

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, February 1, 2011
8:00 AM
State Capitol, Conference Room 325

in consideration of
HB 566
RELATING TO TAXATION

Chair Morita, Vice Chair Coffman, and Members of the Committee

The Department of Business, Economic Development, and Tourism (DBEDT) defers to the Department of Taxation on matters relating to HB 566. We are unable to support this due to its potential impact on the priorities indicated in the Executive Biennium Budget.

However, we are concerned about curtailing the growth and proliferation of energy efficient and renewable technology installations at a time when these tax incentives are most needed.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 566 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)
COMMITTEE: EEP
DATE: FEBRUARY 1, 2011
TIME: 8AM
POSITION: OPPOSED

This measure places a \$7 million aggregate cap on all claims of the Renewable Energy Technologies Income Tax Credit (Energy Credit), per year.

The Department of Taxation (Department) **opposes** this measure.

DRASTICALLY REDUCES THE CREDIT'S EFFECTIVENESS—This measure will substantially limit the attractiveness of the Energy Credit. Currently there is no aggregate cap on the Energy Credit, which means that every taxpayer can take advantage of it. This measure will likely drive away a substantial amount of investment because of the uncertainty a cap brings. Though a cap provides budget certainty for the State, if energy independence is the State's policy, this measure will greatly hamstring current efforts to accomplish energy goals because outside investors will not be ensured any credit after their multi-million dollar investment is made.

ADMINISTRATIVELY BURDENSOME—The Department generally opposes aggregate caps, especially in this measure's form. There is no legislative guidance on how the cap is to be administered. Is the cap based on who files first? Who installs their energy system first? Do taxpayers need to apply for the credit? Should the credit be spread evenly amongst all

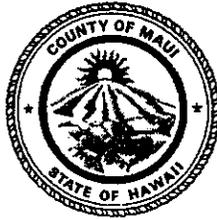
taxpayers? All of these issues arise when an aggregate cap is instituted. These issues become even more concerning when there are a substantial number of taxpayer claiming the credit, such as with the Energy Credit.

THE CAP REPRESENTS ABOUT HALF OF THE CREDIT—The Department points out that the \$7 million cap in this measure represents about half the credit payout each year. If the goal is to save half the costs, the cap is effectively cutting the percentage rate in half or eliminating half of all renewable energy projects.

THE CREDIT ALREADY HAS CAPS—The Department points out that the Energy Credit currently has caps already in place. The law provides for caps "per system," which means that taxpayers do not have limitless credit. The Department has administratively interpreted the installation of a system in a fair and reasonable manner with the best interest of the State in mind. Taxpayers are allowed more than one credit; provided that additional systems are installed.

REVENUE IMPACT—This measure will result in a revenue gain of approximately \$18.5 million per year beginning in FY 2012.

ALAN ARAKAWA
Mayor



TEENA RASMUSSEN
Economic Development Coordinator

COUNTY OF MAUI
OFFICE OF THE MAYOR
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

January 31, 2011

Office of Representative Kyle Yamashita
House District 12.
Hawaii State Capitol Room 422
ATTN: Tannya Kanei-Ibara

Re: HB 566 and 529

Tannya,

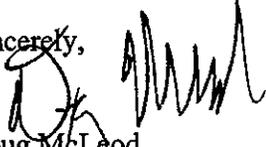
Thank you for speaking with me earlier today by phone. As I explained, the County of Maui has an annual electric bill that exceeds \$20 million.

We want to equip many of our buildings with rooftop solar panels. Current law allows private developers to install these systems at no cost to the county, and sell power for less than MECO charges.

Without the combination of federal and state tax credits that currently exists, we do not believe the county could afford to proceed with its plans for rooftop solar systems.

We oppose HB 566 and 529 as they would add cost and uncertainty to our effort to increase renewable energy use by the county.

