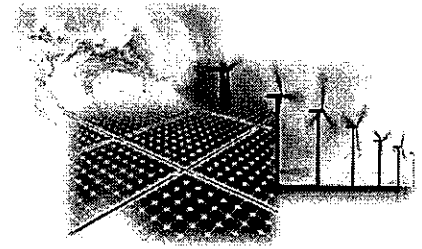




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**SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

**February 13, 2013, 8:30 AM  
Conf. Rm. 229**

**TESTIMONY IN STRONG SUPPORT OF SB 120  
(Testimony is 2 pages long)**

Chair Baker, Vice-Chair Galuteria, and members of the Committees:

The Blue Planet Foundation **strongly supports** SB 120, directing the Public Utilities Commission ("PUC") to consider methods of incentivizing Hawai'i's investor-owned electric utilities to aggressively reduce energy costs and seek alternatives that are more sustainable for our economy and our environment.

It is widely recognized that Hawai'i's transition to local, sustainable, and cost-effective energy will require a concerted effort to introduce new resources, programs, and innovations. Our investor-owned utility, under the current business model, is not optimally positioned to aggressively pursue such a transition. For example, O'ahu remains powered in part by a utility-owned generating unit installed in 1947. In the 5 years since our Hawaii Clean Energy Initiative was signed, our fossil-based generating capacity has *increased*. While this may be beneficial to utility investors under the current utility compensation scheme,<sup>1</sup> it is plainly at odds with a transition to a more efficient, affordable, and sustainable electric system.

SB 120 offers hope, by empowering the PUC to establish incentive mechanisms to ensure that our utilities can remain financially viable—and indeed can thrive—by focusing their efforts and investments on a more modern approach to electrical generation and distribution. By re-

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<sup>1</sup> In several recent hearings during this legislative season, various parties have noted that Forbes.com recently characterized Hawaiian Electric's shareholder dividend yield as "fat." See Forbes.com, "Say Aloha to Fat Yields With Hawaii Electric," available at <http://www.forbes.com/sites/zacks/2012/12/21/say-aloha-to-fat-yields-with-hawaiian-electric/>. That article noted that at "4.9% [HEI's dividend yield is] substantially higher than the industry average of 2.2%." Indeed, HEI's dividend yield has exceeded the industry average every year for the past 5 years. During the same timeframe, the Hawaiian Electric share price has outpaced the S&P 500, 24% to 14%. This data suggests that Hawaiian Electric shareholders are profiting handsomely from the status quo. SB 120 can ensure that investors and ratepayers both benefit, as we break away from that status quo.

focusing on solutions like dynamic pricing,<sup>2</sup> demand response,<sup>3</sup> energy storage,<sup>4</sup> and more efficient system operation, our utility can shift more aggressively away from the crippling reliance on imported fossil fuels.

Importantly, SB 120 represents a method for achieving this with a “carrot” rather than a “stick.” In other words, the bill aligns the longer-term interests of ratepayers with the shorter-term interests of utility investors. This is a win-win.

For these reasons, Blue Planet strongly supports SB 120. Thank you for this opportunity to testify.

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<sup>2</sup> For example, dynamic pricing can include “time-of-supply” prices that incentivize renewable power producers to provide power at times of peak demand. Dynamic pricing can also include “time-of-use” rates that empower ratepayers to reduce their energy costs by shifting demand to times when more power is available.

<sup>3</sup> In general terms, “demand response” is the strategy of empowering the utility to control both supply of energy (from generators), and the demand for energy (from consumers) by temporarily dialing back non-critical loads at times when less renewable energy is available.

<sup>4</sup> For example, energy storage could use new or existing water storage infrastructure to store energy via a “pumped hydro” system, strengthening both our energy and water infrastructure. Or, the utility can move aggressively to promote electric vehicles, gaining the dual benefit of a sizeable demand response capability, and the addition of thousands of mobile batteries to our electric grid.