



# A NEW DAY IN HAWAII

## Energy

Hawaii's Most Important Economic Enterprise Right Now

**H**awaii's most important economic enterprise right now is to pursue energy independence.

When we are successful, we will create good, "green" jobs and grow local businesses; we will retain a major portion of the billions of dollars that we now spend on imported oil so we can reinvest it here at home; we will turn Hawaii into a global model for clean energy that will attract people to experience our success; we will become more resilient in confronting outside economic forces; and we will restore confidence in ourselves.

Planning for a clean energy future is one of the few recent examples of people working together for a public purpose. We commend the ongoing efforts of the current Governor, legislators, academics, entrepreneurs, public employees, community organizations, advocates, and individuals. Together, we have raised awareness, formulated plans, and formed working partnerships.

But we need to remember that in 1977, Hawaii had a plan to be energy independent by 2010. It is now 2010, and the annual cost of our oil imports has gone from \$500 million to over \$5 billion. Now is the time for bold action.

Hawaii's energy independence goals are rightfully ambitious. But we have a regulatory system and a utility monopoly that were built for a time and public purpose that are in the past. If we do not fundamentally change our approach, we will not reach our goals.

The way to achieve energy independence is by expanding economic activity, entrepreneurship, and public participation. We need appropriate oversight, but it cannot come at the expense of innovation and action. We must make this goal our collective mission, pass and implement innovative policies, enhance our unique island grids, have open dialogues with communities, and train our workforce to build and operate a clean energy economy. The benefits could not be greater. Clean energy will be the cornerstone of Hawaii's economy for generations.

In an Abercrombie Administration, plans will turn into swift action, beginning with a Governor who will stay committed to implementing efforts and who is willing to take on the big challenges that must be faced.

### Guiding Principles: Energy

- Swift and appropriate government regulation
- Competition and local entrepreneurship
- Community involvement and integration
- Consumer benefit, fairness, and equity
- Work hand-in-hand with the Obama Administration
- Commitment at all levels – government, business, community, family, individual

## **CREATE AN INDEPENDENT HAWAII ENERGY AUTHORITY**

The State's Energy Office has been important in facilitating the creation of state policy and plans, but it has been underfunded and is removed from direct policymaking and implementation. Meanwhile, the Public Utilities Commission (PUC) lacks the resources and expertise to act swiftly so that projects and programs get moving. Dockets that take 60-90 days in other states take 2-3 years to make it through Hawaii's PUC.

A new Hawaii Energy Authority (HEA) would combine the expertise and policy oversight currently in the State's Energy Office with some regulatory authority to implement Hawaii clean energy policy more swiftly. Some policy analysis and other duties currently tasked to the PUC would move over to the HEA, which would have the sole mission of achieving Hawaii's energy independence goals. The HEA will be independent, with no vested private interest or perceived conflicts of interest in the outcomes of its studies and decisions.

The PUC would revert to its traditional function as a rate-setting agency. The HEA would be the lead government agency for conducting technical studies, overseeing the development and implementation of reliability standards for the power grid, deciding which independent clean energy providers are permitted to connect to the grid and in what order, executing contracts with clean energy providers, and overseeing energy efficiency programs.

## **ALLOW INDEPENDENT POWER PRODUCERS TO SELL DIRECTLY TO END USERS**

Hawaii's boundless renewable energy potential is bottlenecked in our archaic utility structure. It is a good sign that Hawaii's electric utilities have shown a willingness to embrace clean energy, but their monopolistic control is often at odds with the public interest in the world beyond fossil fuels. Democratizing energy requires the creation of a free market in energy so that we can deploy clean energy sources and our entrepreneurs can create new jobs. One of the first items on the agenda for the new Hawaii Energy Authority will be the establishment of rules and policies

to enable "retail wheeling" so that, for example, a wind farm that currently has no choice but to throw away excess energy not wanted by the utility, can sell power directly to a business willing to replace some of its carbon-based electricity.