Sincerely,


Doug McLeod
Energy Commissioner

DM;jw



House Committee On Energy & Environmental Protection
Rep. Hermina M. Morita, Chair
Rep. Denny Coffman, Vice Chair

Public Hearing: February 1, 2011
8:00AM, House Conference Room 325

Testimony Opposing HB566
Limits On Renewable Energy Tax Credits

Aloha,

My name is Timothy Murph, and I represent Beachside Solar Technologies, a Hawaii based solar electric system integrator. Respectfully, we submit this testimony as a statement of our opposition to HB566.

We see HB566 as a grave threat to an already fragile local industry. Our company depends on the Hawaii Energy Tax Credit on every commercial and residential solar electric project we perform. Residents and businesses already suffer greatly from rising utility costs due to increases in the price of imported foreign oil. The proposed lowering of the cap on the Hawaii Energy Tax Credit will make it much more difficult or impossible for many residents and businesses to invest in a renewable energy system.

Acquisition costs for a completed solar electric system with the reduced Hawaii Energy Tax Credit as proposed, would put solar electric technology out of the reach of most Hawaii residents and businesses. Due to the continued high cost of solar electric technology, and the diminished amount of available investment capital due to the financial crisis in our country and the world, HB566 would most likely doom any future large-scale development of solar electric systems in Hawaii. Passing of this bill would only cause further damage to our local economy, with the added burden that failed businesses cause.

Thank you for the opportunity to provide this testimony and feel free to contact me if I can be of further assistance or provide more detailed comment.

Very respectfully,

Timothy Murph
Vice President/GM

Reducing Global Carbon-One Roof At A Time

Corporate Office
1870-A Leleiona St
Lihue, Hawaii 96766
(P) 808-245-7820
(F) 808-246-9019

Oahu Office
91-522 Nukuawa St.
Kapolei, Hawaii 96707
(P) 808-682-5803
(F) 808-682-5407

Solar Division
91-522 Nukuawa St.
Kapolei, Hawaii 96707
(P) 808-841-0714
(F) 808-841-0715

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 30, 2011 10:32 PM
To: EEPtestimony
Cc: reachbrianbell@yahoo.com
Subject: Testimony for HB566 on 2/1/2011 8:00:00 AM

Testimony for EEP 2/1/2011 8:00:00 AM HB566

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: Brian Bell
Organization: Individual
Address: 4626 Sierra Dr Honolulu, HI
Phone: 808-227-7087
E-mail: reachbrianbell@yahoo.com
Submitted on: 1/30/2011

Comments:

Aloha Chair Morita and Members of the Committee:

I would like to submit my testimony in opposition of HB 566, which would place egregious limits on a fragile industry at an inopportune time.

This bill seeks to drastically limit the renewable energy state tax credits available to the burgeoning solar and wind industries, which could cripple our transition to a clean energy future. We need to stay the course with our current incentives so that solar and wind can reach grid parity. For solar, this could take another 5 - 10 years. This means it would be cheaper to put a solar system on your roof than to pay the electric company. We cannot afford turn our backs on the companies that are making our Hawaii Clean Energy Initiative dream a reality.

There is clearly a multiplier effect when granting these tax credits. The solar industry is one of the bright spots in our dismal economic times and creating jobs that come from the sun and cannot be shipped out of state.

Mahalo,

Brian Bell
4626 Sierra Dr
Honolulu, HI 96816
808-227-7087

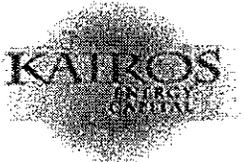
coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 31, 2011 8:55 AM
To: EEPtestimony
Cc: patbak1@hawaiiantel.net
Subject: Testimony for HB566 on 2/1/2011 8:00:00 AM

Testimony for EEP 2/1/2011 8:00:00 AM HB566

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: Byron W. Baker
Organization: Individual
Address: 1504 Kamehameiki Road Kula, Hawaii 96790
Phone: 808 876 0283
E-mail: patbak1@hawaiiantel.net
Submitted on: 1/31/2011

Comments:



TO: House Committee on Energy and Environmental Protection
Honorable Representative Hermina M. Morita, Chair
Honorable Representative Denny Coffman, Vice Chair

RE: Testimony Opposing HB 566 Relating To Taxation.

