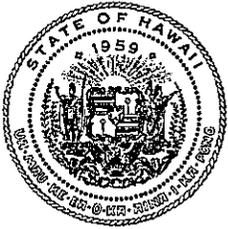


SB 2782



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

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
PEARL IMADA IBOSHI
DEPUTY DIRECTOR

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Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, February 9, 2010
3:00 PM

State Capitol, Conference Room 225
in consideration of

SB 2782

**PROPOSING AN AMENDMENT TO ARTICLE XI, SECTION 8 OF THE HAWAII
CONSTITUTION, TO PROHIBIT THE CONSTRUCTION OF NEW PETROLEUM, COAL,
AND NUCLEAR POWER PLANTS IN THE STATE WITHOUT THE PRIOR APPROVAL
OF TWO-THIRDS OF THE HOUSE OF REPRESENTATIVES AND THE SENATE.**

Chair Gabbard, Vice Chair English, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) opposes SB 2782, which offers a constitutional amendment prohibiting new petroleum, coal or nuclear fission power plants without two-thirds approval of the State House of Representatives and the State Senate.

While we strongly agree that the state's economy, energy security and environment will greatly benefit from the use of clean, indigenous and renewable sources of energy, we believe this goal can be achieved by amending the Hawaii Revised Statutes, as we propose in SB 2670, and that a constitutional amendment is unnecessary. We further advise that allowing multi-fuel power plants, which can burn fossil fuels if necessary but which are statutorily required to derive most of their energy from biofuels, will allow both flexibility and an assurance of grid stability in the years of transitioning to energy independence.

Thank you for the opportunity to offer these comments.

**Testimony before
The Senate Energy & Environment Committee**

**Colton Ching
Manager, Corporate Planning
Hawaiian Electric Company, Inc.**

**Tuesday, February 9, 2010
3:00 pm**

SB 2782 – Proposing an Amendment to Article XI, Section 8 of the Hawaii Constitution, to Prohibit the Construction of new Petroleum, Coal, and Nuclear Power Plants in the State without the Prior Approval of two-thirds of the House of Representatives and the Senate.

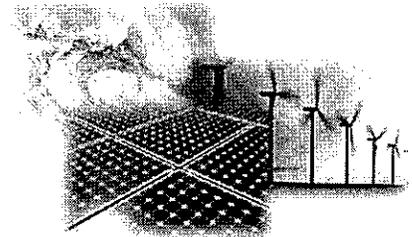
Chair Gabbard, Vice Chair English and Members of the Committee:

My name is Colton Ching and I am testifying on behalf of the Hawaiian Electric Companies, which is comprised of Hawaiian Electric Company, Inc., Maui Electric Company, and Hawaii Electric Light Company.

SB 2782 proposes a constitutional amendment to require a two-thirds vote of the House and Senate prior to approval of the construction of a new petroleum, coal or nuclear power plant.

Under the Energy Agreement our companies signed as part of the Hawaii Clean Energy Initiative, our utilities have already committed not to add any new fossil fuel-based generation. We are therefore committed to the intent of this bill. However, we believe that this bill is overly restrictive. By referring to generators fired on petroleum and coal, it prohibits generators that would be run on blends of fossil and biofuel or biomass, which may be required due to technical limitations of generators or even in the event the supply of biofuels is not available or is interrupted. This lack of flexibility could result in serious reliability problems for our customers.

We therefore ask that this measure be held. Thank you for the opportunity to present these comments.



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

February 9, 2010, 3:00 P.M.

Room 225

(Testimony is 3 pages long)

TESTIMONY IN SUPPORT OF SB 2782

Chair Gabbard and members of the Committee:

The Blue Planet Foundation strongly supports Senate Bill 2782, a measure proposing a constitutional amendment to elevate Hawaii's aggressive energy goals to the State Constitution. This constitutional amendment would also prohibit the construction of new petroleum, coal, and nuclear power plants within the State without the approval of two-thirds of each house of the legislature. The proposed constitutional amendment is timely and relevant as Hawaii navigates the transition to a clean energy economy.

The goal of making Hawaii energy independent has been as elusive as it has been enduring. For nearly four decades the state has discussed, developed, and planned how to wean itself from fossil fuels. Yet we are nearly as dependent as ever on imported oil and coal. Recent initiatives and federal involvement in Hawaii's clean energy effort are commendable and their organization and planning must continue. But the overall effort toward energy independence should be memorialized in Hawaii's guiding governance document: the State Constitution. The Constitution currently contains specific language regarding agriculture, water, and land resources. This proposal would put to the people of Hawaii the option of codifying energy independence as a goal of the State of Hawaii. The measure would also prohibit future fossil fuel power plants without the approval of two-thirds of each house of the state legislature.

