

GOVERNOR LINDA LINGLE'S REMARKS

NEWS CONFERENCE TO ANNOUNCE AGREEMENT BETWEEN STATE AND HAWAIIAN ELECTRIC COMPANY FOR HAWAI'I'S ENERGY FUTURE

Monday, October 20, 2008

Aloha everyone.

It's really an important day for the people and the State of Hawai'i. Back in 2006, I went down to the Legislature with a package called Energy for Tomorrow, and in those days, the utility had a point of view and we had a point of view about how we would get to our preferred future.

One thing was clear to me – and I personally want to thank Senator Hooser, Senator English and Representative Morita for being here today – what was clear on that day was that this was one issue, perhaps among every issue we deal with, that truly could be bipartisan. In fact, to succeed, it really had to be a bipartisan effort. But no one knew at that time what path it would take; but I can tell you, we've had tremendous support throughout this time since 2006.

And, while I just spied him in the audience, it would be really poor style on my part not to recognize a person who really helped me in those early days, educating me on these issues, helping me to make some good decisions early on, and that's Maurice Kaya, who was head of our Energy Division at that time. Maurice, I've always appreciated what you did for me. He was really my teacher in these efforts. He has a lot of credibility with our community for good reason. These are issues he has studied and thought about and worked on for a very long time. Maurice, I'm glad to look up and see you here today.

Now remember in 2006, this was prior to any current crisis in the financial market. It was prior to this wildly fluctuating price of oil. A lot of people at that time recognized this was important for us to work on being an isolated set of islands. We were most vulnerable on this issue of energy, not just to our energy independence, but we were vulnerable economically as well. Because of the price of energy, the availability of energy, the cleanliness of energy affects everything we do in Hawai'i.

And then in January of this year, as Ted (Liu) mentioned, we announced the Hawai'i Clean Energy Initiative. The initiative basically said that by the year 2030, or within a generation, we could achieve 70 percent clean energy.

As we worked through those first couple months and through the legislative session, it became crystal clear to me that we could not achieve our goal of 70 percent clean energy without a transformational change in our regulatory process, in our relationship with the utility and the collaboration with legislators in integrating the county and the federal government with whatever our efforts happened to be.

This could not be something that was a Governor's initiative, a legislator's initiative. This had to be something that the entire state came together on and said "the way we were doing things is not going to get us where we need to get to."

And I truly appreciate that HECO has come, as I have come, to recognize that that was a fact. They couldn't be the healthy company they need to be, and we couldn't achieve this energy independence if we stayed on the route that we were on because that regulatory framework was built for a different time, with different circumstances, when you could take years and years to make any change. We don't have years and years anymore to make these changes.

This voluntary agreement between HECO, DBEDT and the Consumer Advocate will take years off of the process – the way the process would have been, had we continued on the way we've always done things. Why would it take years off? Because now you have agreement going in on the things that we're going to be seeking from the Public Utilities Commission and from the Legislature as we move forward, and that makes a very, very big difference.

So, it's not overstating to say that this agreement is historic, it's transformational and it will make Hawai'i a world leader and a model in energy independence.

It will create a secure, sustainable and clean energy future but it will also create a sustainable economic future at the same time. This represents a creative approach that's grounded in very sound public policy and it's based on collaboration and trust.

I think each one of the parties feels a little bit uncomfortable, which is just a perfect place for us to be. Because if we were all completely comfortable, that would mean that it was business as usual. You're comfortable with what you know. This is going into a little different territory for each one of us, and we've gotten beyond that and we know that the people of Hawai'i are counting on us to see this through. We put aside our different perspectives on issues in order to reach our common goal and we know that it won't be easy.

There are some very aggressive goals that we've set out. It's what we plan to achieve, and it requires all of us – everyone in the state – to be a part of the solution. That's why I was so happy that Senator Inouye was able to be with us today. It not only elevates the stature of what we're trying to do by his presence today, but as you know, he has a way with – I don't want to use the word earmark, sir, but whatever you want to call them, we certainly want him to be a part of our efforts with the U.S. Department of Energy. It's very important that the county governments as well are a part of this effort.

I want to talk for a minute about the highlights in the agreement before I thank a lot of people. First of all, HECO is committing to add 1,100 megawatts of renewable generation and of those 1,100, 700 within the next five-year time period. That is our goal. It's aggressive. We know there are permitting issues. We know there are financing issues, but we are committed, collectively, to getting 700 megawatts of renewable energy online within the next five years and we're speeding what are called "purchase power agreements" which had been an issue for people who wanted to come in and provide additional renewable energy to the state. We appreciate HECO recognizing the importance of those purchase power agreements.

