



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the House Committee on Finance

Monday, February 26, 2007
2:00 p.m.
Conference Room 308
State Capitol
415 South Beretania Street
by

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HB1003 HD2 Relating to Energy

Chair Oshiro, Vice-Chair Lee and Members of the Committee:

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

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.

Part I of HB 1003HD2 expands the mission of the Hawaii Natural Energy Institute of the University of Hawaii at Mānoa and creates the energy development special fund for the development of renewable and energy efficiency technologies. This brief discussion will focus on attributes to the state that would accrue from this bill's passage.

First and foremost, implementation of the activity described in this legislation is intended to produce nearer term benefits to state taxpayers and the state's economy in general. Independent review of a similar program under the California Energy Commission (Public Interest Energy Research Program) concluded that the California program provided a return on investment of \$2 to \$5 for each dollar spent on the program the program and resulted in substantial investment in the state by private industry and government which otherwise would not likely have occurred. Similar results should be expected for Hawai'i.

The portfolio approach described in this bill is designed to insure that technologies selected for funding are those most likely to get into the hands of state end users as quickly as possible. The cornerstones for selection will be opportunities for rapid commercialization, clear financial benefits to end users, and benefits to the state's environment and economy by reducing petroleum demand. Funds will be made available for technologies utilizing the state's unique, indigenous resources. This approach to funding is expected to foster the growth of state-based industries.

The development of these portfolios of programs will be closely linked to public policy decisions and various public policy instruments designed to enhance technology commercialization and benefits to the overall state environment and economy through reduced reliance on petroleum. To achieve this goal, it is HNEI's intent to work closely with appropriate state agencies responsible for the development and implementation of these policies. HNEI has a record of working closely with DBEDT including a number of very successful implementation and validation projects. It is anticipated that this already robust working relationship between DBEDT and HNEI will be strengthened in order to achieve the goals of this program. DBEDT testimony provides a number of detailed suggestions in this regard. We agree with those suggestions.

Finally, since Hawaii is a relatively small state, it is very important that these funds be used to leverage collaborative funding from larger federal programs that are focused on similar technological solutions for petroleum reduction and increased energy efficiency. In this manner, these state funds will serve as a magnet to attract additional monies and businesses to the state to resolve energy and environmental issues. We believe that this legislation provides a cost-effective mechanism to accelerate the development and acceptance of renewable and energy efficiency technologies in Hawaii.

In summary, HNEI supports this legislation. The integrated portfolio approach outlined in this legislation supports an appropriate mix of renewable energy, end-use energy efficient technologies, and peak demand response systems that will provide both economic and financial benefits to taxpayers and the state at large.