

Hawaii Energy Forum Meeting

HEPF General Membership Meeting

August 26, 2008

Hawaii State Capitol Rm #325

In Attendance:

Members:

Amy Asselbaye, Carilyn Shon, Carl Freedman, H. Ray Starling, Joshua Wisch, Mark Glick, Mike Hamnett, Melissa Pavlicek, Peter Rosegg, Riley Saito, Sharon Miyashiro, Steve Rymsha, Tim O'Connell, Warren Bollmeier

Guests:

Lynne Ebisui, David Leonard, Bill Parks, Bob Shleser, Christopher Sholes, Ted Peck, Henry Curtis, Kat Brady, Scott Turn, Dan Kalili, Joelle Simonpietri, Joshua Strickler, Louise Kitamura, Priscilla Thompson, Ted Liu, Cully Judd, Sandie Wong, Doug Carlson.

Staff:

Susan Char, Chelsea Phlegar, Kim Suman.

Hawaii Clean Energy Initiative (HCEI) Update (Bill Parks, USDoE)

- Communication and education components of HCEI need to be developed more; HCEI website not yet up and running
- With a new administration coming in next year, we can't depend on the federal government for funding. Hopefully HCEI will survive the change of administration through bipartisan support
- To achieve success with HCEI, we need to:
- Change the rules of engagement on the regulatory framework, i.e. change incentive structure in the regulations. Could happen in 6 - 9

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- months. Ex.: Make feed-in tariffs available by next summer. Bill feels it's feasible.
- Submit a good legislative package for the coming session. Funding options include the general fund, a barrel tax and revenue bonds.
 - De-coupling of profits and electricity sales needs to occur.
 - No incentive for the utility to reduce sales, since this would cause profits to go down.
 - Somehow, the utility's profit structure needs to be based on an incentive mix, etc. not electricity sales.
 - One year ago during an energy efficiency hearing, a de-coupling proposal was offered but not pursued. The process was considered too lengthy to consider. Perhaps now would not be a good time to unveil a de-coupling strategy, because our economy is in a recession; the immediate impact of such a strategy would be an upward adjustment of rates. However, right now might be a good time to promote this idea, due to the high price of energy and projected security risk, etc. Also, de-coupling would be presented in a legislative package.
 - Another concern is the two rate case dockets pending for the Gas Company and HECO. Need to consider how these dockets would be integrated; what else would the Gas Co. couple with?
 - Since June, HCEI has made an effort to bring ideas to the table (i.e. NREL/Booz Allen) (i.e. building codes, etc.).
 - Information now being compiled and sent to the WGs so they can comment, prioritize and review. Next, a package will go to the Legislature. Legislation needs to be balanced as far as its energy/project/initiative mix. Will not likely be perfect but all components need to be approved in the aggregate rather than approving the items in the bill separately. Specific items that don't work should be corrected in a year or two.
 - For last couple of months, a small group of state legislators has met w/ HCEI representatives to facilitate the legislative process. Need HEPF input

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also. Contents of regulatory framework versus the statutory framework not yet worked out. PUC budget is the common denominator between legislation and the regulatory framework. Also, we need \$ since the PUC, DBEDT and the DCA are all currently understaffed.

- HEPF presented a proposal to Ted Liu to assist w/ communication and education by sponsoring a fall conference to get the HCEI message out.

Participant comments on the HCEI presentation:

1. The atmosphere in Hawaii is very difficult for business as state tax credits come and go in both solar and wind energy.
2. HEPF can be an ally for the communication/education component of HCEI
3. There was frustration with the way the HCEI strawman proposal came out; need a whole, cohesive idea to get buy-in
4. Initial “strawman” was more a “menu of ideas.” The PUC is working w/ Allison Silverstein to come up with something more focused. We will wait to vet what comes out soon. Until there is really a “what,” public participation is not yet possible.
5. There is a parallel to the rail debate, because the HCEI represents a paradigm shift. It’s integral to get the information and education out to the public now, so they feel there was some sort of process behind the issue and decisions (HCEI has somewhat addressed this by handing out surveys, and talking to Kanu Hawaii about adding HCEI-type commitments).

