

Tuesday, March 24, 2009
10:00 AM, Conference Room # 325

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Representative Hermina M. Morita, Chair
Representative Denny Coffman, Vice Chair

COMMITTEE ON AGRICULTURE
Rep. Clift Tsuji, Chair
Rep. Jessica Wooley, Vice Chair

Bill No. 512

Support Y N

Date 3/20/09

Time 903

Cat AF AS AX C

Type 1 2 WI

Testimony of Robert King, Pacific Biodiesel

In support of SB 512, Relating to Taxation

Headquartered in Kahului, Pacific Biodiesel is a respected technology and operations expert in the rapidly expanding biodiesel industry. Since opening and operating the very first retail biodiesel pump in America, Pacific Biodiesel has built a solid reputation as a pioneer and leading advocate for the establishment of community-based biodiesel

Pacific Biodiesel strongly supports SB 512, which would amend an already existing and funded ethanol facility tax credit to also encourage the production of biodiesel in the State of Hawaii. Changing the wording 'ethanol facility' to 'biofuel facility' would enable local companies to utilize this dormant incentive to expand biofuel production capacity statewide.

We respectfully propose the following amendment to improve this bill:

1. The specification for biodiesel, ASTM D6751, be added next to ethanol specification on page 5, line 9
2. A sunset date of Jan.1, 2017 be added to the end of the bill

The included language limiting qualifying facilities to production capacities of 15 million gallons per year or less will encourage the construction of multiple sustainably-scaled facilities, providing a diverse and flexible biofuel production network within the state. Increasing the size and scope of applicants while limiting aggregate funding to \$12 million per year will incur the problems encountered by the federal bioenergy program. This created an oversized pool of applicants for a limited amount of funding, ultimately reducing the shares of credits to individual companies significantly. In order for such subsidies to encourage real projects, there must be a

meaningful pool of funds that we can count on, at least for a significant period.

Pacific Biodiesel urges the committee to pass SB 512 which will allow more sustainable businesses to utilize an already well constructed policy, propelling the state forward towards energy independence and encouraging jobs and economic growth through locally owned businesses.

Benefits of locally produced biofuels:

- Job creation for renewable energy and agricultural sectors
- Greatly reduced environmental impact
- Energy security
- Local economic benefit from fuel sales
- Increased stability for fuel pricing

Thank you for the opportunity to testify,

Robert King, President
Pacific Biodiesel, Inc.
40 Hobron Ave
Kahului, Hawaii 96732
Ph: (808) 877-3144
www.biodiesel.com



Bill No. 512

Support Y N

Date 3/20/09

Time 10:20

Cat AF AS AX BC

Type 1 2 WI

Testimony before the
House Committees on

Energy & Environmental Protection
and
Agriculture

S.B. 512 SD2 -- Relating to Energy

Tuesday, March 24, 2009
10:00 am, Conference Room 325

By Arthur Seki
Director, Technology
Hawaiian Electric Company, Inc.

Chairs Morita and Tsuji, Vice-Chairs Coffman and Wooley and Members of the
Committees:

My name is Arthur Seki. I am the Director of Technology for Hawaiian Electric Company. I am testifying on behalf of Hawaiian Electric Company (HECO) and its subsidiary utilities, Maui Electric Company (MECO) and Hawaii Electric Light Company (HELCO), hereby referred to collectively as the HECO Utilities.

We support S.B. 512 SD2 amending the definitions for biofuel facilities and providing incentives for biofuel development in Hawaii. Biofuels can be developed from a multitude of processes and technologies for the transportation and electrical generation sectors. Thus, we respectfully offer a few amendments (**in bold**) under Hawaii Revised Statutes ("HRS") § 235-110.3--biofuel facility tax credit to broaden the language:

- Under "qualifying biofuel production", page 4, lines 20 to 22 and page 5, lines 1 to 4 would read:

"Qualifying [~~ethanol~~] **biofuel** production" means ethanol or biodiesel produced from renewable, organic feedstocks, or waste materials, including fats, oils, grease, and municipal solid waste. All qualifying production shall be fermented, distilled,

gasified, **processed, refined**, or produced by physical or chemical conversion methods such as, **but not limited to**, reformation and catalytic conversion and dehydrated at the facility.”

