

COUNCIL OF THE COUNTY OF MAUI
PLANNING COMMITTEE

August 8, 2008

Committee

Report No.

08-88

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Planning Committee, having met on July 24, 2008, makes reference to County Communication No. 08-141, from Councilmember Michael J. Molina, transmitting the following:

1. A proposed resolution entitled "URGING THE UNITED STATES TO TAKE IMMEDIATE ACTION TO EASE THE BURDEN OF ESCALATING GASOLINE PRICES ON CONSUMERS AND REDUCING OUR DEPENDENCE ON OIL".

The purpose of the proposed resolution is to request the President of the United States and Congress to seek solutions to soaring gasoline prices and to pursue initiatives to reduce the nation's consumption of oil, estimated at 21 million barrels per day.

2. A proposed resolution entitled "URGING THE STATE OF HAWAII TO TAKE IMMEDIATE ACTION TO REDUCE OUR DEPENDENCE ON OIL".

The purpose of the proposed resolution is to urge the State of Hawaii to consider measures that will reduce the State's dependence on oil.

By correspondence dated July 11, 2008, Councilmember Jo Anne Johnson transmitted a copy of Resolution No. 08-46, entitled "URGING THE COUNTY OF MAUI TO BECOME ONE OF THE BEST WORKPLACES FOR COMMUTERS". The purpose of the resolution is to seek the County Administration's assistance in saving transportation costs, improving traffic safety, and reducing air pollution.

By correspondence dated July 18, 2008, Frank Catanzaro, Director, Cyber-Futures, opined that high gasoline prices are irreversible and urged your Committee to consider alternative fuel sources, such as algae-derived biofuels.

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By correspondence dated July 19, 2008, Todd Yamashita, Editor in Chief, *The Molokai Dispatch*, opined that rising fuel prices are having negative impacts throughout the economy and urged your Committee to consider renewable-energy sources, including wind and solar energy.

By correspondence dated July 21, 2008, the Chair of your Committee transmitted correspondence dated July 20, 2008, from Stephanie Potts, Smart Growth America, relating to legislation pending in Congress to provide relief from high gasoline prices.

By correspondence dated July 21, 2008, the Chair of your Committee transmitted correspondence dated July 16, 2008, from State Representative Joseph M. Souki, suggesting that Kahului Harbor improvements could provide some relief from high gasoline prices in Maui County.

By correspondence dated July 21, 2008, the Chair of your Committee transmitted correspondence dated July 21, 2008, from Paul H. Brewbaker, Ph.D., Senior Vice President and Chief Economist, Bank of Hawaii, noting the County's absence of regulatory authority over gasoline and oil prices and providing economic analysis of the potential impacts of rising fuel costs.

By correspondence dated July 21, 2008, Carlito P. Caliboso, Chairman, State Public Utilities Commission, provided data and analysis on fuel prices throughout Hawaii.

By correspondence dated July 24, 2008, the Chair of your Committee transmitted the following documents:

1. A document entitled "SOLANA GENERATING STATION PROJECT", regarding a solar electric power plant in Arizona.
2. A *New York Times* article dated June 22, 2008, entitled "Mr. Bush, Lead or Leave".
3. A CNNMoney.com article dated July 17, 2008, entitled "Gore calls for bold new energy policy".

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At its meeting, your Committee met with the Director of Transportation; the Economic Development Coordinator, Office of the Mayor; and a Deputy Corporation Counsel.

Your Committee received public testimony from three people on rising gasoline prices and oil dependence in Maui County. Two of the testifiers also provided written testimony. The testifiers provided suggestions on mitigating negative impacts arising from high fuel costs and on potential renewable fuel sources for Maui County.

Your Committee convened two panels of experts to provide a historical and contemporary perspective on rising gasoline prices and oil dependence and to suggest mitigative measures.

The first panel consisted of Lance Tanaka, Government Relations Manager, Tesoro Hawaii; Steve Wetter, General Manager, Maui Petroleum; Cynthia Foreman, Associate Professor of Economics, Maui Community College (MCC); Mathew McNeff, Renewable Energy Engineer, Maui Electric Company, Limited (MECo).

Mr. Tanaka noted that Tesoro Hawaii operates an oil refinery at Kapolei, Oahu (the larger of two oil refineries in the State), provides half of the gasoline used in Hawaii, operates a fueling terminal at Kahului Harbor, and owns four retail gasoline stations on Maui. He said that crude oil is the dominant factor impacting gasoline prices, and that the cost of crude oil has almost doubled in the last year. Tesoro Hawaii has had to raise prices at its Maui gasoline stations because of the rising price of crude oil, the high cost of living, the island's costly land and property values, the relatively small size of the market, the tight labor market, and poor infrastructure at Kahului Harbor. Mr. Tanaka said taxes and government mandates also add to the price of gasoline.

