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KURT KAWAFUCHI
DIRECTOR OF TAXATION
Bill No. 242
SANDRA L. YAHIRO
DEPUTY DIRECTOR

Support Y N

Date 3/16/09

Time 1711

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Type 1 2 WI

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
TESTIMONY REGARDING SB 242 SD 2
RELATING TO SEAWATER AIR CONDITIONING

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)

DATE: MARCH 17, 2009

TIME: 8:30AM

ROOM: 325

This bill would include within the definition of "qualified business," any business engaged in producing air conditioning from a seawater air conditioning district cooling system for purposes of the State Enterprise Zone tax incentives.

The Department of Taxation (Department) opposes the revenue loss anticipated by this measure.

NOT FACTORED INTO EXECUTIVE BUDGET

Though the Department supports the intent of minimizing the State's dependency upon foreign oil and fossil fuels, the Department cannot support the tax provision in this measure because it is not factored into the budget. The Department points out that this legislation has not been factored into the Executive Budget and has not been prioritized as a means of tax relief this legislative session. The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

REVENUE IMPACT

The revenue loss is estimated at \$3.2 million for FY10, \$1.0 million for FY11, and \$1.3 million for FY12.

HAWAII RENEWABLE ENERGY ALLIANCE

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TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION SB 242 SD2, RELATING TO SEAWATER AIR CONDITIONING DISTRICT COOLING SYSTEMS

March 17, 2009

Chair Morita, Vice-Chair Coffman and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is a nonprofit corporation in Hawaii, established in 1995 by a group of individuals and organizations concerned about the energy future of Hawaii. HREA's mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of HREA's goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of SB 242 SD2 is to allow the sale of cooling from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits. Specifically, the bill proposes to add seawater air conditioning district cooling systems to the list of "qualified businesses" to Section 209-E. HREA strongly supports this measure and offers the following comments in support:

Bill No. 242

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- (1) Seawater Air Conditioning (SWAC). Wind energy, a renewable energy technology, is already included as a "qualified" business in the enterprise zone program. SWAC is a renewable energy technology ("RET") which "offsets" the need for electricity to cool water via a conventional chiller system. Therefore, SWAC should be included as a "qualified" business in the enterprise zone program;
- (2) HSWAC Project Benefits. The proposed Honolulu Seawater Air Conditioning ("HSWAC") Downtown project location is in an enterprise zone. HSWAC has estimated that the Downtown project will off-set approximately 15 MWs in power that would otherwise be needed for 25,000 tons of conventional "chiller-type" air conditioning. This project will not only help HECO meet its anticipated capacity shortfall, but will also help HECO meet its RPS requirement which is likely to increase with the HCEI goals; and
- (3) Enterprise Zone Benefits. The enterprise zone program provides certain benefits to qualified businesses to stimulate business and industrial growth. For example, tax incentives include exemption of qualified businesses from the GET, and State income taxes (on a declining basis), for a period of seven years. The tax incentives and other benefits of the enterprise zone will help make the Downtown HSWAC project more affordable for potential customers.

Thank you for this opportunity to testify.