

**SB1323**



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**LUIS P. SALAVERIA**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

Tuesday, February 17, 2015  
2:45 p.m.  
State Capitol, Conference Room 225

in consideration of  
**SB 1323**  
**RELATING TO RENEWABLE ENERGY.**

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

The Department of Business, Economic Development & Tourism (DBEDT) has serious concerns pertaining to SB 1323, which would establish a renewable gas portfolio standard<sup>1</sup> and require the Public Utilities Commission (PUC) to direct public utilities that supply gas to acquire gas generated from non-fossil fuel sources.

DBEDT views this bill from the lens of three of Hawaii's energy policy directives: diversifying our energy portfolio; balancing technical, economic, environmental, and cultural considerations; and using market-based principles and price structures. The market-based directive ensures that energy consumers get the best value in pursuing our clean energy future, while keeping in mind that a diversity of new technologies and resources can only be deployed in a cost-effective manner when market distortions and externalities are minimized.

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<sup>1</sup> 15% by 2015, 25% by 2020, 50% by 2025, 100% by 2030

We believe the creation of renewable gas portfolio standards in SB 1323 is inconsistent with these principles, because it creates a narrowly focused set-aside instead of encouraging a level playing field among a portfolio of clean energy solutions.

Thank you for the opportunity to offer these comments regarding SB 1323.

TESTIMONY OF RANDY Y. IWASE  
CHAIR, PUBLIC UTILITIES COMMISSION  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON  
ENERGY AND ENVIRONMENT

FEBRUARY 17, 2014  
2:45 p.m.

**MEASURE:** S.B. No. 1323

**TITLE:** Relating to Renewable Energy

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

**DESCRIPTION:**

This measure requires the Public Utilities Commission (“Commission”) to direct public utilities that supply gas to the public to acquire biogas generated from nonfossil fuel sources. This measure also establishes renewable gas portfolio standards for certain utilities in the State.

**POSITION:**

The Commission offers the following comments for the Committee’s consideration.

**COMMENTS:**

The Commission supports the reduction of Hawaii’s long-term dependence on imported fossil fuels through the use of cost-effective renewable energy sources. However, the Commission notes that the general scope and intent of this measure are unclear as currently drafted. It appears that the purpose of this act is to establish a renewable gas portfolio standard for utilities that provide gas service to the public. Yet, this measure imposes the renewable gas portfolio standards to each public utility “as defined under section 269-1, for the production, conveyance, transmission, delivery, or furnishing of power.” It is unclear if the purpose of this measure is to regulate utilities that provide gas service or utilities that provide “power” service. This creates confusion with

respect to the application of the renewable gas portfolio standard and therefore may be difficult for the Commission to implement. Further, in the Hawaii Gas 2013 Renewable Energy Report, Hawaii Gas reported 2.4% of total feedstock from non-petroleum feedstock. This measure requires that percentage to increase to 15% by the end of 2015. Arbitrarily prescribed renewable gas portfolio standards such as this may not be feasible or achievable and therefore may result in unintended consequences for ratepayers.

Thank you for the opportunity to testify on this measure.



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Committee on Energy and Environment  
Senator Mike Gabbard, Chair  
Senator Josh Green, Vice Chair

Date: February 17, 2015  
Time: 2:45 p.m.  
Place: Conference Room 225

re: SB 1323 Relating to Renewable Energy

**Strong Support**

Aloha Chair Gabbard, Vice Chair Green and Members of the Committee

My name is Henry Curtis and I am the Executive Director of Life of the Land, Hawai'i's own energy, environmental and community action group advocating for the people and `aina for over four decades. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

Over the past years Hawai'i set out on a path towards 100 percent local indigenous renewable energy. In 1978 we added the energy self-sufficiency clause to the State

Constitution. In 2001 we adopted the Renewable Portfolio Standards (RPS). More recently we adopted the Hawaii Clean Energy Initiative.

Today we are on the path towards renewable energy in electricity, we have inched forward in ground transportation and we have made no advances in marine transportation, air transportation or imports (we import goods made from fossil fuel).

Overall we rely on renewable energy for less than 5 percent of our energy needs.

SB 1323 states that we should take a baby step in promoting renewables in another sector - the gas industry.

In 2009 The Gas Company proclaimed that they were 5 per cent renewable and would be 50 per cent renewable in 2015. Today they are 2 per cent renewable.