Overarching rationale for a ban on new coal and oil power plants

Hawaii is dangerously dependent on imported fossil fuels to power its economy and way of life. This must change. Fossil fuels are simply not part of Hawaii's clean energy future. We must draw the line in the sand and make it clear that we will not invest in any more expensive, import-dependent, greenhouse gas-emitting power plants. Hawaii state policy should reflect our preferred energy future that is powered by clean, indigenous, renewable sources of electricity. Further, a clear prohibition on new fossil fuel power plants of any sort will make Hawaii the first

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state in the nation with such a policy a send a clear market signal that we are serious about our clean energy future.

Need for transition to a clean energy future

The transition to clean energy in Hawai'i means a ratcheting down of fossil fuel imports and scaling back existing oil and coal generating units. This measure would ensure that we don't repeat the mistakes of the past. *Rigorous analysis of what it will take to achieve those standards demonstrates that new fossil fuel generating units are not necessary.*

The state currently has nearly 2000 megawatts of installed fossil fuel-based electricity generation (providing about 92% of the electricity in the state). While Blue Planet would like to see that number reduced to zero within a decade, the goal of the Hawaii Clean Energy Initiative is to reduce it from 92% dependence to 30% dependence in 20 years (by 2030). That goal is achieved by adding hundreds of megawatts of new renewable energy generation such as wind, solar, wave energy, and others (40% clean energy), while dramatically increasing the end-use efficiency of electricity (30% decrease in electricity usage from forecasted demand in 2030). Those goals—40% clean energy and 30% efficiency—were codified last session through Act 155 (2009).

The Hawaii Clean Energy Initiative (HCEI)—a partnership between the U.S. Department of Energy and the State of Hawai'i—contracted with global energy experts Booz Allen Hamilton to conduct various scenario analyses on how to achieve a 70% clean energy goal by 2030. The results of those analyses demonstrated that none of the trajectories to achieve Hawai'i's clean energy goals required new fossil fuel generating units. The wedge analyses of the different clean energy scenarios are available for your review online at: <http://tiny.cc/lq8yD>

The notion that some sort of "transition" must occur that involves new fossil fuel generating units is not supported by rigorous analysis of Hawai'i's energy systems. The transition will involve critical decisions about which fossil fuel power plants to retire first—not where to build new power plants.

A prohibition on new fossil fuel generation gives teeth to Hawai'i's clean energy laws

Achieving the schedule of clean energy standards means reducing existing fossil generating capacity, not adding to it. As the HCEI analyses revealed, new coal- or oil-based generation *would make achievement of the standards substantially more difficult, as any new fossil fuel-based generation installed in the future will have a useful lifetime of 30 to 50 years or more.*

Therefore, the "no new fossil fuel" policy serves as a backstop and works to prevent backsliding on the renewable energy standards. Without a clear prohibition on new fossil fuel generation in place, Hawai'i risks failing to achieve the new clean energy standards. Enforcing compliance with the renewable portfolio standard requirements through penalties and fines is not a desirable outcome (the penalty is currently one-fifth of a penny per kilowatt-hour). Such enforcement risks that the costs from these penalties or fines simply get passed on to

consumers or the possibility that such costs jeopardize the utilities' viability. *The fossil fuel prohibition serves as a backstop to ensure that Hawaii's clean energy transition actually occurs.*

The urgency to enact a "no new fossil fuel" policy this year

There are three primary reasons why it is imperative to quickly move Hawai'i off of coal and oil. The first is energy security. All of Hawaii's fossil fuel is imported, with 100% of coal originating in foreign countries and 97% of Hawaii's oil from non-U.S. sources. In fact, one in four barrels of oil comes from the Middle East. These fossil fuels are finite resources and more developing countries are seeking a greater share of these resources. We have no reason to believe that we will have unlimited access to these resources in the future. Second, oil is expensive. In 2008, Hawai'i spent over \$5 billion on imported oil. This money simply leaves the state without creating any local wealth or jobs. Further, we have no way to predict exactly what the cost will be in a year from now, let alone five or ten years down the road. This is no way to secure the state's economic future. Finally, we know that burning coal and oil releases greenhouse gases that are changing our climate and oceans. Sea level rise could literally change the map of Hawai'i, and ocean acidification from increased carbonic acid in the water could wipe out Hawaii's reefs. State policy must preclude investment in any new power plants that hemorrhage money out of our economy and release climate-changing greenhouse gases into the atmosphere.

