

Honolulu, Hawaii

FEB 18 2011

RE: S.B. No. 367
S.D. 2

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committees on Energy and Environment and Commerce and Consumer Protection, to which was referred S.B. No. 367, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose and intent of this measure is to establish a regulatory structure for the installation and implementation of an interisland high-voltage electric transmission cable system and for the construction of on-island transmission infrastructure, provide for the eventual acquisition of the cable system by the utility company from the cable company, allow the utility company to recover the costs of acquiring the cable system and developing the on-island infrastructure through an automatic rate adjustment clause and then through its rates, and allow the utility to recover the reasonable costs, as determined by the Public Utilities Commission, of predevelopment and development in the event that the system is not completed.

Your Committees received testimony in support of this measure from Robbie Alm, Hawaiian Electric Company, Inc. Your Committees received testimony in opposition to this measure from Alan M. Arakawa, Mayor, County of Maui; Native Hawaiian Legal Corporation; Friends of Lanai; Isaac Davis Hall, Friends of Lanai; Debbie Gowensmith, Hawai'i Community Stewardship Network; Hawaii's Thousand Friends; Henry Curtis, Life of the Land; Warren Osako; Robin Kaye; Laura Novell; Lisa Galloway; Beverly R. Zigmund; Mike Bond; Maggie Daub; Uilani Stokes; Michael J. DeWeert; Christine



Costales; Karen Chun; Samuel B. Dimaya, Jr.; Rohana T.P. Dimaya; Dajia M. Dimaya; Roseline C. Dimaya; Andrea I. Jepson; Haaheo Kahooalahala; Kealakaa Quitevis; B.A. McClintock; Mary A. Guinger; James Berlin; Roselani Kahooalahala; Christine Mumford; Kaulana Kaho'ohalahala; John Schaumberg and Donna Mae Kaoupiki Schaumberg; George Peabody; Sally Kaye; Adolph Helm; Fairfax A. Reilly; Anela Evans; Dorothy I. Cornell; Elena Bryant; Glenn Ioane Teves; Paul Berry; Kevin Killeen; and Rob Kinslow. Your Committees received comments on this measure from Richard C. Lim, Department of Business, Economic Development, and Tourism; Carlito P. Caliboso, Public Utilities Commission; Jeffery T. Ono, Department of Commerce and Consumer Affairs, Consumer Advocate; Warren Bollmeier, Hawaii Renewable Energy Alliance; and Cory Harden.

Your Committees find that attaining independence from reliance on fossil fuels is a long-standing objective of the State and that in order to achieve this goal, electric utility companies need to target technologies that are commercially available, are capable of being developed within the near term, are available on a large scale, and can be used to generate electricity that can be delivered to Hawaii's load centers. Your Committees further find that technical implementation and routing studies have been conducted that show that it is technically feasible to connect renewable energy generation facilities in Maui County to the Oahu load using undersea high-voltage transmission cables and that economic analyses have shown that harnessing the wind resources for the islands appears to be a relatively cost-effective means for helping to meet Hawaii's energy policy objectives.

Your Committees recognize that the capital costs of constructing renewable energy generation projects and developing high-voltage electric transmission cable systems are substantial in relationship to the electric utility companies' existing rate bases and it is expected that renewable energy generation projects and transmission cable projects will be installed by non-utility investors that assume financial responsibility for the projects until they achieve commercial operations. This measure establishes the regulatory structure under which interisland undersea transmission cables can be developed, financed, and constructed on commercially reasonable terms in order to meet Hawaii's clean energy objectives and reduce the State's overall dependence on imported fossil fuels.



Your Committees recognize that interisland electric cables may eventually be used to link all of the islands of the State, that the State's ratepayers need to be protected from unreasonable cost overruns, and that the State has an interest in overseeing all aspects of projects of this magnitude.

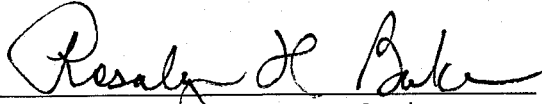
Accordingly, your Committees have amended this measure by:

- (1) Making it generally applicable to any potential interisland high-voltage electric transmission cable system;
- (2) Adding definitions for "commercial operations date", "cost effective", "energy resources coordinator", "power purchase agreement" and "project-on-project financing";
- (3) Specifying that requests for proposals issued and authorized by the Public Utilities Commission for this type of project shall be developed with input from the state Energy Resources Coordinator;
- (4) Giving the Public Utilities Commission more authority and discretion to:
 - (A) Determine how and when the utility will recover its costs;
 - (B) Determine the "commercial operations date"; and
 - (C) Approve, disapprove, or approve subject to certain conditions:
 - (i) Applications for certificates of public convenience and necessity;
 - (ii) The cable company's transmission tariff;
 - (iii) The utility's revenue requirement; and
 - (iv) The cable company's and the utility company's rates of return; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

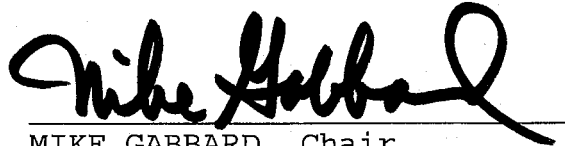


As affirmed by the records of votes of the members of your Committees on Energy and Environment and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 367, S.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 367, S.D. 2, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Energy and
Environment and Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair

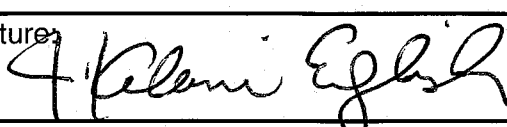


MIKE GABBARD, Chair



The Senate
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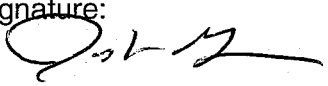
Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 367 SDI	ENE/CPN, WAM	2/15/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	/			
ENGLISH, J. Kalani (VC)		/		
GREEN, M.D., Josh	/			
IHARA, Jr., Les			/	
SLOM, Sam			/	
TOTAL	2	1	2	
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes

The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

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SB 367, SD1	ENE/CPN,WAM	2-15-11		
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<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)		✓		
TANIGUCHI, Brian T. (VC)				✓
GALUTERIA, Brickwood		✓		
GREEN, M.D., Josh	✓			
NISHIHARA, Clarence K.				✓
SOLOMON, Malama				✓
SLOM, Sam			✓	
TOTAL	1	2	1	3
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
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