- Under “qualifying biofuel production facility”, page 5, lines 5 to 9 would read:
"Qualifying [~~ethanol~~] biofuel production facility" or "facility" means a facility located in Hawaii which produces motor fuel grade [~~ethanol~~] biofuel meeting the minimum specifications by the American Society of Testing and Materials standard D-4806[,] **or biofuel meeting the specifications for electrical production**, as amended.”

As you may know, HECO Utilities are committed to exploring and using biofuels in its existing and planned generating units. The amendments we propose will help biofuel production facility development. The use of biofuels can reduce the State’s dependence on imported oil and increase the amount of renewable energy from sustainable resources. This commitment by the HECO Utilities is demonstrated by the following initiatives:

- Installing the 2009 power plant (100 MW) at Campbell Industrial Park to be 100% biofueled;
- Testing biodiesel in its diesel engines and combustion turbine at MECO’s Maalaea power plant and conducting further tests;
- Planning for a 30-day test at Kahe 3 biofuel co-firing demonstration in a steam boiler generating unit for late 2009;
- Provided 2 years of seed funding to the Hawaii Agriculture Research Center (“HARC”) and the agriculture departments at the University of Hawaii’s Manoa and Hilo campuses to conduct biofuel crop research and a 3rd year funding to follow this year; and
- Evaluating micro-algae for biofuels and ocean energy projects.

In conclusion, HECO Utilities support S.B. 512 SD2 as a way to stimulate the biofuel development.

Thank you for the opportunity to present this testimony.

TAXBILLSERVICEBill No. 512Support Y NDate 3/20/09

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel: 536-4587

Time 1136Cat AF AS AX CType 1 2 WI

SUBJECT: INCOME, Biofuel facility tax credit

BILL NUMBER: SB 512, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

BRIEF SUMMARY: Amends HRS section 235-110.3 (d) to change the name of the ethanol facility tax credit to the biofuel facility tax credit including changing any reference to ethanol with biofuel. The credit shall be 40 cents per gallon of biofuel produced if the nameplate capacity is greater than 500,000 gallons but less than 15 million gallons. Stipulates that in order to claim the credit, the qualifying biofuel production facility shall be located within the state and utilize locally grown feedstock for at least 75% of its production output.

EFFECTIVE DATE: July 1, 2090; applicable to tax years beginning after December 31, 2089

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to change the ethanol facility tax credit to a biofuel facility tax credit.

While it has been almost nine years since the credit for the construction of an ethanol plant in Hawaii was enacted and ground has not broken yet, it appears that there are other far more efficient biofuels which could be developed and therefore the existing credit, which is specific to ethanol, might not be available to assist in the development of these other types of fuels.

As an alternative, lawmakers should consider repealing this credit and look for other types of alternate energy to encourage through the appropriation of a specific number of taxpayer dollars. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as this would provide some accountability for the taxpayers' funds being utilized to support this effort.

Digested 3/20/09

PACIFIC WEST ENERGY LLC
1212 NUUANU #1704
HONOLULU, HI 96817
Tel. 808-927-0619

Bill No. 512
Support Y N
Date 3/22/09
Time 1327
Cat AF AS AX B C
Type 1 2 WI

March 22, 2009

Representative Hermina Morita, Chair
Representative Denny Coffman, Vice Chair
And Members of the Committee on Energy and Environmental Protection

Representative Cliff Tsuji, Chair
Representative Jessica Wooley, Vice Chair
And Members of the Committee on Agriculture

Hawaii State Capitol
415 S. Beretania
Honolulu, HI 96813

Re: SB 512 SD2-- Relating to Taxation

Dear Chairs Morita and Tsuji, Vice Chairs Coffman and Wooley, and Members of the Committees,

My name is William Maloney and I am the President and Chief Executive Officer of Pacific West Energy LLC and its subsidiaries, Kauai Ethanol LLC and G&R Ag-Energy LLC, the developers of the integrated sugarcane to ethanol and green power project on Kauai. I testify today in opposition to SB 512, amending the nameplate capacity for biofuels facilities and revising the allowable tax credit to be equal to \$0.40 per gallon of biofuel produced.