To mitigate the effects of high gasoline prices, Mr. Tanaka suggested that the County decrease the gasoline tax, lower market barriers to entry, and harness all forms of energy, including renewable sources such as geothermal, solar, wave, and wind.

Mr. Wetter also said that the development of renewable energy sources is critical for Maui County's long-term economic viability. He also said that the County should lower the gasoline tax, which at 16 cents per gallon is nearly twice Hawaii County's rate of 8.8 cents per gallon.

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Ms. Foreman observed that rising fuel costs are leading to higher costs in food and other necessities. She urged individuals, businesses, and the government to become more efficient in fuel and other forms of consumption through resource conservation. Ms. Foreman noted that transportation by foot, bicycle, or the Maui Bus is more efficient than automobile transportation.

Mr. McNeff advised that MECo is pursuing projects that will allow Maui County to become less dependent on oil through support for solar energy and other forms of renewable energy.

The second panel consisted of the Director of Transportation; Joshua Wisch, District Director, Office of Congresswoman Mazie K. Hirono; Kelly King, Vice President, Pacific Biodiesel; Stuart Zinner, Instructor, MCC's Information and Computer Science Program; and Alexander de Roode, Executive Director, Sustainable Living Institute of Maui.

The Director of Transportation noted that the County has invested in major improvements to the Maui Bus transit service in recent years, and bus ridership has risen dramatically. He said the County will continue to work to make public transit more effective throughout Maui.

Mr. Wisch reviewed several pieces of legislation that have been co-sponsored by Representative Hirono and passed by the United States House of Representatives with the purpose of promoting the development and encouraging the use of renewable energy. He noted that several of the bills have been stalled in the United States Senate. Mr. Wisch also noted that Representative Hirono, who sits on the House Transportation Committee, is supportive of transit in Maui County.

Ms. King acknowledged that neither the County government nor anyone in Maui County could dictate gasoline prices. But she said that both the public and private sectors in Maui County can work to become more energy and transportation efficient and thereby reduce oil consumption. She advocated use of public transportation, fuel-efficient vehicles, and carpools. Ms. King commended the County government for its improved transit system and fellow panelists expressing positive ideas to overcome Maui County's economic and environmental problems. She noted that gasoline prices in Europe have long been higher than gas prices anywhere in the United States. That condition is not regarded as a major problem because many European countries provide excellent transit

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services and have enacted policies that allow people to be less dependent on oil consumption.

Mr. Zinner agreed that gasoline prices are controlled by market forces beyond the scope of County government. He also agreed that innovations in energy and transportation efficiency are of critical importance. Policies that attempt to increase petroleum supplies, such as offshore drilling and exploiting the Arctic National Wildlife Refuge are not viable because oil depletion is inevitable, according to Mr. Zinner. The responsible policy position is to reduce demand for oil by “localizing” the economy, improving public transportation, and supporting renewable energy sources. Mr. Zinner said he is hopeful that biofuels can be used for air transportation and that Maui County is well suited for the use of electric vehicles. He added that the County should support technology education at MCC to encourage the development of renewable-energy sources.

Mr. de Roode said that he applauded many of the suggestions of other panelists for energy and transportation efficiency. He added that he thought the proposed resolutions were timely and worthy of adoption. Mr. de Roode added that the County should support the development of local, sustainable agricultural production; join networks such as ICLEI – Local Governments for Sustainability; and participate in educational symposia, such as the Maui Island Sustainable Living Exposition at MCC on August 16-17, 2008.

The panelists also provided written comments.

Your Committee engaged in discussion with the panelists about some of the proposals to support conservation, energy efficiency, and transportation efficiency in Maui County.

Your Committee reviewed the proposed resolutions. Your Committee noted that, as referenced in the proposed resolutions, Maui County faces some of the highest gasoline prices of any municipality in the nation. Moreover, Maui County may be the most oil-dependent community in the nation. These circumstances are creating economic, social, and environmental problems for Maui County’s residents, your Committee concluded. Therefore, while acknowledging the County’s lack of jurisdiction over gasoline prices or over State or Federal energy policies, your Committee determined that it is important for the Council to seek the attention of—and action from—State and Federal officials on issues of such importance to the people of Maui County. Your

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Committee voted to revise the proposed resolutions by incorporating grammatical and nonsubstantive changes and by listing gasoline prices throughout Maui County as of July 24, 2008. Your Committee voted to recommend adoption of the revised proposed resolutions and filing of the communication.

Your Committee is in receipt of revised proposed resolutions incorporating your Committee's suggested revisions.

Your Planning Committee RECOMMENDS the following:

1. That Resolution No. _____, as revised herein and attached hereto, entitled "URGING THE UNITED STATES TO TAKE IMMEDIATE ACTION TO EASE THE BURDEN OF ESCALATING GASOLINE PRICES ON CONSUMERS AND REDUCE OUR DEPENDENCE ON OIL", be ADOPTED;
2. That Resolution No. _____, as revised herein and attached hereto, entitled "URGING THE STATE OF HAWAII TO TAKE IMMEDIATE ACTION TO REDUCE OUR DEPENDENCE ON OIL", be ADOPTED; and
3. That County Communication No. 08-141 be FILED.

Adoption of this report is respectfully requested.

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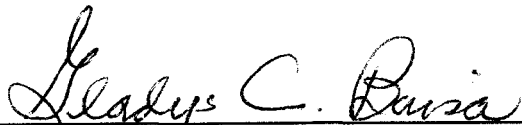
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GLADYS C. BAISA

Chair

BILL KAUAKEA MEDEIROS

Member

JO ANNE JOHNSON

Vice-Chair

MICHAEL J. MOLINA

Member

G. RIKI HOKAMA

Member

Resolution

No. _____

URGING THE UNITED STATES TO TAKE
IMMEDIATE ACTION TO EASE THE BURDEN OF
ESCALATING GASOLINE PRICES ON CONSUMERS
AND REDUCE OUR DEPENDENCE ON OIL

WHEREAS, Wailuku, Hawaii, was the first area in the nation tracked by the American Automobile Association (AAA) to reach \$4.00 per gallon of gasoline; and

WHEREAS, gas prices in other parts of the County of Maui are even higher; and

WHEREAS, as of July 24, 2008, the following prices for one gallon of regular unleaded gasoline were as follows: \$4.63 in Wailuku, Maui; \$4.70 in Lahaina, Maui; \$5.11 in Lanai City; \$5.19 in Kaunakakai, Molokai; and \$5.29 in Hana, Maui; and

WHEREAS, families in the County of Maui are experiencing the residual effects of gasoline prices through escalating costs of food, delivery of goods and services, passenger air fares, and public and private transportation; and

WHEREAS, increased gasoline prices are creating economic hardships, especially on those individuals who have experienced the loss of jobs through Aloha Airlines discontinuing passenger service, Molokai Ranch closing its operations, Norwegian Cruise Lines eliminating the operation of two vessels, and American Trans Air stopping its service to the islands; and

WHEREAS, the National Resources Defense Council notes that of the more than 2,000 electric utilities, Hawaiian Electric Company stands out unenviably as the industry's largest user of petroleum to make power, resulting in 85 percent of its electricity sales requiring the burning of diesel and other petroleum by-products; and

WHEREAS, according to the AAA Daily Fuel Gauge Report, the price of gasoline has increased more than one dollar per gallon from a year ago within the County of Maui; and

WHEREAS, the AAA Daily Fuel Gauge Report also notes that within the County of Maui the price of gasoline is approximately 40 to 50 cents higher than other islands in the State of Hawaii; and

Resolution No. _____

WHEREAS, MarketWatch, Inc. reported that the five largest oil companies in the world announced profits of \$123 billion for the first quarter of 2008; and

WHEREAS, President George W. Bush recognized, in his 2006 State of the Union address, that "America is addicted to oil"; and

WHEREAS, the United States utilizes approximately 21 million barrels of oil a day; and

WHEREAS, the United States possesses only 3 percent of the world's oil supplies, but imports 58 percent of its oil from foreign countries, and to meet the demand of future world oil supplies, acquisition may be required from regions that are either politically unstable or not an ally of the United States interests; and

WHEREAS, the Cambridge Energy Research Associates noted that world oil demand will increase by 1.3 million barrels per day this year, and the United States will consume approximately 25 percent of the global demand; and

WHEREAS, a number of factors have contributed to the soaring price of gasoline, including world demand for and limited availability of oil; and

WHEREAS, the devaluation of the United States dollar has contributed to a 94 percent increase in the cost of crude oil in one year, according to West Texas Intermediate Crude Oil Prices; and

WHEREAS, the United States' dependence on oil may threaten national security, economic viability, and global environmental health; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That it hereby urges the United States government to take immediate action to reduce our nation's dependence on oil by mandating the availability of efficient vehicles, promoting the production of cleaner-burning fuels, legislating renewable fuel standards, and providing incentives for selling biofuels; and
2. That it further urges the prioritization of Federal funding for public transportation, and encourages investments to promote leveraging of revenues with the public and private sector to advance the use of alternatives to driving; and

Resolution No. _____

3. That it requests the President and the United States Congress to put aside political differences in order to stop soaring gasoline prices that are impacting our families' ability to afford the daily needs of food and shelter; and
4. That certified copies of this resolution be transmitted to President George W. Bush; Secretary of Energy Samuel W. Bodman; United States Senators Daniel K. Inouye and Daniel K. Akaka; and Neil Abercrombie and Mazie Hirono, Members of Congress.

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Resolution

No. _____

URGING THE STATE OF HAWAII TO TAKE IMMEDIATE ACTION TO REDUCE OUR DEPENDENCE ON OIL

WHEREAS, Wailuku, Hawaii, was the first area in the nation tracked by the American Automobile Association (AAA) to reach \$4.00 per gallon of gasoline; and

WHEREAS, gas prices in other parts of the County of Maui are even higher; and

WHEREAS, as of July 24, 2008, the following prices for one gallon of regular unleaded gasoline were as follows: \$4.63 in Wailuku, Maui; \$4.70 in Lahaina, Maui; \$5.11 in Lanai City; \$5.19 in Kaunakakai, Molokai; and \$5.29 in Hana, Maui; and

WHEREAS, families in the County of Maui are experiencing the residual effects of gasoline prices through escalating costs of food, delivery of goods and services, passenger air fares, and public and private transportation; and

WHEREAS, increased gasoline prices are creating economic hardships, especially on those individuals who have experienced the loss of jobs through Aloha Airlines discontinuing passenger service, Molokai Ranch closing its operations, Norwegian Cruise Lines eliminating the operation of two vessels, and American Trans Air stopping its service to the islands; and

WHEREAS, the National Resources Defense Council notes that of the more than 2,000 electric utilities, Hawaiian Electric Company stands out unenviably as the industry's largest user of petroleum to make power, resulting in 85 percent of its electricity sales requiring the burning of diesel and other petroleum by-products; and

WHEREAS, according to the AAA Daily Fuel Gauge Report, the price of gasoline has increased more than one dollar per gallon from a year ago within the County of Maui; and

Resolution No. _____

WHEREAS, the AAA Daily Fuel Gauge Report also notes that within the County of Maui the price of gasoline is approximately 40 to 50 cents higher than other islands in the State of Hawaii; and

WHEREAS, *The Maui News* has reported that "Hawaii is the most oil dependent state in the nation, with more than 90 percent of the energy coming from imported oil"; and

WHEREAS, states throughout the nation are taking the initiative to legislate clean-car regulations, promoting cleaner vehicles through incentives to consumers, and adopting low-carbon fuel standards that support the growth of oil alternatives; and

WHEREAS, states are also mandating renewable fuel standards requiring fueling stations to sell a certain percentage of renewable fuels; and

WHEREAS, states offer various incentives for biofuel stations and for stations wishing to add capacity to sell renewable fuels; and

WHEREAS, public transit systems, such as bus, commuter rail, subway, and light-rail transportation programs, are important components to reduce the dependence on oil and personal vehicles; now, therefore,

BE IT RESOLVED by the Council of the County of Maui:

1. That it hereby urges the Governor and the Legislature of the State of Hawaii to seek initiatives to reduce Hawaii's dependence on oil, especially through adopting clean-car regulations, low-carbon fuel standards, and renewable fuel standards; promoting cleaner vehicles; and offering incentives for biofuels and other renewable fuels; and
2. That it further urges the prioritization of Federal funding for public transportation, and encourages investments to promote leveraging of revenues with the public and private sector to advance the use of alternatives to driving; and
3. That it further urges the State of Hawaii to emphasize and encourage the acquisition of energy-efficient and renewable power generation from wind, the sun, the ocean, geothermal energy, and other sources; and

Resolution No. _____

4. That certified copies of this resolution be transmitted to Governor Linda Lingle; State Senate President Colleen Hanabusa; State Speaker of the House Calvin Say; State Senators Rosalyn Baker, J. Kalani English, and Shan Tsutsui; and State Representatives Joe Bertram, III; Mele Carroll; Angus L.K. McKelvey; Bob Nakasone; Joseph M. Souki; and Kyle T. Yamashita.

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