



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
KA 'OIHANA PILI KĀLEPA
335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: (808) 586-2850
Fax Number: (808) 586-2856
cca.hawaii.gov

JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

DEAN I HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Friday, February 23, 2024
11:30 a.m.
Conference Room 308**

**On the following measure:
H.B. 1997, H.D. 1, RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN**

Chair Yamashita and Members of the Committee:

My name is Michael Angelo, and I am the Executive Director of the Department of Commerce and Consumer Affairs (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to authorize the Public Utilities Commission (Commission) to establish a discounted rate by tariff for water carriers that engage in the interisland transport of renewable hydrogen.

The Department supports the cost-effective production and delivery of renewable fuels that align with the State's clean energy and climate policies. The Department recognizes the intent of this bill, which the Department believes is seeking to enable a greater diversity in the type of renewable fuels available for use within the State. Hydrogen is a renewable fuel if it is produced from renewable resource types that are defined under Hawaii Revised Statutes § 269-91.

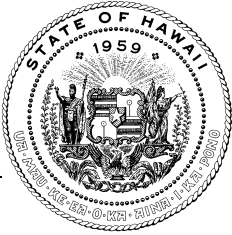
The Department is concerned; however, that the customers of water carriers transporting renewable hydrogen between the islands will bear additional financial burden by enacting the discount because water carriers will likely attempt to recover their decreased revenues by raising rates for other cargo types. Hawaii residents and businesses are already paying high interisland cargo rates since Young Brothers LLC (Young Brothers), the State's regulated water carrier providing interisland shipping, was granted an average (interim) rate increase of about 46% in a pandemic emergency order a few years ago. (See Order No. 37280 issued on August 17, 2020 in Docket No. 2019-0117). The Department also notes there is no financial benefit identified to water carriers' ratepayers from providing the discounted rate for shipping hydrogen. As such, enacting this discount would result in an inequitable burden to Young Brothers' customers bearing the additional costs of providing the discount.

The Department also notes its concerns as to whether there is currently a need to ship renewable hydrogen between the islands and, if such a need did arise in the future, water carrier customers on islands other than Oahu would inequitably bear the cost of providing hydrogen to Oahu at a discounted shipping rate. The Hawaii Natural Energy Institute (HNEI) of the University of Hawaii concludes on pages 7 and 8 of its December 2023 report to the Hawaii State Legislature on the "[Potential Production and Use of Renewable Hydrogen in Hawaii](#)" that:

- Oahu has sufficient land and resources to meet potential near-term [hydrogen] uses but if developed at a larger scale than considered in this report, Oahu would be required to import hydrogen to meet its needs.
- [A]ll the islands other than Oahu have ample land to meet any reasonable on-island uses.
- [I]nterisland shipping was found to be complex and expensive limiting the large-scale applications of hydrogen to the neighbor islands for the foreseeable future.
- While the use of hydrogen for long-term storage (aka firm power) is an often mentioned application, the use of hydrogen to provide

energy during periods of extended low solar or wind resource [availability] was found to require very large amounts of on-island storage. Although included as a potential end-use throughout the report, the amount and cost of this storage is considered prohibitive based on currently available technology.

Thank you for the opportunity to testify on this bill.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

(808) 451-6648
energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON FINANCE

Friday, February 23, 2024
11:30 AM
State Capitol, Conference Room 308 and Videoconference

Providing Comments on
HB 1997, HD1

RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN.

Chair Yamashita, Vice Chair Kitagawa, and members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on HB 1997, HD1, that authorizes the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

As a part of Hawai'i's energy strategy, HSEO believes energy generated from hydrogen will play a role in the State's target to sequester more atmospheric carbon and greenhouse gases than emitted within the State as quickly as possible, but no later than 2045, and supports incentives for its development. Local clean hydrogen production at scale was identified as a decarbonization opportunity in HSEO's [Act-238 HSEO Decarbonization Report](#)

HSEO defers to the appropriate agencies for comments on fiscal, administrative, and regulatory impacts of this bill.

Thank you for the opportunity to testify.

TESTIMONY OF
LEODOLOFF R. ASUNCION, JR.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
FINANCE

February 23, 2024
11:30 a.m.

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

MEASURE: H.B. No. 1997, HD1

TITLE: RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN.

DESCRIPTION: Authorizes the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of renewable hydrogen. Effective 7/1/3000. (HD1).

POSITION:

The Public Utilities Commission (“Commission”) offers the following comments for consideration.

COMMENTS:

The Commission appreciates the intent of this measure to enable discounted rates for transport of renewable hydrogen in support of a clean energy economy.

The Commission observes that in accordance with HRS §§ 269-16.5, 269-26.5, 269-26.6, 269-27.3, and 269-27.7, there are currently different types of discount programs that could offer models for implementing such a program. The program most similar to that contemplated in this measure was developed under HRS § 269-26.6, which authorized the Commission to establish preferential water carrier service rates for agricultural activities. On November 3, 1995, the Commission approved an amendment to Young Brother’s tariff, Tariff No. 5-A, by Order No. 14356. This amendment defines the “Island Agricultural Product Discount,” which was later modified in 2009. The current iteration of

the agricultural discount provides a 35 percent reduction in container rate and 30 percent reduction in all other intrastate shipment types for agricultural products.¹

The Commission appreciates the flexibility offered by the Committee in establishing said discounted rate for the advancement of clean energy opportunities for Hawaii. Should this measure pass, the Commission would likely incorporate discussion of and decision on discounted rates for transportation of hydrogen within an ongoing or future rate case.