Pacific West Energy LLC intends to construct a 15 million gallon per annum fuel ethanol production facility on Kauai. The facility will include a green energy cogeneration facility. The project cost is \$125 million. We intend to expand sugar cane cultivation on Kauai to at least 12,000 acres (from the existing 7,000 acres). In addition to producing fuel ethanol for the local Hawaiian motor fuel market we intend to export approximately 150 million kWh's per year of green electricity for the island's electricity requirements. We recently signed a joint-development agreement with Kauai Island Utility Cooperative ("KIUC") to provide for a power purchase agreement and the securing of debt financing from the US Department of Agriculture's Rural Utility Services agency. Our technology is proven and would involve a process that will yield an energy conversion ratio in excess of 9:1, including cogenerated electricity. To date, we have expended over \$9 million and several years of effort in reliance on the Hawaii Facility Tax Credit. We believe that if SB 512 SD2 were to pass as is our facility would not be able to rely on the very tax credit designed to support our project, and with the State's commitment to local ethanol production is placed in doubt, our project will be unable to source any further equity or debt and our project, and the 300 jobs, tens of

millions of dollars of economic activity, and significant displacement of imported energy our project will yield to Hawaii will be lost.

As some of you may recall, in 2000 and again in 2004 the legislature passed the ethanol facility investment tax credit. As part of its consideration of the ethanol facility tax credit the legislature and administration undertook comprehensive reviews that included a detailed fiscal and economic analysis commissioned by DBEDT and prepared for the legislature by Decision Analysts Hawaii Inc. ("DAHI"), as well as studies by Stillwater Associates and BBI International that examined the impacts from a Hawaiian ethanol industry. The two cost / benefit analysis we were required to provide included a presentation of all our capital and operating budgets to DAHI. The finding of the DAHI analysis was that the incentive would be revenue positive for the State over the life of the project. At that time the project was to be primarily a molasses based facility – today it is a fully integrated sugar cane based facility preserving hundreds of direct jobs and creating directly 130 new jobs. The fiscal and economic benefits to the State from our project that were positive in 2004 would be far greater today with the expanded project scope.

Our project has taken much longer to develop than we originally envisaged. There have been many challenges, including the current turmoil in the financial sector, volatility in the energy markets, and securing lands suitable for sugar cane against competing uses. However, we have received our air permit and, as noted above, believe our recent accord with KIUC sets a firm foundation for our project to move forward at an accelerating pace. In recent months we have secured equity commitments for the project and as noted above we intend to pursue debt financing through the US Department of Agriculture, as well as from private lenders who offered debt financing last fall just prior to the recent lending freeze. Our project is a model for an integrated bio-energy refinery, and it is consistent with the expressed intentions of the Hawaiian legislature to develop indigenous energy resources.

My own background is not just in ethanol, but biofuels generally. From 1998 through 2008 I served as Director of Business Development for ED & F Man Biofuels Inc. ("Man"). Man is one of the largest traders in ethanol, biodiesel, vegetable oils and tropical oils internationally, and provides feedstocks to biodiesel plants. In addition, they are significant equity holders in biodiesel production companies. In my capacity with Man I evaluated both ethanol and biodiesel project opportunities, including production facilities in Hawaii.

I outline below our major issues relating to the proposed amendments to the Ethanol Facility Tax Credit.

- While the expanded production of biodiesel in Hawaii is a desirable from energy independence and economic development standpoints, its development should not be at the expense of the local production of ethanol, and its related benefit of electricity cogeneration.

- Biodiesel and ethanol are both biofuels, but completely different products, with significantly different economics and markets. To simply add biodiesel to the carefully crafted Hawaii Ethanol Facility Tax Credit bears no relation to the relative economics of the two products, and would not be good public policy, with one, ethanol, being carefully evaluated, and the other, biodiesel, not.
- A 15 million gallon per annum sugarcane based ethanol facility has a capital cost (excluding cogeneration) of over \$50 million, more than \$3.00 per gallon of installed capacity. A 15 million gallon biodiesel facility is likely to cost between \$7.5 and \$10 million, less than \$1.00 per gallon of installed capacity (the industry standard today is about \$0.50 per gallon of installed capacity, excluding seed crushing). Biodiesel plants are typically modular and pre-fabricated and fit in 40 ft. containers. Most of the capital for local biodiesel plants under the proposed law would likely be for storage tanks for oil feedstocks.
- Producing ethanol is a much different and more costly process than producing biodiesel, involving a biological process, fermentation, along with distillation and dehydration. Biodiesel production is a simpler, lower cost process, involving separating vegetable oil into biodiesel and glycerin by adding a transesterification agent, usually methanol, and a catalyst. The capital and operating costs are completely different.
- Under the existing Ethanol Facility Tax Credit an ethanol facility will not recover its capital costs from the credit over the 8 years that the incentive would be paid. As proposed, a biodiesel producer would likely recover 100% of capital costs in refundable tax credits within two years, so over the 8 years they would likely receive over 4 times their capital investment in refundable tax credits.
- To increase the level of credit beyond established capital costs as defined in the existing statute it is proposed to include “inventory costs” as capital costs. While it is understandable that a biodiesel producer would like to receive a tax credit for the purchase of feedstocks these costs should not properly be included, the inclusion of inventory would enable a biodiesel producer to receive a multiple of invested capital in refundable tax credits.
- The existing statute eliminates further credits once 40 million gallons of ethanol production capacity in-state is realized. The 40 million gallons equates to the level of ethanol required to support 10% ethanol blended in gasoline. If the proposed amendments are passed there will certainly be far more than 40 million gallons of biodiesel capacity in place within one year, before any ethanol facility could come on-line, crowding out credits and eliminating any ethanol facility from receiving any credits – unless a specific carve out for ethanol plants is added to the legislation.