Blue Planet believes that the proposed constitutional amendment strikes an appropriate balance by prohibiting future fossil power plants while providing legislative override authority for major deviations from the state's clean energy goals and laws.

Thank you for the opportunity to testify.

SB 2782
PROPOSING AN AMENDMENT TO ARTICLE XI, SECTION 8 OF THE HAWAII
CONSTITUTION, TO PROHIBIT THE CONSTRUCTION OF NEW PETROLEUM,
COAL, AND NUCLEAR POWER PLANTS IN THE STATE WITHOUT THE PRIOR
APPROVAL OF TWO-THIRDS OF THE HOUSE OF REPRESENTATIVES AND THE
SENATE

PAUL T. OSHIRO
MANAGER – GOVERNMENT RELATIONS
ALEXANDER & BALDWIN, INC.

FEBRUARY 9, 2010

Chair Gabbard and Members of the Senate Committee on Energy & Environment:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on SB 2782,

“PROPOSING AN AMENDMENT TO ARTICLE XI, SECTION 8 OF THE HAWAII CONSTITUTION, TO PROHIBIT THE CONSTRUCTION OF NEW PETROLEUM, COAL, AND NUCLEAR POWER PLANTS IN THE STATE WITHOUT THE PRIOR APPROVAL OF TWO-THIRDS OF THE HOUSE OF REPRESENTATIVES AND THE SENATE.”

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 125 years. While Hawaii’s many other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations and the implementation of our diversified bio-production program, to have sustained our operations and continue as a major employer in the State of Hawaii. Despite a current uptick in sugar prices, history has proven that commodity sugar prices will remain relatively flat, as they have over the last few

decades, despite increasing production costs. Thus, HC&S has for a number of years been pursuing, and investing in, a transition from a primary producer of commodity sugar to the production of specialty sugar and bio-based products. In addition to being the main supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production and sales of our specialty Maui Brand Sugar.

HC&S also generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and provides electricity to Maui Electric Company (MECO) for general community use. The source of fuel for this biomass electricity is bagasse, the residual fiber of the sugar cane plant. Not only does HC&S provide approximately 6% of MECO's total electricity, HC&S is a firm power source to MECO (i.e. committed power delivery, not on an 'as available' basis), and has played a significant role in the restoration of MECO's electrical service during power outages.

This bill proposes a constitutional amendment to require a 2/3 vote of the Legislature to construct a coal power plant. While HC&S's biomass power generating facilities are fueled primarily by sugar cane bagasse, there is a need for these generating facilities to periodically burn an amount of coal to maintain stable boiler operations (biomass fuel quality can vary depending on harvesting and mill operations), to remain in compliance with air emission regulations, and to meet firm power commitments to MECO, particularly during the off season maintenance period when bagasse is not available. We respectfully request your consideration to incorporate amendments into this bill to limit the scope of this provision to include power plants that

utilize coal as its primary source of fuel. We have attached amended language for your consideration.

SECTION 2. Article XI, section 8, of the Constitution of the State of Hawaii is amended to read as follows:

"[NUCLEAR] ENERGY SECURITY

Section 8. For the benefit of present and future generations, the State and its political subdivisions have the obligation to ensure the provision of clean, indigenous, and renewable sources of energy. The State shall promote the development and utilization of these resources in a manner consistent with their conservation and in furtherance of the State's energy self-sufficiency.

[No] To achieve the purpose of this section, no new petroleum **power plant, power plant using coal as its primary source of fuel,** or nuclear fission power plant shall be constructed [or] and no radioactive material shall be disposed of in the State without the prior approval by a two-thirds vote in each house of the legislature."

