



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

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2:00 PM
State Capitol, Conference Room 329 & Videoconference

Providing COMMENTS on
SB 458, SD2, HD1

RELATING TO GEOTHERMAL ROYALTIES.

Chair Nakashima, Vice Chair Sayama, and Members of the Committee, the Hawai'i State Energy Office (HSEO) offers comments on SB 458, SD2, HD1. The current draft establishes the "Geothermal Energy Resources Development Special Fund" (GERDSF) to support projects that promote and advance geothermal energy resources development; changes the allocation of geothermal royalties paid to the county where the geothermal mining operations are situated to twenty percent (20%) or \$450,000, whichever is greater, while requiring that the funds be used for relocation and community benefits in areas directly surrounding the geothermal project paying the royalties. It also requires the county receiving the funds submit a detailed annual report to the Legislature outlining how the funds are expended; ensures that the portion of geothermal royalties paid to the Office of Hawaiian Affairs (OHA) is consistent with existing law regarding payment of ceded land revenues to OHA; establishes the percentage of annual geothermal royalties to be deposited into the GERDSF at ten percent (10%); and makes other amendments.

HSEO is concerned that the HD1 as written could negatively impact or create debates about legal requirements for the distribution of funds to the State agencies with

statutory obligations because it appears it would provide the counties a minimum floor of \$450,000 regardless of the amount of total royalties collected.

HSEO is not intimately familiar with how Hawai'i County uses the current revenues it receives from geothermal royalties and defers to the counties on the impacts of reducing the counties' share from 30% to 20%. HSEO agrees with the intent of HD1 regarding geothermal royalties paid to the counties should be used for relocation and community benefits in areas directly surrounding geothermal projects paying the royalties, subject to the concerns identified above.

Informed by advanced discussions with affected communities, geothermal exploration performed in a responsible manner is an essential part of Hawai'i's strategy for a diversified renewable energy portfolio and is necessary to fully understand the developable resource potential of geothermal energy on each Hawaiian island, including more non-invasive surface explorations and the need for new exploratory wells. Without a full understanding of the geothermal potential on each island, Hawai'i's energy stakeholders and affected communities will lack fundamental information on potential renewable energy resources to make fully informed decisions on how each island can best achieve 100% renewable energy generation by 2045.

HSEO has collaborated with the Hawai'i Groundwater and Geothermal Resources Center (HGGRC) at the University of Hawai'i in the past and values HGGRC's experience and expertise in the field of geothermal exploration in Hawai'i. Should SB 458, SD2, HD1, pass, HSEO intends to direct royalties in the GERDSF to go to HGGRC to further the discovery and development of geothermal resources. HSEO would support amendments to SB 458, SD2, HD1, to include such direction in statute.

HSEO also believes it is appropriate to use state funds to better understand Hawai'i's geothermal resource potential as geothermal resources are public trust resources with potential for community benefits, provided other state priorities are not impacted. Greater understanding of Hawai'i's geothermal resource potential reduces geothermal development risk which would be reflected in lower project financing costs that are passed on to ratepayers in the form of lower electricity rates.

HSEO supports efforts by HGGRC and other entities to seek federal and other funding for geothermal research and to engage with affected communities on the results of such research and support associated geothermal development that is widely recognized to be in the public interest.

Thank you for the opportunity to testify.