- From a fiscal standpoint, it is unlikely that an ethanol producer will be in a position to claim a credit until 2011 or 2012 (after coming on-line in 2010 or 2011). With the low cost of biodiesel plants, and short lead time to develop (as little as a few weeks for package plants) the full amount of tax credits would likely be earned in 2009, creating an immediate fiscal impact and exacerbating the State's near-term fiscal crisis.

Therefore, we request that the Committees maintain the Ethanol Facility Tax Credit as is, with no amendments.

If the Committees determine that they want to provide a per gallon or capital investment incentive to biodiesel production facilities it should do so in a separate statute, and only after a careful detailed independent cost / benefit analysis has been undertaken. It should not simply modify an ethanol specific incentive to all biofuels, as they need to be examined and incentivized based on their own economics and merits. Any biodiesel related incentive should not be to the detriment of ethanol production, as would be the case as the language currently is in SB 512 SD2.

We respectfully request the Committees defer SB 512 SD2 until such time as a detailed independent analysis can be undertaken, and create a separate statute for any biodiesel incentive that will not negatively impact the existing ethanol facility investment tax credit.

Sincerely,

William M. Maloney
William M. Maloney
President & Chief Executive Office
Pacific West Energy LLC

EEPtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 20, 2009 10:49 AM
To: EEPtestimony
Cc: holter@maui.net
Subject: Testimony for SB512 on 3/24/2009 10:00:00 AM

Testimony for EEP/AGR 3/24/2009 10:00:00 AM SB512

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Lance Holter
Organization: Hawaii Democratic party
Address: PO Box 790656 Paia, Hawaii
Phone: 808-579-9442
E-mail: holter@maui.net
Submitted on: 3/20/2009

Comments:

The Hawaii Democratic party at their 2008 state convention passed two Resolutions ENVIRO 08-01 Support Energy Efficiency and Sustainable Energy Sources and ENVIRO 08-03 Support Local Renewable Energy Production and made them part of the Hawaii Democratic Party platform. Using tax credits to stimulate sustainable Renewable Energy production will attract venture capital and investment to Hawaii ending Hawaii's dependence upon imported oil. Currently Hawaii spends \$7 Billion a year importing oil to Hawaii, imagine if we used that money to create local jobs and new sustainable businesses and ending our addiction to imported oil. Please support SB512. Lance Holter, Chairman-Maui Democratic party

Bill No. 512

Support Y N

Date 3/22/09

Time 1037

Cat AF AS AX B C

Type 1 2 WI

Tuesday, March 24, 2009
10:00 AM, Conference Room # 325

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Representative Hermina M. Morita, Chair
Representative Denny Coffman, Vice Chair

COMMITTEE ON AGRICULTURE
Rep. Cliff Tsuji, Chair
Rep. Jessica Wooley, Vice Chair

Bill No. 512

Support N

Date 3/22/09

Time 1419

Cat AF AS AX C

Type 2 WI

Testimony of **Garrett W. Marrero, Maui Brewing Co.**

In support of SB 512, Relating to Taxation

Maui Brewing Co., a truly local brewery on Maui and “Green Business of the Year 2008” strongly supports SB 512, which would amend an already existing and funded ethanol facility tax credit to also encourage the production of biodiesel in the State of Hawaii. Changing the wording 'ethanol facility' to 'biofuel facility' would enable local companies to utilize this dormant incentive to expand biofuel production capacity state-wide. More biofuel facilities in the state would also create jobs in the agricultural sector as well.

Benefits of locally produced biofuels:

- Job creation in renewable energy and agricultural sectors
- Greatly reduced environmental impact
- Energy security
- Local economic benefit from fuel sales
- Increased price stability for fuel

Sustainable businesses could use this already well constructed policy to propel the state forward towards energy independence while creating jobs and economic growth through locally owned businesses.

Thank you for the opportunity to testify,

Garrett W. Marrero

SB 512 – Relating to Taxation

Tuesday, March 24, 2009
10:00 AM, Conference Room # 325

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Representative Hermina M. Morita, Chair
Representative Denny Coffman, Vice Chair

COMMITTEE ON AGRICULTURE
Rep. Clift Tsuji, Chair
Rep. Jessica Wooley, Vice Chair

FROM: William K. Akiona II
Projects Director
OmniGreen Renewables

RE: Testimony in Support of SB 512 – Relating to Taxation

Aloha Chair, Vice Chair, and Members of the Committee,

Thank you for the opportunity to testify on this bill. **OmniGreen Renewables LLC** strongly supports SB 512, which would amend an already existing and funded ethanol facility tax credit to also encourage the production of biodiesel in the State of Hawaii. Changing the wording 'ethanol facility' to 'biofuel facility' would enable local companies to utilize this dormant incentive to expand biofuel production capacity state-wide. More biofuel facilities in the state would also create jobs in the agricultural sector as well.

Benefits of locally produced biofuels:

- Job creation in renewable energy and agricultural sectors
- Greatly reduced environmental impact
- Energy security
- Local economic benefit from fuel sales
- Increased price stability for fuel

Sustainable businesses could use this already well constructed policy to propel the state forward towards energy independence while creating jobs and economic growth through locally owned businesses.

OmniGreen Renewables LLC is a newly formed **BioEnergy Systems Development Company** conducting renewable energy biomass research and development on the Wai'anae Coast of O'ahu, where we are planning for sustainable development projects that will simulate the rural economy and create "**Green Jobs.**"

Thank you for the opportunity to testify.

Respectfully,

William K. Akiona II
Projects Director
OmniGreen Renewables LLC
808 923-1737
omnigreen2020@yahoo.com

Bill No. 512
Support Y N
Date 3/22/09
Time ~~9/18~~ 2:36p
Cat AF AS AX B C
Type 1 2 WI



Bill No. 512

Support Y N

Date 3/22/09

Time 2258

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
HOUSE COMMITTEE ON AGRICULTURE

Cat AF AS AX C

March 24, 2009, 10:00 A.M.
Room 325

Type 1 2 WI

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 512 SD2, SUGGESTED AMENDMENT

Chairs Morita and Tsuji and members of the committees:

The Blue Planet Foundation supports SB 512 SD2, expanding the biofuel tax credit. **We respectfully ask this Committee, however, to amend SB 512 SD2 so that any future biofuel tax credits apply only to facilities utilizing Hawaii-grown and produced feedstocks.**

Transportation fuels in Hawai'i can be made from renewable resources, such as sugarcane, algae, and waste products. These materials are neither as scarce nor as expensive as crude oil. Even more importantly, these materials are available here. Hawai'i should set a clear course for a steady, incremental transition to renewable fuels and more efficient vehicles.

The amendments proposed in SB 512 SD2 make sense to expand the tax credits to other biofuels, including biodiesel. These amendments would lower fuel costs, diversify our fuel supply, provide energy security, and create a new market for Hawaii farmers to produce fuel from Hawaii crops and waste materials.

Thank you for the opportunity to testify.

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org

55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org

Bill No. 512

Support Y N

Date 3/23/09

Time 946

Cat. AF AS AX F

1

SB 512 SD2

RELATING TO TAXATION

**JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY**

MARCH 24, 2009

Chair Morita and Members of the House Energy and Environmental Protection Committee and Chair Tsuji and Members of the House Agriculture Committee:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy on SB 512 SD2, "Relating to Taxation".

SUMMARY

Hawaii BioEnergy ("HBE") supports SB 512 SD2, with amendments, which would revise Section 235-110.3 of the Hawaii Revised Statutes to encourage the development of local renewable energy sources by expanding the credit to apply to biofuels facilities, rather than exclusively to ethanol, and requiring qualifying facilities to be located within the State and utilize locally grown feedstock for at least 75% of its production output. The amendments to SB512 SD2 proposed below would extend tax credit eligibility to production facilities above fifteen million gallons per year production capacity, enabling producers to achieve economies of scale and maximize efficiency, without requiring an additional budget allocation from the State. Excluding facilities over fifteen million gallons per year capacity would discourage efficient investments and severely limit the economic development, environmental, energy security and tax revenue potential of biofuel production in the State.

HAWAII BENEFITS FROM LOCAL BIOFUEL PRODUCTION

Hawaii BioEnergy is a local company with a mission to help Hawaii toward a sustainable energy future through the production of biofuels from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii who control in total over 430,000 acres of land. HBE and its partners would like to use significant portions of their land to address Hawaii's energy needs. Since its inception in 2006, HBE has been researching various biofuels alternatives to clearly evaluate each biofuel's relative suitability and sustainability based on Hawaii's natural resource base, climate, market and infrastructure.

One of those biofuel alternatives that HBE is pursuing is the production of jet fuel and other oil derivatives from micro-algae. Preparations have been underway for many months and facilities to conduct on-site research and development are expected to be in place before this legislative session is done. Algae not only offers Hawaii the benefit of developing a locally produced fuel source, but it also benefits the agriculture industry by providing proteins for animal feed, fertilizers and other locally produced products.

HBE is also currently considering plans to develop locally produced ethanol from sugar cane, sweet sorghum, or other crops that can be processed into ethanol. The production of ethanol in Hawaii will provide its residents with better energy security, create a significant number of jobs, reduce the burning of fossil fuels, and retain dollars in the State's economy rather than sending them overseas.

Based on an independent analysis commissioned by HBE, it's projected that a large-scale agricultural operation along with an ethanol facility could provide up to 1,400 new jobs and over \$115 million in added value in the State.

In addition to the economic benefits of local biofuels production, Hawaii would benefit greatly from the energy security that would result from having a significant portion of its energy needs met by locally grown feedstocks. In addition to the energy security, biofuels from locally grown feedstocks will also help to reduce the severe volatility of energy prices associated with the price of fossil fuels as they fluctuate with world demand and politics

While local biofuel production would benefit the State, the gains will be compounded if the feedstocks used to produce the biofuels are grown locally – as the increased demand for local inputs would create more jobs, increase demand from local businesses, and generate additional tax revenue for the State. As indicated by the independent study commissioned by HBE, a biofuel operation using locally grown feedstocks could significantly benefit Hawaii by contributing to economic growth, generating tax revenue, as well as improving energy price stability and energy security at both the county and State levels. As such, HBE supports the provision that requires facilities to be located within the State and utilize locally grown feedstock for at least 75% of its production output.

SB512 SD2 REQUIRES AMENDMENT TO FULLY BENEFIT HAWAII

At present, SB512 SD2 limits tax credit eligibility to small-scale facilities. In order for the State to realize the full benefits of Section 235-110.3, HBE recommends that SB 512 SD2 be amended as shown below to allow for economies of scale and efficient production:

"§235-110.3 [~~Ethanol~~] Biofuel facility tax credit. (a) Each year during the credit period, there shall be allowed to each taxpayer subject to the taxes imposed by this

chapter, [~~an ethanol~~] a biofuel facility tax credit that shall be applied to the taxpayer's net income tax liability, if any, imposed by this chapter for the taxable year in which the credit is properly claimed.

For each qualified [~~ethanol~~] biofuel production facility, the annual dollar amount of the [~~ethanol~~] biofuel facility tax credit during the eight-year period shall be equal to [~~thirty per cent of its nameplate capacity~~] 40 cents per gallon produced ~~if the nameplate capacity of the qualified biofuel production facility is greater than five hundred thousand gallons but less than up to fifteen million gallons of production.~~

The above referenced amendment would encourage efficient production by extending the eligibility for the tax credit to facilities above fifteen million gallons of capacity without requiring an additional budget allocation. Further, given the extension of the legislation to apply to 'biofuels,' section (g) of the legislation which limits the tax credit to the first forty million gallons of capacity should be eliminated.

Without the amendments proposed above, the State would limit the credit to small-scale production, thereby inhibiting project developers from achieving economies of scale and maximizing efficiency. Further, without the extension of tax credit eligibility to facilities greater than fifteen million gallons per year, HBE and other producers may not pursue investments in biofuels facilities in Hawaii.