The Commission could also consider an application by a regulated utility for such a discounted commodity rate. In its examination of the issue, consistent with the Commission's past testimony on related measures, the Commission would consider potential cross-subsidization from all other customers and determine any appropriate remediations. The Commission also appreciates the Committees' clarification of this measure to apply only to renewable hydrogen.

The Commission observes that there may be issues to work out to ensure safe transport of hydrogen. Given the nature of this measure, the Commission respectfully defers to Department of Transportation, Harbors Division, and other maritime regulatory entities as to the feasibility of transportation of hydrogen, along with any applicable and necessary safety standards.

Thank you for the opportunity to testify on this measure.

¹ Following Commission Orders on the Island Agricultural Product Discount, the Legislature passed HB2644 HD2, SD1, CD1 in the 2012 Legislative session, which the governor signed into law as Act 232 (SLH 2012), formally including this type of discount within the Commission's statutes.



**Testimony to
The House Committee on Finance
February 23, 2024
11:30 AM
Conference Room 308 & Videoconference, Hawaii State Capitol**

HB 1997

Chair Yamashita, Vice Chair Kitagawa, and members of the committee,

Hawaii Gas **offers comments** on HB 1997, which authorizes the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

Since 1904 Hawaii Gas has been a pioneer in the gas industry. Hawaii Gas is again at the leading edge of our industry given our integration of both Renewable Natural Gas (RNG) and hydrogen into our fuel supply mix and distributing it through our utility pipeline system. Hawaii Gas plays a vital role in Hawaii's energy portfolio by providing clean, reliable, and cost-effective energy to over 70,000 customers on all islands all of whom depend on the company for water heating, cooking, drying, and other commercial and industrial applications. Hawaii Gas continues to look toward new, innovative, and economic ways to incorporate renewable energy sources while also reducing our greenhouse gas emissions.

Hawaii Gas supports the integration of hydrogen as an energy source due to its alignment with the state's renewable energy goals. As an isolated island chain heavily reliant on imported fossil fuels, Hawaii faces unique energy challenges, including high energy costs and vulnerability to supply disruptions. Hydrogen presents a promising solution as it can be produced locally through renewable resources mitigating the state's dependence on imported fuels and reducing greenhouse gas emissions. By investing in hydrogen infrastructure and technologies, Hawaii can foster a more resilient and environmentally friendly energy ecosystem for the islands.

Thank you for the opportunity to testify.



To: The House Committee on Finance (FIN)
From: Sherry Pollack, 350Hawaii.org
Date: Friday, February 23, 2024, 11:30am

In opposition to HB1997 HD1

Aloha Chair Yamashita, Vice Chair Kitagawa, and members of the FIN Committee,

I am Co-Founder of the Hawaii chapter of 350.org, the largest international organization dedicated to fighting climate change. 350Hawaii.org **opposes HB1997 HD1** that would authorize the Public Utilities Commission to establish a discounted rate by tariff for water carriers that engage in the interisland transport of hydrogen.

Investing in hydrogen at this time is a poor use of our limited resources. It is important to note that hydrogen is an inefficient use of clean electricity. It is always more efficient to use renewable power directly than to convert renewable energy to hydrogen for use as an energy source. In addition, hydrogen fuel cells cost much more and are far less efficient than battery-electric cars. Moreover, it was noted in previous testimony by Young Brothers that implementing this measure would result in **safety challenges and likely mean increased rates for other ratepayers.**

To protect our climate and future, we need ambitious efforts to electrify our transportation sector wherever we can, as quickly as we can.

Mahalo for the opportunity to testify on this measure.

Sherry Pollack
Co-Founder, 350Hawaii.org



WRITTEN TESTIMONY ONLY
February 23, 2024

Representative Kyle Yamashita, Chair
Representative Lisa Kitagawa, Vice Chair
House Committee on Finance

RE: House Bill 1997 HD1 – RELATING TO THE INTERISLAND TRANSPORT OF HYDROGEN
Hearing date: February 23, 2024, 11:30 a.m.

Aloha Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”) offering **COMMENTS** for House Bill 1997 HD1 – Relating to the Interisland Transport of Hydrogen.

YB is a common carrier by water, transporting property by tug and barge between the islands of Oahu, Hawaii, Kauai, Maui, Molokai, and Lanai. YB is currently the only water common carrier authorized to transport property under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act), subject to the regulatory authority of the Public Utilities Commission of the State of Hawaii (“PUC”). Since 1900, customers across Hawaii have relied on YB’s frequent, regular, and universal sailings to serve as the bridge that connects all communities in this island-state.

This measure would, authorize the PUC to establish a discounted tariff rate for hydrogen transported by regulated intrastate water carriers such as YB.

YB is committed to sustainability, environmental responsibility, and the brightest possible future within our shared communities. YB understands that there are many potential benefits to the use of hydrogen as a clean fuel source and appreciates efforts to facilitate the transportation of hydrogen between our islands. However, it should be noted that:

- 1) Offering a discount for any cargo type (e.g., hydrogen) generally necessitates increased rates to other customers to subsidize the discount (unless external funding is provided); and
- 2) YB has limited experience transporting hydrogen and expects that there will be safety and operational challenges associated with transporting hydrogen. These challenges could be further complicated by the form of the hydrogen (i.e., gas or liquid, container type, etc.) and the quantity. Addressing such challenges could increase YB’s operational costs, which would also mean increased rates for other ratepayers, especially if they are already subsidizing a discount.

Thank you for your service to the State of Hawaii and for the opportunity to testify on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs