less than two megawatts.

(b) For the purposes of this section, "extraordinary circumstances" means circumstances under which the public utilities commission determines the prohibition provided for in this section is not applicable. "Extraordinary circumstances" include, but are not limited to, circumstances that may:

(1) have detrimental and adverse effects on the ratepayer;

(2) have a detrimental impact on the viability of the public utility; or

(3) affect the ability of the public utility to maintain safe and reliable electrical service.

(c) For purposes of this section "new fossil fueled electrical generation unit" means any unit without necessary air quality permits approved prior to July 1, 2009 that generates electricity energy from the combustion of any type of fossil fuel unless, the public utilities commission finds that:

(1) a fuel procurement plan is in place that demonstrates a transition to non-fossil fuel in a reasonable time period to meet and exceed the requirements under section 269-92; or

(2) technical limitations require fossil fuels for start-up generation.

SECTION 3. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§269- New fossil fuel-powered electrical generation facilities; prohibition. (a) No state or county agency shall issue a permit to any applicant for the construction or operation of a new fossil fueled electrical generation unit facility that produces electrical energy solely from the

combustion of any type of fossil fuel; provided that under extraordinary circumstances, as explicitly determined by the public utilities commission, a permit may be issued; provided further that this section shall not apply when the electric generation unit is primarily used to serve a non-electric utility the facility's own internal operation whose primary purpose is the refining of fossil fuels or the cumulative rated capacity of the fossil fueled electrical generation units of an electric generating facility is and has a rated capacity of less than two megawatts.

(b) For the purposes of this section, "extraordinary circumstances" means circumstances under which the public utilities commission determines the prohibition provided for in this section is not applicable. "Extraordinary circumstances" include, but are not limited to, circumstances that may:

- (1) have detrimental and adverse effects on the ratepayer;
- (2) have a detrimental impact on the viability of the public utility; or
- (3) affect the ability of the public utility to maintain safe and reliable electrical service.

(c) For purposes of this section "new fossil fueled electrical generation unit" means any unit without necessary air quality permits approved prior to July 1, 2009 that generates

electricity energy from the combustion of any type of fossil fuel unless, the public utilities commission finds that:

- (1) a fuel procurement plan is in place that demonstrates a transition to non-fossil fuel in a reasonable time period to meet and exceed the requirements under section 269-92; or
- (2) technical limitations require fossil fuels for start-up generation."

Also, KIUC has already taken the steps to permit the use of biodiesel in each of its thirteen generating units. This places KIUC in an excellent position to move in the direction of our renewable goals, when a cost effective sustainable source of biodiesel is contracted. This multi-fuel mix of fossil and renewable resources allows KIUC fuel flexibility to deal with fuel supply and economic changes that KIUC has no control over.

It is for these reasons KIUC supports SB 1671 H.D. 2.

Thank you for the opportunity to testify today on behalf of KIUC.



Sierra Club Hawai'i Chapter

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SENATE COMMITTEE ON FINANCE

April 6, 2009, 2:00 P.M.
(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 1671, SD1, HD2, WITH AMENDMENTS

Aloha Chair Oshiro and Members of the Committee:

The Sierra Club, Hawaii Chapter, with 5500 dues paying members statewide, *strongly supports* the intent of SB 1671 SD1, banning the addition or expansion of any new fossil fuel burning facilities for electricity generation. This is a bold policy directive that indicates our state's preferred choice is clean, indigenous, renewable sources of electricity. We can be the first in the nation to draw the line and say "no more fossil fuels."

This measure is grounded in sound reasoning; we simply cannot continue our dependence on imported oil. Hawai'i imports more oil -- *by far* -- than any other state in the nation. 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.

We cannot sustain Hawai'i's demand for oil. The potential consequences of inaction are dire. Our economy will increasingly be strained by the rising cost of oil and, at some point, Hawai'i will no longer be able to afford the oil necessary to keep the lights on in our home and businesses.

Hawaii's economic, environmental, and energy security demand that we reduce the amount of fossil fuel imported and consumed in Hawaii. This bill, unfortunately, only makes only a small step in this direction by limiting plants that rely *solely* on fossil fuels. So is a plant that adds 0.1% from a renewable source acceptable? **No!** We already supply ninety-two percent of our energy demand from fossil fuels. *It's time to say that we've built enough fossil fuel plants and implement a complete ban.*

If we're going to be serious about our efforts to reduce our carbon dependence and greenhouse gas emissions, we need make bold steps today. A ban on "solely" fossil fuel plants is a half-hearted measure. Let's take the opportunity to make national news and implement a ban that really moves Hawai'i towards a fossil free future.

Thank you for this opportunity to provide testimony.



HOUSE COMMITTEE ON FINANCE

April 6, 2009, 2:00 P.M.

Room 308

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF SB 1671 SD1 HD2 WITH AMENDMENTS

Chair Oshiro and members of the committee:

The Blue Planet Foundation strongly supports the intent of SB 1671 SD1 HD2, but respectfully asks this Committee to amend the measure so that it actually achieves the purpose contemplated in the Section 1 "legislative intent" of the bill.

On its surface, this measure seeks to make a clean break from conventional energy production practices of the past and set Hawaii on a path of clean energy production for new sources. It does that by prohibiting the addition or expansion of any new fossil fuel burning facilities for electricity generation. Unfortunately, SB 1671 SD1 HD2 fails to accomplish this goal. The bill's loophole for any facility that does not "solely" use fossil fuel will allow the permitting of any number of predominantly fossil fuel power plants in the future, saddling Hawaii and its electricity consumers with dirty, expensive fossil fuel facilities for decades. We are concerned that these exemptions severely weaken the effectiveness of this policy and send a mixed market signal about Hawaii's preferred energy future.

We respectfully ask that the Committee on Finance to amend SB 1671 SD1 HD2 back to its original (SB 1671) form.

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 sources¹. In addition, over 805,000 tons of coal are imported into our state². These sources provide power for over 92% of Hawaii's electricity generation. The combustion of these resources also contributes over 23

¹ The State of Hawaii Data Book 2007

² *Ibid.*

million tons of climate changing greenhouse gas into our atmosphere annually³. Hawaii's economic, environmental, and energy security demand that we reduce the amount of fossil fuel imported and consumed in Hawai'i.

The original SB 1671 addresses that need by prohibiting the permitting of future fossil fuel-fired electricity generating facilities of any sort in the state. To be clear, the original SB 1671 was not a prohibition on existing fossil fuel electricity generating facilities; it is prospective in nature, only addressing future projects. Further, it exempts small (less than 2 MW) generators that are used for backup generation by hospitals and other emergency needs—an exemption that can be revisited by the legislature in the future as more capable storage technologies come online or indigenous biofuel sources become more readily available.

Hawaii's fossil fuel prohibition—again, for future facilities—should be clear and simple: no new fossil fuel electricity generating facilities. Enactment of SB 1671 in its original form will make Hawai'i the first state in the nation to prospectively disallow fossil fuel power plants. It will draw national and likely international media attention, and send a clear market signal that Hawai'i is serious about transforming to clean, indigenous sources of energy.

Blue Planet Foundation is committed to creating Hawaii's clean energy future. Our goal is making Hawai'i energy independent by 2020. Fossil fuels are simply not part of Hawaii's clean energy future. Hawai'i state policy should reflect our preferred energy future powered by clean, indigenous, renewable sources of electricity.

Please pass SB 1671 in its original form to help ensure that we stay on the right path for a sustainable Hawai'i.

Thank you for the opportunity to testify.

³ ICF International. Inventory of Greenhouse Gas Emissions and Sinks in Hawaii: 1990 and 2007. December 2008.