

**Statement
of
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SEP ARRA Congressional Briefing

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Aloha and thank you for the opportunity to provide these comments on the progress of Hawaii's implementation of energy funding from the American Recovery and Reinvestment Act (ARRA).

The ARRA energy formula funding and competitive grant funding opportunities came at uniquely opportune time for Hawaii.

In 2006, through Governor Lingle's "Energy for Tomorrow" initiative, Hawaii embarked on the path to fundamentally transform its energy system. In January 2008 the Hawaii Clean Energy Initiative (HCEI) was launched in partnership with the US Department of Energy. Hawaii depended at that time on foreign fossil fuels to meet over 93% of its energy needs, leaving Hawaii vulnerable to supply disruptions and adversely impacted by volatile global energy prices. HCEI's goal is a 70% clean energy economy by 2030 and its' achievement will require the transformation of the public regulatory and policy framework and of the private institutions and business models that drive energy generation, transmission, delivery and use.

Hawaii's success in achieving and exceeding the HCEI goal will not only attain energy security, independence and economic vitality for the state and its residents, but also serve as a model of energy system transformation for other states, regions and nations was well.

ARRA energy funding provides Hawaii a timely down payment of reinvestment, dovetailing into plans developed for HCEI, accelerating work on plans already in implementation. In general, Hawaii has deployed ARRA energy formula grant funds to support Hawaii's energy transformation already underway. Hawaii's

ARRA funding expenditure plan was developed after broad consultation to ensure that it supplemented HCEI and other related initiatives.

Meetings were held with energy sector stakeholders to discuss priorities and to build awareness of the spending plans. The plan also received input and guidance from HCEI Working Groups' recommendations and from HCEI partner projects. Central to this planning effort was focus on augmenting programs and processes already in place in order to speed deployment of the funds into the market.

The objective at every point has been to drive transformation, not simply recovery. Hawaii's dependence on foreign petroleum means that we remain more vulnerable than any other state to petroleum price or supply volatility. We recognized the unique nature of ARRA and determined to maximize its leverage for transformation. Planning and analysis focused on identifying opportunities to enhance projects which fit Hawaii's strategic plan, which have a sound basis and rationale, and which can be implemented quickly to obtain measurable results within the constraints of ARRA.

Once plans were set, a number of months were spent working alongside the Department of Energy through the challenges well known to many – NEPA, Buy American, Davis-Bacon, and other issues not foreseen in spring 2009. Additionally, the State of Hawaii has endured significant budget pressures, resulting in reductions in force and a furlough program, both necessary for responsible fiscal policy but making for a challenging environment for execution of historic programs such as the ARRA energy funding. After receiving milestone guidance from the DOE in December 2009, our team set to the more than 30 contracts, memoranda of agreement, and grant programs that composed our spend plan, working with many partners across the state. In an adverse environment, our team has met every goal which the DOE has set, just last week obligating three more contracts to meet the DOE goal of 85% obligation of State Energy program funds, and on track to meet the 20% 'Pro Rata Share of Payments' Milestone for End FY10.

ARRA has been a tremendous catalyst to fueling energy transformation, especially in a period when financial resources have been constrained both in the state and private sector budgets. The time spent in 2009 aligning the spend plan to both long term transformation and short term recovery objectives has been shown this year to have been time well spent.

Some examples of the impact of ARRA energy funds in Hawaii are as follows:

Today, solar water heaters account for an estimated 2% of our total energy. The National Renewable Energy Laboratory estimates that solar water heating accounts for the single largest source of energy efficiency in the state – a 250 GWh/year potential. As such, we have worked with our Department of Labor and Industrial Relations to direct Weatherization funding to solar water heaters. We have supplemented our Public Benefit Funding for efficiency measures to increase the funding for solar water heaters. We have worked with our Department of Hawaiian Homelands to invest in providing solar water heaters for an estimated 5% of the homesteads across the state, using Block Grant funding. We have created an interest buy-down program with the Public Utility Commission's Public Benefit Fund Administrator to create a new mechanism for funding solar water heaters, increasing their capacity. While Hawaii already is the nation's leader in penetration of solar water heating, we are aggressively pursuing the remaining homes with solar water. Such measures cut the typical consumer's power bill by over \$500 a year on Oahu, or \$750 on neighbor islands.