Let's light a fire under them. Let's require that The Gas Company comply with the RPS standard.

The Public Utilities Commission, as the regulator, should have the flexibility to allow the gas company some wiggle room, if circumstances require them to move slower.

But let's not assume that a fossil fuel company will head towards renewables without a gentle push.

Please pass this bill.

Mahalo



**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

February 17, 2015, 2:45 P.M.

Room 225

**(Testimony is 4 pages long)**

**TESTIMONY IN SUPPORT OF SB 1323**

Chair Gabbard and members of the Committee:

The Blue Planet Foundation supports Senate Bill 1323, a measure to expand the benefits of the renewable portfolio standard to natural gas utility companies. This measure will help to wean Hawai'i from imported fossil fuels. Simultaneously, the measure can help to avoid unfairness in the energy market, which may result from requiring electric utilities, but not gas utilities, to comply with a renewable portfolio standard.

Blue Planet applauds the Gas Company for its previously stated target to “diversify our feed stock to include gas from renewable resources such as landfill gas and bio-methane, and other renewable sources, including animal fat and plant oils that are locally produced.”<sup>1</sup> In 2009 testimony to the legislature, The Gas Company stated: “We are actively taking the necessary steps to increase the renewable content of our gas to 50 percent for the entire state within five years.”<sup>2</sup>

By using local sources to create SNG, Hawai'i can reduce its carbon emissions while weaning itself from fossil fuel. Further, an expanded renewable gas feedstock market may help support local agricultural operations and waste recycling operations.

The Gas Company previously suggested that it was prepared to aggressively move forward to use more plant-based and renewable sources as SNG feedstock. The attached *Honolulu Advertiser* article from November 22, 2009 (with emphasis added) discusses the Gas Company's plans and their belief that integrating high amounts of local feedstock is a good business decision for the company and for customers. We understand that The Gas Company

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<sup>1</sup> The Gas Company Testimony in Support of HB 1464 HD2, Relating to Energy Resources (Feb. 26, 2009), available at [http://www.capitol.hawaii.gov/session2009/testimony/HB1464\\_HD2\\_TESTIMONY\\_FIN\\_02-27-09\\_4\\_.pdf](http://www.capitol.hawaii.gov/session2009/testimony/HB1464_HD2_TESTIMONY_FIN_02-27-09_4_.pdf)

<sup>2</sup> *Id.*



has since explored the production of renewable gas from fats, with mixed results and feedstock challenges. However, we also understand that significant renewable gas feedstocks remain untapped in the state (e.g. biogas from waste products), and that The Gas Company is exploring those feedstocks. In the interest of robust state energy policy, a renewable portfolio standard can help to reinforce the urgent state interest in such efforts.

Thank you for the opportunity to testify.

Honolulu Advertiser

NOVEMBER 22, 2009

## **GAS COMPANY SETS PLANS TO TURN FAT INTO FUEL**

By Greg Wiles

Hawaii's sole producer of synthetic natural gas is turning to the barnyard as it looks to go greener with renewable fuel sources.

**The Gas Company is eyeing animal fats — some of it being tossed into landfills now — as a means to produce half of its synthetic natural gas by the year 2015.**

It's drawn up plans to turn fats such as beef tallow, poultry fat and choice white grease from pigs into biomethane, a gas that's chemically identical to natural gas. Currently the company uses petroleum byproducts from local refineries for its feedstock.

"We hope to in five years be about 50 percent renewables in our system," said Jeffrey Kissel, president and chief executive officer of the Honolulu-based company.

"As we ramp up, I hope we create demand for local production so we can buy the majority of our material from local resources."

**Already, 5 percent of the company's production at its Campbell Industrial Park plant is from agricultural feedstocks, with Kissel setting a goal of boosting it to 15 percent by the end of March.**

**By the end of the year, he wants 1 million gallons of the 20 million to 25 million gallons of feedstock used annually to be from renewable resources.**

The effort is in keeping with goals by the state of weaning itself off petroleum for economic and security reasons. Oil accounts for almost 90 percent of all energy consumed in Hawaii, making the state more dependent on imported petroleum than anywhere in the country. Three-quarters of the state's electricity is generated using oil as a fuel.