CONCLUSION

HBE is moving forward with projects that will help to address Hawaii's energy future and believes that SB 512 SD2, with the amendments proposed, will encourage the development of renewable energy sources in Hawaii.

Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for SB 512 SD2, with the above referenced amendments.

Thank you for the opportunity to testify.

EEPtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 20, 2009 10:37 AM
To: EEPtestimony
Cc: kci@hawaii.rr.com
Subject: Testimony for SB512 on 3/24/2009 10:00:00 AM

Testimony for EEP/AGR 3/24/2009 10:00:00 AM SB512

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Kim Isaak
Organization: Individual
Address:
Phone:
E-mail: kci@hawaii.rr.com
Submitted on: 3/20/2009

Bill No. 512

Support Y N

Date 3/20/09

Time 1037

Cat AF AS AX B C

Type 1 2 WI

Comments:

Tuesday, March 24, 2009
10:00 AM, Conference Room # 325

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION Representative Hermina M. Morita, Chair
Representative Denny Coffman, Vice Chair

COMMITTEE ON AGRICULTURE
Rep. Clift Tsuji, Chair
Rep. Jessica Wooley, Vice Chair

Testimony of Kim Isaak

In support of SB 512, Relating to Taxation

I respectfully propose the following amendment to improve this bill:

1. The specification for biodiesel, ASTM D6751, be added next to ethanol specification on page 5, line 9
2. A sunset date of Jan.1, 2017 be added to the end of the bill

The included language limiting qualifying facilities to production capacities of 15 million gallons per year or less will encourage the construction of multiple sustainably-scaled facilities, providing a diverse and flexible biofuel production network within the state. Increasing the size and scope of applicants while limiting aggregate funding to \$12 million per year will incur the problems encountered by the federal bioenergy program. This created an oversized pool of applicants for a limited amount of funding, ultimately reducing the shares of credits to individual companies significantly. In order for such subsidies to encourage real projects, there must be a meaningful pool of funds that we can count on, at least for a significant period.

I urge the committee to pass SB 512 which will allow more sustainable businesses to utilize an already well constructed policy, propelling the state forward towards energy independence and encouraging jobs and economic growth through locally owned businesses.

Benefits of locally produced biofuels:

- 1 Job creation for renewable energy and agricultural sectors
- 1 Greatly reduced environmental impact
- 1 Energy security
- 1 Local economic benefit from fuel sales
- 1 Increased stability for fuel pricing

Thank you for the opportunity to testify,

Kim Isaak

EEPtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 20, 2009 12:50 PM
To: EEPtestimony
Cc: kpuliatch@hawaiiintel.net
Subject: Testimony for SB512 on 3/24/2009 10:00:00 AM

Bill No. 512

Support 0 N

Date 3/20/09

Time 12:50

Cat AF AS AX B C

Type 1 2 WI

Testimony for EEP/AGR 3/24/2009 10:00:00 AM SB512

Conference room: 325
Testifier position: support
Testifier will be present: No
Submitted by: Kevin Puliatch
Organization: Individual
Address:
Phone:
E-mail: kpuliatch@hawaiiintel.net
Submitted on: 3/20/2009

Comments:

Thank you for the intrest in this comment In Hawaii even positive change is difficult, and often blocked by those with larger mouthpieces or skills in legislative chess. This state can become a alt energy benchmark for the country in a way that has yet to unfold. Please enlarge this field of dreams so our children may play in abundance and pride of something more than just a tourist destination. Make this bill as starting point , a beacon of the courageous acts to follow for the benefit of all who live and work in our beautiful state.

EEPtestimony

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 21, 2009 6:11 PM
To: EEPtestimony
Cc: bob@electricbob.net
Subject: Testimony for SB512 on 3/24/2009 10:00:00 AM

Bill No. 512

Support Y N

Date 3/21/09

Time 1011

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Testimony for EEP/AGR 3/24/2009 10:00:00 AM SB512

Conference room: 325

Testifier position: support

Testifier will be present: No

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Submitted on: 3/21/2009

Comments:

This bill seems to be a no brainer, Ethanol was the original renewable fuel source but as it turns out not the only one. As we have seen lately you can not have a law that only supports one business venture, which is not what is going on here because I don't think there really is one, no one working to product ethanol in Hawaii. But we do have someone that is turning waste products into usable fuel. Please expand the law to cover any type of renewable fuel development.

Thank You

Bob Schick