



UNIVERSITY OF HAWAI'I SYSTEM

Legislative Testimony

Testimony Presented Before the House Committee on Higher Education

Thursday, February 15, 2007
2:15 p.m.
Conference Room 309
State Capitol
415 South Beretania Street
by

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HB1003 HD1 Relating to Energy

Chair Chang, Vice-Chair Bertram and Members of the Committee:

HNEI is pleased to be able to testify in support of the intent of this bill, provided its passage does not replace or adversely impact priorities as indicated in our BOR Approved Executive Biennium Budget.

I am Dr. Richard Rocheleau, Director of the Hawaii Natural Energy Institute of the University of Hawai'i at Mānoa.

I do support the intent of Part II of HB1003 HD1 proposing to establish a revolving loan fund for biofuels. We are concerned, however, about the number and variability of biofuels projects under consideration and would recommend that if this bill is passed, that any commitment of these revolving loan funds be made only after a suitable master plan for biofuels development is put into place.

The remainder of my remarks relate to Part I which calls for establishing an Energy Development Special Fund. HNEI strongly believes it is in the public interest of the citizens of Hawai'i to have a technology demonstration program linked to State public policy initiatives as proposed in this legislation. Projects under this program would be designed to provide utilities and end-users in the State with alternatives for new efficient and economic renewable energy and energy efficiency technologies.

HD1 describes a portfolio of activities designed to ensure that technologies which promise maximum benefit to the citizens get commercialized in as timely a manner as possible. A key focus of such a program would be to help technologies to bridge the gap between demonstration and a self-sustaining market. It is important to note that while societal and environmental benefits should be expected, we also expect there to be direct economic benefit to the ratepayers and state economy. A similar program under the California Energy Commission (Public Interest Energy Research Program)

resulted in substantial investment in the state by private industry and government which otherwise would not likely have occurred. Secondly, conservative benefit analysis by independent reviewers concluded that there was a return to ratepayers of \$2 to \$5 for each dollar spent on the program. Similar results should be expected for Hawai'i.

We do believe this legislation provides a cost-effective mechanism to accelerate the development and acceptance of renewable and energy efficiency technologies. HNEI has and continues to work closely with DBEDT including a number of very successful implementation and validation projects. This legislation formalizes that arrangement and provides the resources and oversight to insure maximum economic and environmental benefit to the citizens of Hawai'i.

While HNEI strongly supports this legislation there are a number a clarifications which we believe are important.

There has been some confusion about the language that establishes HNEI in statute. As most of you are aware, HNEI already exists having been established as part of UH Mānoa in 1974 by session law. This bill establishes HNEI in statute but largely maintains the same organization and objectives.

At several locations in the document the words "demonstrate" and "deploy" (or similar) have been used. This may cause some confusion. It is not the intent of this program to oversee or coordinate commercial deployment activities governed by legislative policy, the utility, or similar bodies. Rather this program is meant to develop, demonstrate and validate technologies to ensure their readiness for broader commercial development. I have suggested text for the committee which shows these suggested changes.

In Section 2, (C) 5, HNEI is called upon to report to the legislature in a number of areas including 'assessment and analysis of state agencies and programs'. I don't believe this is an appropriate role for this program and would suggest replacing this with report 'coordination activities with state agencies and programs'.

Under &304A-B the Hawaii Energy Policy Forum (HEPF) is directed to provide names for the advisory council. As DBEDT has testified before other committees, HEPF is not a legal entity and so may not be appropriate for this role. I suggest that potential names for the council be submitted to the president by the Director in coordination with the Technology Officer of DBEDT.

In summary, we support this bill provided that its passage does not replace or adversely impact priorities as indicated in our BOR Approved Executive Biennium Budget.