Testimony is 2 pages long.

HEARING: Tuesday, February 1, 8:00 a.m.

Madam Chair and members of the Committee:

I appreciate this committee's consideration of HB566, and welcome this opportunity submit testimony in opposition it in its current form.

My name is Larry Gilbert, and I am the Managing Partner and Chief Executive of Kairos Energy Capital LLC. Kairos Energy Capital is a Hawai'i merchant bank that focuses entirely on providing and arranging funding for renewable energy projects. We have become one of the leading experts in Hawai'i in solar project financing. Notable financing which we have completed include solar panels on all of the Neighbor Island airports for the State of Hawai'i Department of Transportation (one of the largest solar project financings done in Hawai'i) and the recent refinancing of the Hawi Wind Farm on the Big Island.

HB566 proposes a \$7 million per year cap on renewable energy tax credits, as a means to help resolve the State's current budget crisis. While the budget crisis is perhaps the largest and most important public issue before the Legislature this year, the steps taken to address it must be done responsibly and with attention to avoiding major unintended consequences.

The effect of HB566 in its current form is to serve layoff notices on virtually every one of the over 500 Hawaii men and women currently working in the solar industry, and to freeze every solar project currently in development or under consideration. While these words may seem alarmist, they are true.

The Hawaii renewable energy tax credit was a means for the State to partner with private capital by incentivizing homeowners, businesses and investors to put money into renewable energy projects which would otherwise be unprofitable or marginally profitable by providing them with tax relief. And "private capital" does not just mean banks, insurance companies and other investors—it includes homeowners and small businesses who are weighing decisions about whether or not to make a major investment to move toward renewable energy. When there is a threat that the rules of that relationship between the State's incentive and private capital's investment may suddenly change, the private capital instantly freezes until the threat is resolved one way or the other.

The effect of that capital freezing is that the projects – from individual homeowners considering solar hot water heaters to huge solar farms like the 20 megawatts in Mililani and the large Sopogy project in Kalaeloa – are stopped in their tracks. And once stopped, some of the projects will never be restarted. And with upcoming projects stopped, solar companies – which have been one of the few bright spots in a construction industry mired in the recession – must begin laying off workers and cutting costs.

These effects will happen very quickly. Unlike other construction projects, solar projects are built very quickly—a residential solar system may be installed in only one or two days, and even a large commercial project may only take a few weeks. So the mere fact that this bill is pending in its current form could result in layoffs beginning as early as March or April, and the entire industry being decimated by the time the Legislature adjourns.

There is a better way for this Committee, and the Legislature, to go about evaluating whether and how the renewable energy tax credit should be adjusted to respond to the realities of the State's budget crisis.

HB566 should be amended by this Committee to immediately convene a working group consisting of representatives of the Department of Taxation, the Department of Business and Economic Development, the solar industry, the wind industry and the financing industry to develop a proposal for adjustments to the Hawaii renewable energy tax credit which would help contribute to the resolution of the budget crisis while still keeping private capital engaged.

The working group can evaluate all the options, taking into consideration all of the ramifications, and propose a measured response that will keep the public-private partnership between the State and private capital a healthy relationship that will continue to help move Hawaii toward the vital goal of energy self-sufficiency.

Thank you for the opportunity to submit this testimony, and please feel free to contact me if I can be of further assistance.

Larry Gilbert
Managing Partner
Kairos Energy Capital LLC
55 Merchant Street, Suite 1560
Honolulu, HI 96813
Tel 808 457-1600
Email: LGilbert@kairosenergycapital.com

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Limitation on renewable energy technologies tax credit

BILL NUMBER: HB 566

INTRODUCED BY: Chong, M. Lee, B. Oshiro, Tokioka, Yamashita & 1 Democrat

BRIEF SUMMARY: Amends HRS section 235-12.5 to provide that the total maximum allowed renewable energy technologies tax credits shall not exceed \$7 million in any tax year; provided that any credit in excess of the annual aggregate limit shall be claimed against a taxpayer's income tax liability in subsequent years until exhausted.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: This measure acknowledges that tax credits are a drain on the state treasury and proposes a limit on the aggregate amount of renewable energy technologies tax credits that may be claimed to \$7 million per year. The purpose clause of the measure states that "due to the tight economic and fiscal conditions, measures must be taken to limit the State's tax credit liability and address the budget shortfall."

While the limitation proposed by this measure is commendable, without any recent data from the department of taxation regarding the amount of renewable energy technologies tax credits paid out, it is difficult, if not impossible, to determine whether the aggregate limit of \$7 million per year is realistic. If the limitation proposed by this measure is too high, then the proposed measure will not have any effect on the loss of precious state revenues due to this tax credit.

What this measure does underscore is that the unbridled offering of tax credits amounts to nothing more than the expenditure of public funds out the back door. Even as this measure is being introduced and discussed, other lawmakers continue to introduce measures proposing tax credits and exemptions for all kinds of activities, none of which have anything to do with relieving an excessive tax burden. Instead of perpetuating the anticipation of special interests that they can get a "tax break with a tax credit," lawmakers need to go back to the old-fashioned way of supporting specific programs and projects by appropriating public funds. The appropriation process allows for the careful scrutiny and evaluation of proposals to determine the worthiness of the investment of public dollars.

Digested 1/31/11

MERIDIAN 158, LLC
PO Box 1461
KAHULUI, HI 96733

January 31, 2011

Committee on Energy and Environmental Protection
House of Representatives
State of Hawaii

Subject: Testimony Opposing HB 566

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

I wish to express my grave concerns regarding HB 566, which would place a \$7,000,000 annual aggregate cap on the renewable energy technologies income tax credit.

Today, there is a great deal of new and viable entrepreneurial activity in the renewable energy industry in Hawaii. After years of partnering with the local utilities and working with communities on siting and permitting issues, new technologies are finally being adopted and put in production in order to reduce our Islands' dependence on imported oil. However, these projects require financing and debt from local and mainland investors and banks. By capping the income tax credit, the financial projections of these projects become clouded and uncertain. We currently face a tough environment for project financing. ***Creating uncertainty with a tax cap will effectively end new investment in these projects.***

This in turn will stifle the growth of emerging Hawaii companies in the renewable energy sector. Companies that generate state revenue in terms of GET and income tax. Companies that create high paying jobs in construction, project management, operations, law and finance.

Renewable Energy is an industry where Hawaii will show leadership at a national level only by maintaining the momentum that is just being established. This momentum will only continue by keeping in place the tax incentives that were established previously. I urge you to stop this bill.

Sincerely,



Paula Lair

Owner, Meridian 158, LLC



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803

808.538.6616 hawaii.chapter@sierraclub.org

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 1, 2011, 8:00 A.M.

(Testimony is 2 pages long)

TESTIMONY IN STRONG OPPOSITION TO HB 566

Aloha Chair Morita and Members of the Committee:

The Sierra Club of Hawai'i strongly opposes House Bill 566, which would cap the amount of renewable energy tax credit available to prospective consumers. This measure is a pennywise, pound-foolish step backward in the State's clean energy efforts. The lack of certainty in tax credit availability will cause a dangerous chilling effect in Hawai'i's burgeoning clean energy industry.

Tax credits for renewable energy devices are important policy tools to encourage investment in clean energy, reducing Hawai'i's dependence on unstable foreign oil and improving Hawai'i's environment.

Hawai'i depends on imported oil for nearly 90% of its energy needs. This dependence results in the outflow of the State's financial resources and creates a tenuous reliance on an unsustainable and unstable resource. Moreover, with the increased certainty of climate change as a result of fossil fuel usage and the emerging treaties on greenhouse gas emissions, as well as the global depletion of natural resources, encouragement of renewable energy sources is timely and strategic.

Hawai'i has been a leader in the inevitable renewable energy revolution—but continued success will take a continued commitment from the public policy makers. Tax credits for renewable energy is good policy for the following reasons:

- The tax credits are an investment for the State. As shown by the analysis of economist Tom Loudat, the tax credits leverage private investment that helps to sustain existing jobs and adds jobs as the net number of systems sold per year increases. The jobs are created primarily in the small business sector;

- Private utilities base their demand side management programs ultimately on shareholder return. This often conflicts with the energy and economic objectives of the State. If the State wishes to encourage sustainable, clean energy—which it should—then it must continue to encourage distributed generated power.
- The solar industry is exactly the “high-tech” that Hawai’i needs. But until a critical mass is reached for its demand, it must be supported by incentives. The industry cannot make long-term plans if it is unsure how to forecast demand for their systems in the long-term.

Hawai’i’s renewable energy tax credits have proven incredibly successful in helping to promote the use of solar and other renewable energies in the state. The number of photovoltaic systems installed in Hawai’i has consistently increased each year -- one of the few growth industries in an otherwise economically depressed time period. Hawai’i has one of the strongest solar industries in the country. Let’s not lose this resource.

Mahalo for the opportunity to testify.



February 1, 2011

HOUSE

*Clifford Smith
Principal*

8:00 A.M.

COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

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

S&B Energy, LLC and our staff strongly oppose the creation of an annual aggregate cap on the renewable energy technologies tax credit. Past legislative bodies established the credits, with overwhelming public support, as a critical component to encourage renewable energy deployment across the State. The renewable energy industry has benefited and many businesses and jobs have been created in this sector. It is actually one of the few bright spots in a very bleak economy.

The limitation proposed, through an aggregate cap, is a dramatic departure from the State's support and will severely, irrevocably weaken the industry. As one may surmise, all financial underwriting relies on the predictability and certainty of financial benefits being in place. In today's market, capital will flow to programs with attractive returns and with the most certainty. Already, Hawaii suffers significant uncertainty due to hurdles such as the high costs driven by transportation and construction, limited electricity buyers (off-takers) and significant permitting/entitlement risks. The proposed bill, HB566, is yet another hurdle that would be the final nail in the coffin for the industry here. Capital will flow to other states and programs with more predictability.

I urge the Committee to oppose this bill.

Sincerely & Respectfully,

A handwritten signature in black ink that reads "Cliff Smith".

Clifford Smith



Levin & Hu, LLP
Certified Public Accountants
77 Ho'okele Street, Suite 302
Kahului, Maui, Hawaii 96732-3516
808-270-1077 main line
808 270-1072 fax
www.levinhu.com

January 31, 2011

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Re: HB566

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

Please quickly and with malice end this terrible bill for either of the reasons noted below:

- An aggregate cap is unworkable in any legislation. How is the Department of Taxation to allocate the applicability of this credit to taxpayers?
 - In advance: creating a huge paperwork hassle?
 - By who files first, giving priority to those who have the ability to file early?
 - By allocating credit to all those who file, forcing the Department of taxation to hold all refunds until the close of the following year when they can allocate the credit?
- The legislation also doesn't handle effectively the complex issue of what happens in subsequent years:
 - Does the \$7,000,000 limit still apply to carryovers?
 - If it does, who get's first use of the \$7,000,000: new taxpayers or the ones carrying forward from last year?
 - If it doesn't, then essentially this whole bill is just a one year delay of all benefits except for a select few.

This bill is an abomination. Although there is a difficult state shortage and you may have to consider some type of limits on energy credits this particular method is ludicrous. Like a recent episode of "American Idol" you should all just look at each other and simultaneously vote "no".

Aloha,

Douglas Levin, CPA
Managing Partner



The CPA. Never Underestimate The Value.®

February 1, 2011

HOUSE

Eric Perreca
President

8:00 A.M.

**COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION**

HB 566

TESTIMONY IN STRONG OPPOSITION

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

Scatec Solar North America, Inc. strongly opposes the creation of an annual aggregate cap on the renewable energy technologies tax credit (RETITC). The renewable energy industry is a young and expanding sector. The Federal and State governments have decided to incentivize the growth of this industry through tax credits. The industry cost structure, at this point, relies on the incentives to be predictable and reliable. Any changes, such as the cap proposed, would greatly reduce their impact and likely create such dramatic reduction in their value as to reprioritize capital flow to Hawaii.

In general, competition for capital flow exists among states. Hawaii has experienced significant interest and deployed dollars, because of the RETITC. The proposed cap would likely eliminate our continued interest and for us, cause pause in our commitments to deploy a large PV project in the State. We would be unable to meet the minimum of acceptable returns, as Hawaii has significant risks of entitlement and a higher cost structure, due to the Islands' isolation.

I strongly urge the Committee to oppose the bill.

Sincerely,


Eric Perreca

February 1, 2011
8:00 A.M.

HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

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

We have been in business for 33 years, specializing in Solar. It hasn't been easy but we are proud to say that we now have employed 75 people.

This bill is already having a chilling effect on our business. Solar customers simply won't sign contracts without tax credit. As a result, we are expecting revenues to essentially end once the word gets out that the legislature is going to retroactively end the tax credit. This will force our company to lay people off because we are not capitalized to sustain a period without revenues.

In closing, we are asking you to please not move this bill, which, will destroy an extremely promising industry, right as it is about to launch.

Sincerely,

Joanne Casayuran
Administrative Assistant
Haleakala Solar Inc

February 1, 2011
8:00 A.M. HOUSE
COMITTEEE ON ENERGY & ENVIRONMENTAL
PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

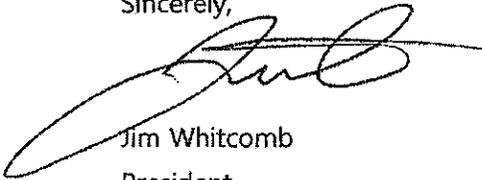
Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

We have been in business for 33 years, specializing in Solar. It hasn't been easy but we are proud to say that we now have employed 75 people.

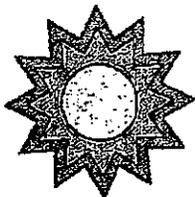
This bill is already having a chilling effect on our business. Solar customers simply won't sign contracts without tax credit. As a result, we are expecting revenues to essentially end once the word gets out that the legislature is going to retroactively end the tax credit. This will force our company to lay people off because we are not capitalized to sustain a period without revenues.

In closing, we are asking you to please not move this bill, which, will destroy an extremely promising industry, right as it is about to launch.

Sincerely,



Jim Whitcomb
President
Haleakala Solar Inc



INTER-ISLAND SOLAR SUPPLY

Serving Hawaii and the Pacific Islands Since 1975

761 Ahua St., Honolulu, HI 96819
 73-5569 Kauhola St., Kailua-Kona, HI 96740
 400 Ala Makani St. #103, Kahului, HI 96732

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 Tel: (808)329-7890 Fax: (808)329-5753
 Tel: (808)871-1030 Fax: (808)873-7825

Testimony of Inter-Island Solar Supply
 In Regard To
 HB 566, Relating to Taxation
 Before The
 House Committee on Energy & Environmental Protection
 Tuesday, February 1, 2011

Chair Morita and Vice-Chair Coffman, my name is Richard Reed and I represent Inter-Island Solar Supply (IIS). IIS is strongly opposed to HB 566.

Hawaii ranks first in the United States in both solar water heating usage and delivered PV watts on a per capita basis. After a tough thirty-five year slog, Hawaii's renewable energy industry is now fast emerging as the fourth leg under our economic stool, after tourism, the military, and agriculture.

Our national leadership in the field of renewable energy did not come about overnight and it did not happen by accident. Rather, it has been made possible by a unique public-private partnership that has included the legislature, numerous administrations, regulators, our electric utilities, county governments, HEEP, the Hawaii Energy Policy Forum and other energy experts, and the renewable energy industry. The most important element, however, has been the consistency of our visionary public policy over the last three and a half tumultuous decades supporting the use of indigenous renewable energy resources to mitigate Hawaii's extreme dependence on polluting fossil fuels to generate electricity.

Just two short years ago oil reached a peak of \$147/bbl. Electric rates went through the roof - again. Hawaii's homeowners, business owners, and ratepayers all asked themselves how in hell did this happen? What can I do to ensure that this doesn't happen (to me) - again? Unfortunately, there is every reason to believe that it will happen again. Oil still hovers at \$92/bbl while much of the world economy remains in the tank. This fact alone requires that Hawaii must continue to make reasonable and prudent investments in renewable energy tax credits and incentives. It also means that Hawaii must cultivate and grow the indispensable renewable energy infrastructure without which we cannot begin to make a dent in our unsustainable dependence on polluting fossil fuels to generate electricity.

Chair, Vice-Chair and members of this committee, I submit that HB 566 has been the subject of very little serious thought. The \$7,000,000 cap is arbitrary. It does not begin to reflect the investment necessary to achieve the goals of Hawaii's RPS and EEPS statutes (70% renewables and energy efficiency by 2030). Remember, taxpayers - corporate and individual - must first choose to invest in renewables before a tax dollar is spent. If we lose faith we these necessary investors, all will be lost in the short-term.

HB 566 is also completely deficient in establishing a fiscal and/or economic justification for capping the credit at this or any other level. The bill cites no study, report, analysis or supporting document that indicates the fiscal and economic impact of these credits are negative rather than positive. In fact, a good deal of evidence exists supporting the proposition that Hawaii's renewable energy tax credits incent economic behavior and capital investment that simply does not occur in their absence, and that the substitution of indigenous renewable energy resources for imported oil and coal to generate electricity has positive, not negative, fiscal and economic impacts.

HB 566 will do far more harm to investors (taxpayers), the economy and the renewable energy industry than good. It deserves to be held. Indefinitely.

I appreciate the opportunity to submit this testimony on behalf of Inter-Island Solar Supply.



Green Power Projects LLC

Alan Lennard
P.O. Box 818
Haleiwa, HI 96712
T 808.447.9742 F 808.638.7760
alan.lennard@greenpowerprojects.com

February 1, 2011
8:00 A.M.

**HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION**

**Alan Lennard
Managing Director**

HB 566

TESTIMONY IN STRONG OPPOSITION

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

My name is Alan Lennard

I have been in renewable energy sales and development since 1975, our original marketing firm was started in 1986 in Hawai'i and Green Power Projects LLC has been in our registered business since 2007.

Our business relies on contractors, their subcontractors, engineers and substantial employed specialists and journeyman to perform renewable energy installation projects.

The mere existence of this proposed legislation has already created repercussions in the Hawai'i market.

The language of this bill includes the ultimate intimidation to current purchasers, retroactive.

Investors who require time to model and analyze renewable energy projects are becoming more cautious regarding Hawai'i based on this bill and it's obvious repercussions.

Residential and business customers who have heard about this have already experienced cold feet about transacting solar installations.

We are imploring your good sense NOT allow this bill to proceed. IT will impact a significant amount of employment and devastate one of the most important and promising industries in the state of Hawai'i

Thank you so very much for your consideration regarding this important issue.

Alan Lennard
Managing Director

RENEWABLE ENERGY FUTURES.
Www.greenpowerprojects.com

CALIFORNIA HAWAII NEW YORK

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

Officers

President
Warren S. Bollmeier II

Vice-President
John Crouch

Directors

Warren S. Bollmeier II
WSB-Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
SPSI, LLC

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

HB 566, RELATING TO TAXATION

February 1, 2011

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 an industry-based, nonprofit corporation in Hawaii established in 1995. Our 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 our 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 HB 566 is to provide a \$7,000,000 annual aggregate cap on the renewable energy technologies income tax credit.