Of the 1,100 additional megawatts, 400 are what we have come to call "big wind." There are two different proposals that we have seen put forth: one on Moloka'i and one on Lāna'i. We don't favor one or the other, HECO doesn't. They're going to be financial, technical decisions that will be made at the appropriate time by the appropriate people but I just want to point out that of the 1,100, 400 megawatts are big wind.

Now, not only is there commitment to bring on this renewable energy, but our commitment with them and we hope Senator Innouye's assistance on this as well as permitting agencies, is in undersea cable to connect the islands of Maui (County). So that would be Maui, Moloka'i and Lāna'i with the island of O'ahu. It's not only to be able to transmit up to 400 megawatts of wind energy – power created from wind – to the island of O'ahu, where a majority of the population is, but it also exponentially increases the reliability of the grid system. Now you have the ability to send power between the islands, and not just in one direction.

So the reliability of the system is a big benefit to the public.

We have agreed to seek legislation to double the RPS or renewable portfolio standards – to double them to 40 percent by 2030. That would not include any efficiencies. That would be straight, hard renewable energy. So a doubling by 2030.

Also the agreement includes a promise to request the feed and tariff system. Feed and tariff basically means that the utility will publish in advance what they will pay for any kind of renewable power and they will say how much of any kind of renewable power they will be purchasing so people can compete, they will know in advance. This will attract investment into the state. They've agreed to do that by July 2009.

As Ted said, while I won't mention the dates of every one of the steps or the components of the agreement, there are metrics and there are timelines. These are not hopes or dreams or wishes, these are specific plans that we hope to achieve.

This also bans any additional fossil fuel capacity in the state. That doesn't mean you could never build another fossil fuel plant, but it means if you do, you have to remove some existing fossil fuel capacity. There would be no net increase in fossil fuel generation from this day forward, once this agreement is signed.

We've also made a commitment to alternative fuel vehicles of all kinds and we've agreed, both of us, to help develop a market for electric cars by becoming early adoptees in our fleet systems of these cars. I'm happy to see Dave Rolfe here from the Hawai'i Automobile Dealers

Association. We have included him in our efforts. He's up to speed on the plans about electric cars and other alternative vehicles.

Besides the broad advances that the agreement brings about, the consumers for the first time completely gain control over their energy costs under this agreement. That's really driven by a concept called decoupling and, while it's a complicated thing to explain, it basically takes apart revenues from sales of electricity. So it makes them an energy services company, rather than just someone who sells kilowatt hours.

How will consumers in this new energy environment be able to save money and control their energy cost?

One way will be an advance energy metering system that HECO and we are committed to. This will allow everyone at home to use their appliances during off-peak hours. So if you're like me and you're a frugal person, instead of drying your clothes in the middle of the peak period at 6 at night, if you dry your clothes at 11 at night, you'll have less expensive energy rates. This is a very important step; we had talked about it before. We had wanted to do it but it requires a whole process at the Public Utilities Commission. In this case, we are going in together to say this is what we want. I appreciate very much the consumer advocate's role in this.

There is also a proposed full-on pay-as-you-save solar water heating program in the agreement, with a goal of 2,500 annual installations on existing homes.

HECO has also committed to seek lifeline rates, and these are rates for people who simply cannot afford the cost of electricity – people on fixed incomes. It may be seniors who have no way to increase their income when their electric bill goes up.

Also, and this one excited me a lot because it is one people have talked to me about a lot, and that is, they are going to request a complete listing of any cap on net metering energy. What that means is, there are people, there are residents and there are businesses that put some sort of an energy device – whether photovoltaic, solar or windmill, they put it on their property and they

generate electricity and it goes into the grid and they get a credit on their bill. Currently there is a very low cap. I think we're at about one percent.

Our total energy usage can come from net metering. This will lift any system-wide cap on net metering and it will, instead create a 15 percent cap per circuit, which is a mechanical, technical issue for the utility to deal with. You can see, again, it encourages people to move toward renewables. This is a historic change in how we've done business.

Now I want to come to what I believe is the most important part of my comments today and that is my gratitude and thanks to our partners in this effort.

