

HB 425, HD3

TESTIMONY OF HERMINA MORITA  
CHAIR, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON ENERGY & ENVIRONMENT

MARCH 15, 2012

**MEASURE:** H.B. No. 425, H.D. 3  
**TITLE:** Relating to Public Utilities

Chair Gabbard and Members of the Committee:

**DESCRIPTION:**

This measure would direct the Commission in carrying out its duties to consider “costs and benefits of a diverse fuel portfolio,” as well as costs and benefits of “maximizing the efficiency of all electric utility assets to lower and stabilize the cost of electricity.”

**POSITION:**

The Commission supports this measure, but prefers the House Draft 2 version of the bill. We would like to offer the following comments for the Committee’s consideration.

**COMMENTS:**

Much of the focus of Hawaii’s clean energy strategy is placed on renewable energy generation. Though we strive to eventually have 100% of our electricity generation come from indigenous renewable energy resources, the Commission must often take a very pragmatic approach in weighing many factors to act in the public interest. Given that our best estimates show that 60% of electricity generation in the State will still come from fossil fuels in 2030, careful consideration and planning must be given to the future supply and pricing of fossil fuels in order to mitigate its negative impacts on Hawaii’s residents and businesses.

This measure should specifically establish the policy that the Commission should examine and consider the costs and benefits of a diverse fossil fuel portfolio, as well as

the importance of maximizing the efficiency of all electric utility assets to aid in lowering and stabilizing the cost of electricity.

Concerns have been raised that this measure will cause the State to lose its focus on renewable energy development. These concerns are unwarranted. A necessary part of achieving a clean energy economy is having the ability to be adaptable and resilient as new technologies advance, mature, and become more affordable, and to seize upon those opportunities at the appropriate time. As technological breakthroughs occur, it is the Legislature's prerogative to increase Hawaii's Renewable Portfolio Standards to move the State forward more aggressively in attaining Hawaii's clean energy future. However, a transitional strategy is critical since the impact of heavy low sulfur fuel oil and diesel costs on Hawaii's average electricity customer and the general economy cannot be ignored and must be mitigated.

Thank you for the opportunity to testify on this measure.



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Statement of  
**MARK B. GLICK**  
Administrator  
State Energy Office,  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

Thursday, March 15, 2012  
3:00 PM  
State Capitol, Conference Room 225

in consideration of  
**HB 425 HD3**  
**RELATING TO PUBLIC UTILITIES.**

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

The Hawaii State Energy Office supports HB 425 HD3, as a prudent and responsible exploration of how low-carbon, cheaper fuel alternatives to low sulfur fuel oil might contribute towards meeting or exceeding the Hawaii Clean Energy Initiative goals and statutory targets.

The Energy Office views the Legislature's guidance to the Public Utilities Commission under HB 425 HD3 to be a positive step towards permanently eliminating a portion of our oil imports and creating greater price stability and energy security. Cost/benefit analysis is an appropriate way to evaluate low environmental impact fuel options to replace Hawaii's least efficient fuel oil power plants in such a manner to achieve a net savings to ratepayers while simultaneously introducing a broader portfolio of locally-produced renewable power generation options.

Thank you for the opportunity to offer our testimony and answer any questions.



# Sierra Club Hawai'i Chapter

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## SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 15, 2012, 3:00 P.M.  
(Testimony is 2 pages long)

### TESTIMONY IN SUPPORT OF INTENT OF HB 425 (HD3) WITH PROPOSED AMENDMENTS

Aloha Chair Gabbard and members of the Committee:

The Sierra Club, Hawai'i Chapter, with 10,000 dues paying members and supporters statewide, **supports the intent of HB 425 (HD3)**. This bill would require the public utilities commission to consider diversifying the fuel portfolio of Hawai'i. We appreciate the positive revisions made in the (HD3) version of this measure.

We note the following concerns with the current draft. First, this bill incorrectly assumes we need to get approximately 60% of our power from fossil fuels in 2030. It fails to consider a broader incorporation of intermittent renewable sources on a grid (some circuits on Kauai are experimenting with 100% renewable penetration), investments into storage technology and smart grids, or the possibility of greater firm renewable energy sources.

Second, this measure limits itself to considering a diversified "fuel" portfolio. There are other energy sources that may be able to offer price-competitive energy in the form of clean power. It seems more prudent to require an examination of a diversified "energy" portfolio, particularly as diversification creates a more robust energy infrastructure for Hawaii less subject to the whims of the market.

#### *Proposed Amendments:*

SECTION 1. The legislature finds that in trying to transition to a clean energy economy by 2030, much focus is being placed on meeting the renewable portfolio standards mandate. [~~However, unless there are major technological breakthroughs, it is anticipated that in 2030, sixty per cent of electricity generation will come from fossil fuels.~~] During the past year, the high cost of oil has severely affected electricity ratepayers. Achieving a clean energy economy requires a multi-pronged approach--being aggressive in the development of

renewable energy resources, promoting energy efficiency, and minimizing the use and cost of energy generated from fossil fuels.

The purpose of this Act is to direct the public utilities commission, in performing its general powers and duties, to consider the need for a diverse portfolio of ~~[fuel]~~ energy resources and to maximize the efficiency of utility-generation assets to mitigate supply disruptions and cost effects on electricity ratepayers.

...

(c) In exercising its authority and duties under this chapter, the public utilities commission shall consider the costs and benefits of a diverse ~~[fuel]~~ energy portfolio and of maximizing the efficiency of all electric utility assets to lower and stabilize the cost of electricity. Nothing in this section shall subvert the obligation of electric utilities to meet the renewable portfolio standards set forth in section 269-92.

Mahalo for the opportunity to testify.