The problems with this addiction were apparent last year when crude oil spiked to \$147 a barrel in July 2008, sending Hawaii's nation-leading gasoline and electricity prices to record highs. The oil shock drove home an already stated goal by Gov. Linda

Lingle of converting Hawai'i into a renewable energy model for others to emulate. Lingle set a target of having 70 percent of the state's energy come from renewables by 2030. Hawai'i's electric utilities have signed on to the effort, while there's been a jump in interest in solar photovoltaics, wind energy and geothermal endeavors. Not-so-well-known alternate energy technologies such as wave power and ocean thermal energy conversion are also receiving serious consideration.

"We need to create an energy system that will survive," said Ted Peck, state energy administrator.

"It makes sense from an energy security standpoint. At \$75 a barrel it makes sense from a business standpoint."

## RENEWED INTEREST

**The Gas Company isn't subject to renewable portfolio standards as are the state's utilities. But Kissel said the company and its parent, Macquarie Infrastructure Co., decided it made good business sense in that it would produce sustained returns on a long-term basis.**

The project uses technology that's been around for years. But there's been renewed interest of late in using animal and other fats to produce fuels. Pacific Gas & Electric on the Mainland is looking at a pilot project, and in Louisiana, Tyson Foods and Syntroleum Corp. formed a company to produce biodiesel and jet fuels from chicken fat and other animal oils.

In Hawai'i, Hawaiian Electric Co. will do testing of its new \$137 million generator using biodiesel from Renewable Energy Group, an Iowa-based company that will provide fuel made from animal fats.

While Hawai'i's use of natural gas is lowest of any state, it still has a good market among hotels and restaurants that use the gas on O'ahu as a more efficient alternative for heating water and cooking compared to electricity. The Gas Co., formed in 1904, maintains 1,100 miles of pipelines that deliver synthetic natural gas to 28,000 customers.

Kissel said the company has the only operating SNG plant in the U.S. and provides an advantage for the renewable venture since The Gas Co. won't have to invest millions into building a plant. Instead, he said existing equipment will be converted to accommodate the new feedstock at a cost of less than \$10 million that will be funded out of the company's operations.

The company has formed a joint venture with energy and power industry contractor Primoris Services Co. of Lake Forest, Calif., to work out processes for the renewable project. Hawai'i's SNG customers pay the highest rates in the country, with local prices quoted by the U.S. Energy Information Administration being more than two times the next closest state's average.

**Kissel said the project may actually lower prices for The Gas Co. customers depending on what it has to pay for the animal fat. The utility does not make a profit on feedstock prices, which are passed directly through to customers.**

**"We will not be raising rates as a result of this," Kissel said. He noted the price cuts will depend on what's paid for feedstock, with animal fats ranging between 5 percent and 20 percent less expensive than the current feedstock.**

## ISLES WOULD BENEFIT

Moreover, the venture could provide a catalyst for more cattle ranching or agriculture operations in the state. It also could take methane gas produced by landfills or use algae as a feedstock, Kissel said.

"If we provide a market for local commodities we'll be generating more jobs here and making Hawai'i more sustainable from a food-producing standpoint," he said.

Then there are the environmental benefits of reducing the state's carbon footprint by switching from oil. It won't process used restaurant oil that's currently refined by Pacific Biodiesel Inc. on Maui and O'ahu for transportation fuel. The initial concentration will be on use of animal and fish fats.

"If the Gas Company has found a local supply, we would look favorably on that," said Henry Curtis, executive director of Life of the Land, a nonprofit environmental group following the state's energy issues.

"It's important to reuse this material."

The renewable process will also produce propane that can eventually be sold to the company's customers on the Neighbor Islands, as well as hydrogen. Kissel said the surplus hydrogen is being investigated for possible uses as a transportation fuel or fuel cells.

"What the Gas Company is doing is just tremendously exciting," said Peck, the state's energy czar.

"They're really moving and we're thrilled."



**Directors**

Jody Allione  
Project Development  
Consultant

Joe Boivin  
Hawaii Gas

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

SB 1323, RELATING TO RENEWABLE ENERGY

February 17, 2015

Chair Gabbard, Vice-Chair Green and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (“HREA”). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of SB 1323 are to: (i) require the public utilities commission to direct public utilities that supply gas to the public to acquire biogas generated from nonfossil fuel sources, and (ii) establish renewable gas portfolio standards for public utilities that sell biogas in the State.

