



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Written Testimony Presented Before the
House Committee on Finance
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by

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and

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HB 1726 – RELATING TO ENERGY

Chair Oshiro, Vice-Chair Lee, and members of the committee:

My name is Richard Rocheleau, Director of the Hawai'i Natural Energy Institute at the University of Hawai'i at Mānoa. I support HB 1726 which proposes to amend the repeal date of the Energy Systems Development Special Fund to 2015 to match that of the environmental response, energy, and food security tax.

Section 304A-1891 passed by the Hawai'i State Legislature in 2007 established the Hawai'i Natural Energy Institute (HNEI) in statute, defined duties of the institute and required an annual report to the legislature on its activities, expenditures, and coordination with State agencies and programs. Section 304A-1891 also established the Energy Systems Development Special Fund and directed that it be managed by HNEI, but no funding was provided. In 2010, ACT 73 established a barrel tax and authorized that 10 cents of the tax on each barrel be deposited into the Energy Systems Development Special Fund. However, the authorization to access those funds was included in the Budget Worksheets under Program ID #BED120, under the Department of Business, Economic Development and Tourism (DBEDT) delaying UH/HNEI access to those funds until June 2011.

HNEI, working in close collaboration with DBEDT has identified a number of energy projects with significant potential to help reduce the use of fossil fuels in Hawai'i. A complete description of our current spend plan has been provided in our most recent Annual Report to the Legislature (November 2011). Current efforts include support for the programmatic environmental impact statement (PEIS) to evaluate environmental issues associated with island interconnection via undersea cable. This important effort was stalled due to lack of funding. HNEI, in collaboration with DBEDT, has reengaged the US Department of Energy (US DOE) to fund the next critical step of this process. We anticipate that this effort will be restarted within the month. In another example, the

University of Hawai'i recently received a million dollar award from US DOE to develop and validate a sophisticated electronic measurement technique which results in a more accurate assessment of the geothermal energy resource. This technology will reduce the risk associated with exploratory drilling, an expensive but necessary step in development of geothermal energy. By using the barrel tax funding to match funding from US DOE, UH can purchase the sensitive electronic equipment and train local personnel so that this valuable technique is available for use beyond that supported by the DOE funding. The barrel tax funds will allow resource assessments to be conducted at promising sites on Maui and O'ahu. In one final example, HNEI and its partners received a \$6 million award from US DOE to develop and demonstrate smart grid inverters to enable greater penetration of photovoltaic (PV) systems on utility distribution lines. Unfortunately, the DOE did not provide sufficient funding in year one for the full technology development effort and put this project at risk. HNEI used a modest amount from the energy fund to restore the budget and allow this valuable, high-visibility project to move forward.

In summary, I strongly support amending the repeal date of the Energy Systems Development Special Fund to 2015. Projects funded by this program are advancing new efficient and economic energy technologies and will help ensure that Hawai'i continues to move forward to meet its clean energy goals.