HR 6709 Update (Amy Asselbaye, Congressman Abercrombie’s Office):

- Legislation is currently still in the House of Representatives
- The democratic caucus met on 8/26 to discuss energy package.
- Congress still targeting a 9/26 adjournment date.
- As of yet, no appropriations bills have passed, the budget has not passed and the energy bill has not passed.

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- Congressman Abercrombie is working w/ Congressman John Peterson from Pennsylvania as co-sponsors of the bill re: exploration in the outer continental shelf (OCS) for natural gas.
- There is enormous pressure to get over the partisan divide that is the focus of the energy debate in D.C. We want conservation, renewables, etc. but how to pay for it? Portion of lease proceeds would go to support conservation, renewables, etc.

Proposed legislation contains three titles:

Title I - Addresses three categories of leases:

1. Out to 25 miles from the shore; includes OCS areas off Hawaii. Would not affect Hawaii due to limited OCS but does affect areas such as the Gulf of Mexico.
2. From 25 – 50 miles from shore: states could opt in or out of this range.
3. 50 miles from shore and beyond.

30 years ago, studies by MMS (Minerals Management Service) established potential revenue from oil reserves in these OCS areas at \$2.6 trillion (At what crude price?). The revenue share would be split:

1. 30% to the U.S. Treasury
2. 30% to the producing state
3. 10% to environmental restoration
4. The balance to various other entities/energy-related efforts including conservation and renewables

Title II – Addresses the RE tax credits of the bill.

Title III – Addresses changes to crude inventory in SPR (Strategic Petroleum Reserve). Bill proposes replacing 10% of light sweet crude currently in inventory

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with heavy sour crude. This generates a significant revenue differential, which could be made available for energy projects/initiatives.

Louise Kitamura from Akaka's DC Office:

- Normally works for the EPA as the Associate Director for Managing Resources for the Water Program.
- Currently on a one year fellowship through the Brookings Institute helping Akaka with energy and natural resource issues.
- Very involved w/ energy hearings and natural resource hearings here.
- Hoping that next administration will be more amenable to climate legislation.

Tim O'Connell - Update on Farm Bill passed in May 2008:

- Energy Provisions of the recently passed Farm Bill
- Handout on the US Farm Bill

Tim is Assistant to the USDA State Director/Rural Energy Coordinator. Recent Farm Bill has components related to:

1. rural housing programs
2. rural utility programs
3. hydro and wave technologies are now eligible for grants and loans
4. the guaranteed loan limit increased from up to 25% of the project cost to up to 75% of the project cost.

Business Meeting:

Handed out the evaluation summary, achievements and initiatives for the coming year, which was based on Steering Committee discussion (please provide comments on initiatives for 2008-09).

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Report to the community, originally planned for October 2008 has been tentatively rescheduled for 11/14/08 since the HCEI report is scheduled for release around that time.

- HEPF could act as the 1st filter for the HCEI report, vetting it and providing comments back re: what would the community react to and how would they react?
- DBEDT/DOE needs to release HCEI with enough notice to allow comments before required for the conference.
- FUTURE ACTION: There is interest among members to comment and discuss the HCEI and reach consensus on the issue. Therefore, we will think of a process to facilitate this. Questions to ask ourselves are: What is the big picture? Where do the straw components fit? Where do we fit in terms of the content?
- To plan for the November conference (which is very tight time-wise), a planning meeting was tentatively scheduled for Thurs. 8/28 at 9 am.
 - Need to develop a framework for the conference.
 - Will likely involve three sessions: HCEI, Energy Cost/Pricing and GHG.
 - Capitol auditorium: good venue for conference due to no cost for the room.
- Working Group Reports:
 1. Regulatory Reform: 1) Support PUC and DBEDT positions 2) discussion/meeting when the PUC releases its response to the HCEI strawman
 2. Communication and Outreach: Sequel to the "Climate Crisis" documentary could be done on the HCEI (and what it means to Hawaii) in the Jan/Feb time frame.

Important Dates:

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1. Agriculture Conference on September 4 at the Convention Center
2. Biofuels Master Plan Meeting on September 5

Lunch was served at 11:30 am. General meeting adjourned at 1:30 pm.