HREA **opposes** this measure at this time for the following reasons:

- 1) GPS as Proposed – Option 1. The Gas Portfolio Standard (“GPS”) proposal is like placing a requirement on Chevron and Hawaii Independent Energy (“HIE”) to bring in increasing amounts of “renewable crude oil,” which in turn “could” be used to create renewable gasoline, biodiesel, biojet and other renewable fuels. However, this is not practical at this time or for the foreseeable future.
- 2) Clean Energy Goals – Option 2 – ala RPS. In Section 1, there is a reference to “going beyond the electrical sector” ala the HCEI. However, this measure provides no connection to the HCEI which focuses only on the electrical and ground transportation sectors. Clearly, biogas, as well as other renewable gases, can make important contributions to the HCEI. Thus we believe a renewable Gas GPS could make more sense if it were aligned with the HCEI including all renewable gases for an array of electricity (~28% of our oil use), and ground and marine transportation (~34%) uses (Source: DBEDT). We believe this could possibly lead to complimentary fuel mandates to the E-10.
- 3) Goals and Timelines as Proposed. The goals and timelines are problematic. For example, we cannot envision a way that Hawaii Gas could achieve 15% renewable biogas of net sales by December 31, 2015, or if it was possible, we believe it would come at a very high cost. If LNG were approved by the PUC as an interim fuel for generating electricity, how would that impact the GPS?
- 4) Conclusions/Recommendations: Creating our RPS started in 2000, and it is still a “work in progress”. Thus, to continue this conversation, we recommend that we focus what can actually be done to increase our use of biogas, possibly using LNG as an interim fuel, and accelerating our use of conservation, energy efficiency and renewables.

Mahalo for this opportunity to testify.

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**Subject:** \*Submitted testimony for SB1323 on Feb 17, 2015 14:45PM\*  
**Date:** Monday, February 16, 2015 7:32:36 AM

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**SB1323**

Submitted on: 2/16/2015

Testimony for ENE on Feb 17, 2015 14:45PM in Conference Room 225

| Submitted By  | Organization    | Testifier<br>Position | Present at<br>Hearing |
|---------------|-----------------|-----------------------|-----------------------|
| Joseph Boivin | The Gas Company | Oppose                | Yes                   |

Comments:

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# **Testimony before the Senate Committee On Energy and Environment**

**By Cecily Barnes  
Manager, Fuels Department  
Hawaiian Electric Company, Inc.**

**Tuesday, February 17, 2015  
2:45 pm, Conference Room 225**

## **Senate Bill 1323 - Relating to Renewable Energy**

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

My name is Cecily Barnes and I am testifying on behalf of Hawaiian Electric Company, Inc. and its subsidiaries, Hawai'i Electric Light Company, Inc. and Maui Electric Company, Ltd.

SB 1323 proposes to require the Public Utilities Commission to direct “public utilities that supply gas to the public to acquire biogas generated from nonfossil fuel sources”, and to establish renewable gas portfolio standards for public utilities that sell gas or biogas. We support the establishment of renewable gas portfolio standards to complement the renewable portfolio standards that electric utilities are already subject to under Hawai'i Revised Statutes (“HRS”) §269-92. Doing so will align non-utility self-generators with the purpose and intent of Hawai'i's energy policy, i.e. reducing Hawai'i's long term dependence on imported fuel. While we appreciate and support the intent of this bill, we have some concerns with the bill as it is currently written, and therefore request that the following changes be made. With these revisions, we would be able to support the bill.

First, the definition of “Utility company” in the bill refers to the portion of HRS §269-1 that appears to address electric utility companies rather than gas utility companies since the definition, as proposed, states the “production, conveyance, transmission, delivery, or furnishing of **power**” rather than the “production, conveyance, transmission, delivery, or furnishing of **gas**”. We therefore propose to revise the language of the bill on page 1, line 3 to read: “delivery, or furnishing of gas.”

Second, in the proposed “Renewable gas portfolio standards” section of the bill, subsection (b) appears to be a sentence borrowed from HRS §269-92(c)(4), and modified to reference renewable gas. Subsection (b), however, does not support the purpose of this bill as it does not relate to utilities selling or supplying gas. We therefore suggest deleting all of subsection (b) from this bill, beginning on page 4, line 20, and ending on page 5, line 3.

Thank you for the opportunity to testify on this matter.