



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

(808) 587-3807
energy.hawaii.gov

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Wednesday, February 23, 2022
2:00 PM
State Capitol, Conference Room 329 & Videoconference

**SUPPORT
HB 1524
RELATING TO ENERGY RESOURCES.**

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports HB 1524, which amends the definition of "petroleum product" to mean any product derived from the distillation of crude oil.

HSEO's comments are guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, decarbonized economy. HSEO has a statutory interest in maintaining energy security in Hawaii. Energy is one of the Federal Emergency Management Agency's identified community lifelines, which are the most fundamental services in the community that, when stabilized, enable all other aspects of society to function. HSEO is the primary and coordinating agency for State Emergency Support Function 12: Energy.

HSEO agrees that the current definition of "petroleum product" could be improved. Currently, the definition of "petroleum product" excludes certain types of oil-derived products, and thus, these products are not subject to certain fines, consumer protections, and other safeguards. Of note is that the current definition does not include all petroleum products utilized by the state's electric utilities for power generation. The deficiency in the current definition creates a gap in protection against potential unfair trade practices that could affect Hawaii's energy security.

Recently, HSEO was a party to represent the State's interest in energy security in Docket No. 2020-0090, concerning the fuel supply contract between Hawaiian Electric and Par Hawaii Refining LLC ("Par"). Ultimately, HSEO did not oppose approval of the contract amendment to increase the price of fuel oil as HSEO could not definitively determine there would not be an impact on energy security if Par were to cancel the contract, leading to the potential ceasing of on-island refining at the onset of the COVID-19 pandemic. In Order 37857, issued on July 6, 2021, the Commission found that if they did not approve "the First Amendment there is a significant risk that Par will seek to terminate the Original Fuel Supply Contract" and that "If Par attempts to terminate the Original Fuel Supply Contract, it will most likely cause fuel supply security issues on Oahu and potentially elsewhere in the State." The consumer protections found in Hawaii Revised Statutes Chapter 486B were not considered in this docket, as the current definition does not include the low sulphur fuel oil being purchased by the electric utility.

Amending the definition as proposed in HB 1524 is a way to enhance consumer protection with respect to the petroleum industry, a step already taken with motor fuels such as gasoline and diesel. As Hawaii continues to displace fossil fuels with increasing levels of renewable energy, there is the potential for further market disruptions at the expense of consumers. It is critical that all petroleum products that Hawaii is dependent upon for energy security have appropriate consumer protections to ensure a smooth transition to a resilient, clean energy economy.

Thank you for the opportunity to testify.