## **IMPLEMENT PROPERTY ASSESSED CLEAN ENERGY (PACE) BOND FINANCING**

Even though converting to solar power and creating a more energy efficient home saves Hawaii families money over time, many lack the resources to pay the upfront costs for these improvements. Government can provide the funds to be paid back over time using its bond issuing authority. PACE will allow everyday people to reap the monetary benefits of converting to clean energy, create good jobs, and make it possible for Hawaii to meet our ambitious goals as we move toward energy independence. This is why PACE was named one of the Top 10 Breakthrough Ideas" for 2010 by *Harvard Business Review*.

## **ALIGN THE ELECTRIC UTILITY'S SUCCESS WITH HAWAII'S CLEAN ENERGY GOALS**

Hawaii's largest electric utility is tasked with providing reliable power to customers across five islands while meeting a fiduciary responsibility to their shareholders. Now we're asking that the power they provide be generated by clean, renewable sources. We can accelerate the transition to clean energy by aligning the utility's financial incentives with Hawaii's clean energy goals. The utility should be rewarded for meeting or exceeding Hawaii's clean energy goals. A percentage increase in their return on equity for exceeding clean energy goals would bring the attention of executives, employees, shareholders, and Wall Street to driving the clean energy transformation. Many of Hawaii's employees have utility stock in their pension or retirement plans. We all benefit from a financially healthy public utility.

## **INCREASE THE PUBLIC BENEFITS FUND FOR MORE EFFICIENCY PROGRAMS**

The state has an ambitious goal of 30 percent energy savings by becoming more energy efficient by 2030. Currently, 1 percent of expected annual utility revenues goes into the Public Benefits Fund, primarily to fund rebates on solar installation and energy efficient appliances. At this level, the program is useful, but inadequate. With more funding, we can conduct home energy audits, engage in more effective public education, and be more aggressive in helping families realize immediate savings. By increasing the amount to 2 percent—a dollar or so more per month for an average household—we can help that household easily save ten times as much by becoming more energy efficient. Doubling the fund will also create good clean energy jobs.

## **“GREEN” GOVERNMENT**

We will lead an effort to make government buildings, fleets, and personnel practices leaders in energy conservation, which will save tax dollars over the long haul and lead the rest of the state by example. There are numerous federal funding opportunities, and we can use the bonding authority of the state to retrofit buildings and infuse the economy with dollars that will both stimulate growth today and keep paying off in savings far into the future.

## **SUPPORT WORKFORCE DEVELOPMENT FOR GOOD, “GREEN” JOBS**

Hawaii can access more federal dollars to invest in the university system and the Department of Education to equip local engineers, business people, architects, plumbers, electricians, and others to build and run Hawaii’s clean energy economy. We will also create public-private partnerships where businesses expose people to clean energy jobs, provide opportunities, and recruit and train workers.

## **RESEARCH, EXPAND, AND DEPLOY RENEWABLES WITH CLEAR COMMUNITY BENEFITS**

Each clean energy technology has inherent advantages and disadvantages. To reach our goals we must consider an integrated approach, which means working closely with communities and ensuring that their interests in affordable and environmentally sustainable energy production are honored. We will look at sound practices and science, hold open discussions where all views are taken into consideration, and make firm decisions. I will aggressively work to develop projects in wind, solar, geothermal, ocean, biofuels, and other emerging technologies, and in the process ensure that those who bear the brunt of these projects are not unduly burdened and adequately benefit. Hawaii will become a clean energy laboratory, building on the outstanding work of the Hawaii Natural Energy Institute attracting dollars to fuel more research, and supporting startup high-tech companies that can export innovations, products, and services.

## **REDUCE OUR DEPENDENCE ON FOSSIL FUELS FOR TRANSPORTATION**

Roughly one-third of Hawaii’s energy consumption is for transportation. To address this, we will support an accelerated transition to green fleets—electric, hybrid, and biofuel-powered vehicles for fleet operations such as rental cars, taxicabs, buses, and delivery vehicles. We will support research, development, and production of biofuels for transportation purposes. We will require a majority of the power for Oahu’s rail transit project to be generated by clean, local sources—the project should be built right and powered right. And we will build livable communities that encourage walking, bicycling, carpooling, and using mass transit.