

2014 STATE LEGISLATIVE SESSION

Hawaii's minimum wage will probably be the leading issue in 2014. The State's minimum hourly wage is currently at \$7.25 and has not been increased since 2007. 21 states have higher minimums than that of Hawaii, and the State of Washington has the highest minimum hourly wage at \$9.32. Governor Neil Abercrombie and Senate President Donna Mercado Kim have made it a priority for 2014.

It appears that Hawaii's energy industry will not be under the radar in the upcoming session. Mark Glick, who heads the State Energy Office, wants to extend the sunset date of the Energy Security Special Fund from 2015 to 2030. 2030 is the year Hawaii expects to meet its goal of generating 70% of its electricity from renewable energy. The following are other energy bills expected to be introduced: 1) amend the barrel tax to increase funding to energy and food security, 2) changing the existing mandate of 10% ethanol blended gasoline to requiring each distributor who sells liquid fuels that locally produced biofuels account for at least 5% of its annual sales, 3) providing open access to electric vehicle chargers by ensuring no person shall be required to pay a subscription fee as a condition of using the charging system, 4) creating energy-storage procurement targets and 5) having the State's Public Utilities Commission address technical and economic barriers to the installation of distributed-energy systems.

2014 is also an election year, and Governor Abercrombie is up for re-election. He announced in his annual State of the State address the State government is on solid financial footing with an \$844 million budget surplus. In addition to minimum wage, the following issues are at the top of the Governor's list: 1) provide \$2.5 million for parent subsidies in the Preschool Open Doors program and \$4.5 million for free preschool for low-income children at public schools, 2) provide \$40 million in bond money for a conservation easement to protect about 600 acres near Kawela Bay and Kahuku point at the Turtle Bay Resort on the Island of Oahu, and 3) exempt low- to medium-income seniors on retirement income and increase the food and excise tax credit for seniors.

Hawaii's Economy

Hawaii's economy depends largely on conditions in the U.S. economy and key international economies, namely Japan. For 2014, forecasts have projected growth in real GDP for the U.S. and Japan at 2.5% and 1.8%, respectively.

In 2014, Hawaii real GDP growth is expected at 2.8%, and unemployment rate is projected to be 4.2%. Also, growth rates for visitor arrivals, visitor days and visitor expenditures are expected to be 2.7%, 2.8% and 4.2%, respectively. Jobs are expected to grow by 1.8%, and Honolulu consumer price index is projected to increase by 2.1%.

PITCHING PELLETS

Zilkha Biomass Energy has estimated that Hawaiian Electric Co. ("HECO") could save 30% or more on its fuels costs by burning compressed wood pellets ("Black Pellets") instead of fuel oil to generate electricity. Zikha's Black Pellets are a form of biomass, which is an attractive energy source for HECO. Under a renewable energy mandate, HECO is committed to using renewable sources to generate 40% of the electricity it sells by 2030. Discussions between the parties are preliminary, and HECO would have to conduct extensive testing before making any kind of commitments to Zikha.