Another compelling successful program was the Hawai'i Energy Efficient (Energy Star) Appliance Rebate Program, marketed as "Trade Up for Cool Cash" and "Replace, Recycle, Save." The program, which was announced at a press conference on May 13, 2010, and officially launched on May 24, 2010, targeted the replacement of older, inefficient refrigerators with qualified Energy Star rated appliances by offering consumers a \$250 rebate. Consumers were required to trade-in their older operating refrigerator, preferably their oldest one, which was then hauled away and delivered to a recycler.

The rebate was available for a total of 4,356 refrigerators statewide, and nearly 4,000 were sold on the very first day. An additional 4,000 rebates for Energy Star refrigerators, following SEEARP criteria, were made available through another source of ARRA funding, on all islands except Kauai. Retailers saw a large increase in business, along with their delivery divisions and the recycling companies, but the actual level of job creation is unknown. This program provided a visibility boost to the Public Benefit Fund program already in place as well, and was carefully designed to complement but not compete with that program.

Participating retailers played an important part of the program by assisting consumers wanting to participate in the program and in helping them obtain their rebates. These retailers pledged to provide delivery of the new refrigerator and

haul away and properly recycle the old refrigerator, making them a "one stop shop" for the rebate program.

Cooperation and consensus among the State, Hawaii Energy, and KIUC were the keys to accomplishing a program not only benefitting our economy and the environment, but also incentivizing consumers to move sooner rather than later. The underlying goal for this program was to involve everyone, State program managers, the two implementers, consumers, retailers, distributors, haulers, recyclers, print media, television, and radio stations. We wanted to help consumers statewide take full advantage of these funds. As we designed this program, we looked at all the issues at hand, but we never forgot about making the process simple enough for qualified consumers to take advantage of the program, while allowing our implementers to effectively control the roll-out. As a result of this cooperative effort, up-front marketing costs of the statewide program were reduced, allowing more of the federal funds to be spent for rebates.

Funds for this project are 100 % obligated from SEEARP and SEP. While almost \$2 million of stimulus funding has been committed directly to consumers and merchandise has moved, the DOE has been invoiced for less than \$100,000. In this case, as in most cases of stimulus funding, funding invoiced means program complete, job done, and jobs lost. This is an outstanding illustration of the fallacy of using funding moved as the key metric of success of ARRA. As we have seen, funding obligated is a far better metric, as funding obligated means job won and hiring in progress, and work underway.

ANTICIPATED RESULTS AND IMPACT

We believe that Hawaii's ARRA expenditure plan contains both short- and long-term and direct and indirect impacts.

Based on our current analysis, implementation of the projects in the expenditure plan will achieve:

- Over 5000 residents impacted by the plan's energy efficiency programs, with \$77.5 million in savings over the lifecycle of the retrofits.
- Over 1 million square feet of business and government buildings achieving an average of 30% in energy saving.
- In transportation, establishment of charging stations and deployment of electric vehicles. Hawaii is an ideal market for major automobile companies to deploy and scale-up new advanced technology vehicles, based on cost, climate, driving distances, and the potential synergies with renewable energy generation.
- 1500 engineers and architects trained to facilitate Hawaii's clean energy future. Significant indirect impact by these trained professionals is anticipated in the form of design and engineering of highly energy efficient retrofits or new projects for Hawaii.
- ARRA funding' facilitation of the interisland cable could result in initially over 400 Megawatts of renewable energy project generation and transmission among the Hawaii islands, with total private sector project investment aggregating over \$1.5 billion. This project, with the two initially associated windfarms, will avoid a projected \$5.7 billion in fossil fuel costs for generating electricity over 20 years. The value of energy security achieved cannot easily be calculated.