Your consideration to incorporate the above mentioned amendments into this bill is sincerely appreciated. Thank you for the opportunity to testify.

gabbard1 - Carlton

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2010 1:05 PM
To: ENETestimony
Cc: sevc@hawaii.edu
Subject: Testimony for SB2210 on 2/9/2010 2:45:00 PM

Testimony for ENE/WTL 2/9/2010 2:45:00 PM SB2210

Conference room: 225
Testifier position: oppose
Testifier will be present: No
Submitted by: Craig Severance
Organization: Individual
Address: 154 Honolii Place Hilo, Hawaii 96720
Phone: 808-935-1734
E-mail: sevc@hawaii.edu
Submitted on: 2/8/2010

Comments:

Bill is well intended but flawed, impractical, nearly impossible to enforce and overly punitive. Definition of plastics is overly broad and includes many items on boats that are necessary for comfort, safety, fishing operations, and seafood safety. Plastics include Deck gas tanks, handline baskets, coolers and water jugs, fishing gear including lines lures etc, CB radio cases. Many Ocean activities are impossible without flow-formed plastic items on board. Education/ even fines for deliberate discards etc. is a much better route than denial of registration. A boat-owner and fisherman!!!!!!

gabbard1 - Carlton

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2010 9:49 PM
To: ENETestimony
Cc: mauibrad@hotmail.com
Subject: Testimony for SB2782 on 2/9/2010 3:00:00 PM

Testimony for ENE 2/9/2010 3:00:00 PM SB2782

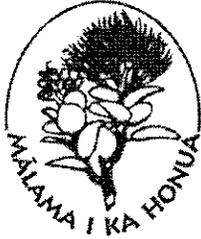
Conference room: 225
Testifier position: support
Testifier will be present: No
Submitted by: Brad Parsons
Organization: Aloha Analytics
Address:
Phone:
E-mail: mauibrad@hotmail.com
Submitted on: 2/8/2010

Comments:

Aloha Senators,

This bill was introduced by HOOSER, et.al. If passed by the Legislature, we understand this would be a constitutional amendment to be voted upon in the next general election. This bill would be more solid than the other bills in excluding new fossil fuel generators, assuming it could receive a majority of the public's vote, with the exception that would allow a new fossil fuel generator requiring a 2/3rd's vote of both houses of the legislature, a higher exception standard than the other two bills. That exception standard we find acceptable. The only problem we see with this bill is that it does not recognize the safe, positive potential of liquid thorium nuclear energy as opposed to uranium-based nuclear energy. We believe this is a material oversight in current law and with this bill, if unamended. Nevertheless, the worst this would be is a lost opportunity. Otherwise, this bill is the best of the three prospective bills, assuming the voters agree and pass it.

Mahalo,
Brad Parsons



Sierra Club Hawai'i Chapter

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SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

February 9, 2010, 3:00 P.M.

(Testimony is 1 page long)

TESTIMONY IN STRONG SUPPORT OF SB 2782

Aloha Chair Gabbard and Members of the Committee:

The Hawai'i Chapter of the Sierra Club strongly supports SB 2782, which would propose a constitutional amendment requiring the development of all new petroleum, coal, and nuclear power plants to have a two-thirds approval by the Hawaii State Legislature.

Hawai'i imports 50 million barrels of oil annually -- 80% of which comes from foreign sources. In addition, over 805,000 tons of coal is imported annually and together these two sources amount to 92% of energy generation in Hawai'i. Our heavy reliance on fossil fuels leaves Hawai'i vulnerable to the fluctuation of global markets beyond our control. In the summer of 2008, we saw prices skyrocket to \$140 a barrel and thus billions of dollars went overseas to other countries and our island community suffered as energy prices went up.

Furthermore, our current fossil fuel consumption contributes over 23 million tons of greenhouse gases to our atmosphere annually. There is now indisputable scientific evidence that carbon gases trap the sun's heat and is gradually raising the temperature of our planet leading to the melting of the polar ice caps and a subsequent rise in sea levels - something extremely worrisome for our island community. This will not only eliminate large tracts of coastal land but also further hurt our tourism-based economy as our beaches and a number of major hotels will be submerged.

Passage of a constitutional amendment would ensure that discussions of our energy future will occur at the highest policy level. We need tough measures like this to move Hawai'i towards a clean energy future.

Mahalo for the opportunity to testify.

gabbard1 - Carlton

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 08, 2010 9:52 AM
To: ENETestimony
Cc: erinann815@aol.com
Subject: Testimony for SB2782 on 2/9/2010 3:00:00 PM

Testimony for ENE 2/9/2010 3:00:00 PM SB2782

Conference room: 225
Testifier position: support
Testifier will be present: No
Submitted by: erin rutherford
Organization: Individual
Address:
Phone:
E-mail: erinann815@aol.com
Submitted on: 2/8/2010

Comments: