

# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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MARK B. GLICK  
CHIEF ENERGY OFFICER

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Testimony of  
**MARK B. GLICK, Chief Energy Officer**

before the  
**SENATE COMMITTEES ON GOVERNMENT OPERATIONS  
AND  
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

Thursday, March 14, 2024  
3:45 PM  
State Capitol, Conference Room 225 and Videoconference

In Support of  
**HB 2517, HD2**

**RELATING TO RENEWABLE ENERGY.**

Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai, and members of the Committees, the Hawai'i State Energy Office (HSEO) supports HB 2517, HD2, that authorizes the counties to establish, by ordinance, an opt-in program that allows an annual payment in lieu of real property taxes on the land or improvements thereon that are actively used to produce or store renewable energy sold to an electric utility.

This measure provides an essential option that may be used by counties at their discretion as an alternative to using the real property tax methodology associated with renewable energy projects. As pointed out in the bill and confirmed by HSEO in its own research, express permission granted by the Legislature through HB 2517, HD2, is necessary to allow counties to pursue and adopt such an alternative approach.

This measure does not impose a requirement upon counties. Instead, it offers counties the option to set payments on a per megawatt nameplate capacity basis in lieu of a property tax assessment that might default to a highest and best use scenario that county and state policy makers may deem to be inconsistent with the state's clean energy and decarbonization policies. By greatly reducing development risk and costs, the optional approach set forth in this bill provides predictability for all parties involved.

The benefits to the state upon passage and adoption by one or more of the counties would be improved prices for power purchase agreements and lower rates for electricity ratepayers and customers. It also would provide counties, such as the City and County of Honolulu, a preferable long-term solution to stop-gap solutions, i.e, Ordinance 21-32 due to its complexity and lack of clarity. HSEO confirmed with the City and County of Honolulu that the provisions of this bill are necessary for the County to take this approach, which upon passage would likely be pursued.

In closing, HSEO views HB 2517, HD2, as an essential measure to help restore consistency and predictability for future tax revenues of counties by reducing the risk that future renewable energy projects will either be more costly or will not be pursued. Passage will ensure Hawaii continues its progress on replacing fossil fueled electricity generation facilities, reducing exposure to oil price volatility, and advancing the state's renewable energy and energy affordability goals.

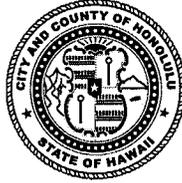
If this measure were to be adopted, HSEO pledges its support to the counties that choose to seek adoption of ordinances for an in-lieu payment program relating to renewable energy projects.

Thank you for the opportunity to testify.

**DEPARTMENT OF BUDGET AND FISCAL SERVICES**  
**KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ**  
**CITY AND COUNTY OF HONOLULU**

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PO'O

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DEPUTY DIRECTOR  
HOPE PO'O

March 13, 2024

The Honorable Angus L.K. McKelvey, Chair  
The Honorable Mike Gabbard, Vice-Chair  
and Members of the Senate Committee on Government Operations  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

The Honorable Lynn DeCoite, Chair  
The Honorable Glenn Wakai, Vice-Chair  
and Members of the Senate Committee on Energy, Economic Development, and  
Tourism  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chairs McKelvey and DeCoite, Vice-Chairs Gabbard and Wakai and Committee  
Members:

**SUBJECT:** Testimony in Support of House Bill No. 2517 HD2 (2024)  
Hearing: Thursday, March 14, 2024, 3:45 p.m., Room 225 via video  
conference

The Department of Budget and Fiscal Services, City and County of Honolulu ("City") supports House Bill 2517, HD2 (2024) ("HB 2517, HD2"), which gives authority to the counties to enact an ordinance to establish an opt-in annual payment in-lieu-of-property-tax program. This program would allow, in lieu of real property taxes, an annual payment based upon megawatt AC nameplate capacity to the counties from independent renewable energy producers who produce or store renewable energy for sale to an electric utility under a power purchase contract primarily for public consumption.

The City supports the State's goal of reaching a one hundred percent (100%) renewable portfolio standard by December 31, 2045. Real property values and the taxes thereon may fluctuate, and occasionally spike, due to factors such as mortgage interest rates, housing inventory levels and demand, and the general state of the economy. Implementing an opt-in program that allows an annual payment in lieu of real property taxes as proposed in HB 2517,

The Honorable Angus L.K. McKelvey, Chair  
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and Members of the Senate Committee on Government Operations  
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Tourism  
March 13, 2024  
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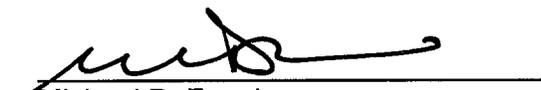
HD2 may provide financial certainty to renewable energy producers under long-term power purchase contracts, while also minimizing lost revenues to the counties.

The City respectfully requests that the Committee pass HB 2517, HD2 without further amendments. Thank you for the opportunity to offer these comments.

Sincerely,

  
Andrew T. Kawano  
Director

APPROVED:

  
Michael D. Formby  
Managing Director



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEES ON GOVERNMENT OPERATIONS AND ENERGY, ECONOMIC  
DEVELOPMENT & TOURISM

Thursday, March 14, 2024 — 3:45 p.m.

**Ulupono Initiative supports HB 2517 HD2, Relating to Renewable Energy.**

Dear Chair McKelvey, Chair DeCoite, and Members of the Committees:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy, clean transportation choices, and better management of freshwater resources.

**Ulupono supports HB 2517 HD2**, which allows the counties to establish, by ordinance, an opt-in program that allows an annual payment in lieu of real property taxes on the land or improvements thereon that are actively used to produce or store renewable energy that is sold to an electric utility.

Ulupono supports the State's commitment to generate 100% of its electricity from renewable energy sources by 2045. In addition, the Hawai'i State Energy Office recently published its Hawai'i Pathways to Decarbonization Report, which identifies, among other things, the significant need for additional renewable energy generation to meet broader economy-wide decarbonization goals.<sup>1</sup> To achieve these goals, all counties will undoubtedly need to rely on commercial-scale renewable energy projects. Ulupono supports the intent of this measure to ease the newly created tax burden on certain renewable energy projects.

Ulupono believes that counties should also be cognizant of the process by which renewable energy developers establish their pricing. Increasing property taxes for existing and future renewable energy projects will almost certainly increase the cost of renewable energy and affect the viability/timeline of renewable energy projects in development, slowing the pace at which Hawai'i can achieve its 2045 clean energy goal.

We appreciate the State's attempt to allow positive county alternatives to support renewable energy projects across Hawai'i.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata  
Director of Government Affairs

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<sup>1</sup> Hawai'i Pathways to Decarbonization Act 238, Session Laws of Hawai'i 2022, Report to the 2024 Hawai'i State Legislature December 2023. <https://energy.hawaii.gov/wp-content/uploads/2024/01/Act-238-HSEO-Decarbonization-Report.pdf>



Senator Angus McKelvey, Chair  
Senator Mike Gabbard, Vice Chair  
Senate Government Operations Committee

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair  
Senate Energy, Economic Development, and Tourism Committee

Thursday, March 14, 2024; 3:45 p.m.  
Conference Room 225 & Videoconference

**RE: HB 2517 HD2 - Relating to Renewable Energy – In Support**

Aloha Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai and members of the Committees:

I am writing to express my support for HB 2517 HD2, on behalf of Longroad Energy. I have worked in renewable energy development in Hawai'i for the past 16 years for several different development companies and have led the development of about 50% of the utility scale wind and solar projects that are operating today in our state.

One of the risks in developing large energy projects in Hawai'i is that a county could decide to increase property tax rates **after** an energy project has locked in its price in a contract with the utility – or even after a project has finished construction. This happened to First Wind on Maui. After the Kaheawa Wind project was built and began operating, Maui County increased property taxes on wind energy projects, and the project's tax bill went up significantly, with no way to adjust pricing to compensate. More recently, in the City and County of Honolulu, a change in interpretation of tax rules led to a significant increase in property taxes for some large solar projects that had already been completed. Of course, counties should be able to set property taxes as they deem appropriate, but energy projects need some certainty in their future tax payments, so they can continue to build clean energy projects and keep energy prices as low as possible and reduce electricity costs to consumers.

The proposed bill would allow counties to set a predictable dollar amount, in the form of a payment in lieu of taxes. If passed, the bill would establish a mechanism to enable counties to receive substantial revenue from large energy projects -- and enable energy developers to make a predictable payment, for the duration of the project. Counties are not required to implement this bill; but it offers them an alternative to facilitate more clean energy projects on their islands.

This bill will encourage more energy companies to do business in Hawaii, raise more revenue for counties, and help **reduce electricity bills for Hawai'i's residents and businesses.**

We ask for your favorable consideration in passing HB 2517 HD2. Thank you.

Mahalo,

A handwritten signature in black ink, appearing to read "Wren W. Wescoatt", is written over a light blue horizontal line.

Wren W. Wescoatt  
Vice President of Development  
[wren.wescoatt@longroadenergy.com](mailto:wren.wescoatt@longroadenergy.com)  
808-780-1000

**Clearway Energy Group**  
100 California St, Suite 650  
San Francisco, CA 94111



March 11, 2024

Via Electronic Submittal

Senator Angus McKelvey, Chair  
Senator Mike Gabbard, Vice Chair  
Senate Government Operations Committee

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair  
Senate Energy, Economic Development, and Tourism Committee

Thursday, March 14, 2024; 3:45 p.m.  
Conference Room 225 & Videoconference

**RE: HB 2517 HD2 - Relating to Renewable Energy – In Support**

Aloha Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai and members of the Committees:

Clearway Energy Group ("Clearway") is in strong support of HB 2517 HD2, which allows the counties to establish, by ordinance, an opt-in program that allows an annual payment in lieu of real property taxes on the land or improvements thereon that are actively used to produce or store renewable energy that is sold to an electric utility.

This bill addresses the importance of policy certainty in enabling the financing, construction, and operation of renewable energy projects in Hawaii. Long-term certainty relating to the structure of property taxation for renewable energy projects is essential for the State to be able to achieve its ambitious renewable energy goals. This bill gives the Counties another potential policy approach for achieving these goals by way of a Payment in Lieu of Taxes (PILOT).

To make both investment and sustainable operation viable, renewable energy projects must be able to maintain predictable expenses and revenues over time. All of Clearway's projects, as well as other utility-scale renewable energy projects with Hawaiian Electric, are contracted under long-term, fixed-price power purchase agreements. These fixed-price contracts provide 100% of the ongoing revenue to the projects and must cover all

operating expenses along with the projects' debt service. The cost and availability of financing for renewable energy projects is dependent upon the risk and variability in the projects' revenues and expenses. Fixed-price contracts typically enable low financing costs, reducing the total cost of the project and enabling greater ratepayer savings – but this is only possible if variability in expenses, including property taxes, can also be controlled.

Because it takes years to develop and construct utility-scale renewable energy projects, developers must estimate the property taxes to be paid over the term of the contract at the time they submit bids into a competitive solicitation. While project budgets are set to accommodate normal variability in property taxes over time, they cannot accommodate a change in land classification for real property tax purposes or a change in the assessment method for land or equipment that would result in taxes being substantially different from the status quo as of the time the projects were contracted.

If the Counties had the authority to and chose to provide a fixed option such as a PILOT that could be reliably calculated upfront for the duration of the project's contract, this would reduce uncertainty and would make possible even lower-cost financing for renewable energy projects, which would translate to lower power prices for utility ratepayers.

Thank you for the opportunity to submit testimony in support. We ask for your favorable consideration in passing this measure.

Nicola Park  
Director, Hawaii  
Clearway Energy Group



**Hawaiian  
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEES ON  
GOVERNMENT OPERATIONS  
AND  
ENERGY, ECONOMIC DEVELOPMENT, & TOURISM**

**HB 2517, HD2  
Relating to Renewable Energy**

Thursday, March 14, 2024  
3:45 PM  
State Capitol, Conference Room 225

Greg Shimokawa  
Director, Renewable Acquisition  
Hawaiian Electric

Dear Chair McKelvey, Chair DeCoite, Vice Chair Gabbard, Vice Chair Wakai, and Members of the Committee,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric in **support** of HB 2517, HD2, Relating to Renewable Energy.

This bill proposes to amend HRS Chapter 46, by adding a new section that allows a county the option to impose an annual in-lieu payment on land or improvements on land that are actively used to produce or store renewable energy that is sold to an electric utility, provided that: (1) the ordinance also exempts renewable energy projects from one hundred per cent of real property taxes; and (2) the payment may be determined by the county on a per megawatt nameplate alternating current (AC) capacity basis.

Hawaiian Electric supports HB 2517, HD2, as it is a creative solution to help mitigate the potential negative impacts of real property tax fluctuations on the viability of renewable energy projects. It sets forth a clear and simple calculation of the annual in-lieu payment that will be determined on a per megawatt nameplate AC capacity basis.

Thank you for this opportunity to testify in support of HB 2517, HD2.

**HB-2517-HD-2**

Submitted on: 3/11/2024 6:17:06 PM

Testimony for GVO on 3/14/2024 3:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ruta Jordans	Individual	Support	Written Testimony Only

Comments:

The more energy each of us can store, the better for Hawaii.