The Hawai'i Clean Energy Initiative set up a series of working groups and they have been meeting now for months on the kinds of difficult, technical issues. Every one of the issues I touched on has many aspects of it, with many perspectives and none of them was easy to work our way through. I believe there are many members of the HCEI working groups – Hawai'i Clean Energy Initiative Working Groups – here with us today. If you serve on any of the four working groups, could you raise your hand? Members here, and there's some more in the back. I want to thank you. We wouldn't be here today without every one of you. Without your complete involvement, bringing your expertise and your background and your creativity to this effort. Thanks to you.

To the U.S. Department of Energy, who really got us thinking in a bigger way about Hawai'i's future and our ability to become energy independent, to diversity our energy base. I want to thank Andy Karsner (former assistant secretary for energy efficiency and renewable energy). I want to thank Kevin Kolevar (assistant secretary for electricity delivery and energy reliability). I want to thank Dr. Dan Arvisu at the National Renewable Energy Lab for all of their efforts. You'll hear from him a little bit later, but I especially want to thank Bill Parks, who is seated over here, from the U.S. Department of Energy. We said when he first came here, he was on loan to the State of Hawai'i, but now I call him a hostage. He's here. We're not letting him go back. He's done an outstanding job and I don't feel we could have made it today without Bill's help. Bill's role was to be a third party between the state and the utility – the person representing the federal government – and he represented them very well. He's not just knowledgeable, but he

has such good interpersonal skills he was able to convince us all of one thing: you're all going to be a little uncomfortable with the outcome but that shouldn't be a reason not to move forward. Once everyone accepted that, it made everyone's work a lot easier and doable. So Bill, thanks to you. I appreciate everything you've done to help me understand these issues, even when I had you repeat it time after time. Thanks for never losing your patience with me.

I want to thank Connie Lau at HEI for her willingness to go down this road – a road that I think has a good outcome, but it's the getting there that can be a challenge. And to her boards of directors for their willingness to go down this path. We appreciate that very much. And to Robbie Alm, who really was HECO's person on a day-to-day basis on this effort, and who I had a chance to talk with personally on the phone about these issues; he is very sincere in what he brought to this agreement. He believes, obviously, he works for HECO, but he believed this was what was right for the state of Hawai'i, for the people of Hawai'i. I think if it was just about a company, I don't think we may have reached the same point; but he believed beyond his company's best interest. It was in the public's best interest and I appreciate getting to know you through this process, Robbie. I appreciate what you did for us. To help us as a state to realize this dream, this goal.

And to Ted, to you and your team at DBEDT, there are so many of you who are here. Estrella (Seese) is here who works so hard and Ted Peck and Maurice before. We're so grateful for what you brought to us. You know, I've been a government employee for almost all my adult life and I hear people from time to time make remarks about the people in the government, and I say, "You must be working with different people than I work with, because these are committed people. Committed to our state, committed to the people they represent." It has been my privilege to work with them through this process. They're the ones who really put the meat on the bones, who got us through the metrics, got us to the timelines and I really do appreciate it very much.

To our consumer advocate who has a very big burden – Cat Awakuni – a big burden because all this may be a good goal, but she's the one responsible for making certain this is in the consumer's best interest, not just in HECO's best interest, an elected person's interest, but that the people – the rate payers – that this is in their long-term best interest. I appreciate Cat having

an open line on these issues, and working through that little speck of discomfort that we all have had for the process. So Cat, I know we're going to hear from you a bit later, but thank you.

I'm convinced that, as I said in the beginning, our 70 percent goal would not have been possible without this agreement being met and our trust and the cooperation we have is going to allow us to achieve these goals. I have no doubt whatsoever.

Energy independence, combined with our innovation initiative is critical to transforming our economy for a sustainable future.

Recent events in the global financial markets show that there are events beyond our control – things that happen, we didn't cause them, but they have an impact on us. One thing we have the power to do is control our energy future. It's up to us – every one of us from the consumer, the utility and everyone in between. We have the power to make this work. This agreement shows us the way and regardless of what happens with oil prices – whether they go down, up or stay the same – that is not a factor in the path that we have chosen. We must stay on this path because it's about more than price of gas or the price of electricity. It's about our security as a state, our sustainability as an economy. So I'm a little bit emotional as I told the others in my office before coming out here, because there are few times during your public time in office where you have the ability to be a part of something that is this important, this supported by the community and this transformational.