HREA **opposes** this measure; HREA **opposes the** intent of this measure, even with the “apparent” provision for carrying forward any unused credit to following years.

- (1) The RETITC is a cost-effective incentive for encouraging private investment in wind and solar technologies in Hawaii. A total of over 100,000 small distributed, customer-sited wind, PV and solar hot water heater systems, are installed and operational in Hawaii, in large part due to the RETITC and its predecessor, the Energy Conservation Income Tax Credit. The RETITC leverages private investment in these distributed-renewable systems and a small number of larger wind and solar projects that are all helping us meet our RPS.
- (2) As we move forward to meet our more aggressive clean energy goals, the RETITC remains a vital link to our success, given our small, growing renewable energy business in Hawaii.
- (3) The RETITC helps the renewable industry green Hawaii. This means not only protecting our environment by reducing our use of imported fossil energy and greenhouse gas emissions, but also creating green jobs to green and sustain our economy and secure our energy sources and support our quality of life.

In short, HREA recommends continuation of the RETITC as it is replete with energy, environmental and economic benefits. We are just really starting to gain momentum, in large part, due to the RETITC, and the renewable energy of the renewable industry itself. Capping the RETITC will be problematic: it will be a “deal killer,” jobs will be lost, more dollars will flow out of state to buy fossil fuel, and we will lose momentum as we seek to meet our clean energy objectives. Investors and developers will go somewhere else, and may not return, should the full RETITC return.

Thank you for this opportunity to testify.



February 1, 2011

HOUSE

Alexander Tiller

8:00 A.M.

COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION

CEO

HB 566

TESTIMONY IN STRONG OPPOSITION

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

I am writing on behalf of the almost 100 employees of Sunetric, the hundreds of individual subcontractors and businesses that support our organization, and the residences of Hawaii who have not had the opportunity to go solar yet. Sunetric is Hawaii's largest photovoltaic solar contractor; we build projects on all islands and we have been a participant in helping Hawaii reduce its dependence on foreign oil for over seven (7) years.

I wanted to let you know how devastating HB 566 would be to the industry that is positioned to help Hawaii reach its energy independence goals. If enacted, this bill would singlehandedly demolish our fragile new industry. In fact, the discussion of HB566 is already having a cooling effect on our business. Financing organizations are hesitant to even evaluate new projects in markets where incentives are in question. We are also finding that solar customers simply won't sign contracts due to concerns over the credit disappearing mid project. As a result, we are expecting revenues to essentially evaporate once the word gets out that the legislature is going to retroactively end the tax credit.

If this happens, Sunetric will be forced to lay off people since we are not capitalized to sustain a period without revenues.

I ask that you and your fellow legislators reject this bill, which would certainly destroy an extremely promising industry right as it is about to launch.

Sincerely,

Alexander Tiller, CEO, Sunetric



January 31, 2011

House of Representatives
Twenty-Sixth Legislature 2011
State of Hawaii

Attention: **Committee on Energy & Environmental Protection**
Representative Hermina Morita, Chair
Representative Denny Coffman, Vice Chair

Hearing: **February 1, 2011** **8:00 AM**

Re: STRONG OPPOSITION TO HB 566

Chair Morita, Vice Chair Coffman and Committee Members:

I am Miles Kubo, Chief Operating Officer and Principal of Energy Industries LLC, a Hawaii-based company that provides energy conservation and renewable energy services to business enterprises throughout Hawaii and the West Coast.

We employ more than 75 people, approximately 50 of whom live and work in Hawaii. We hope to continue our business and job growth in the Islands as the "clean tech" economy continues to expand.

We believe that capping the total of renewable credits at this time under HB 566 would severely impair an industry that Hawaii so desperately needs for its future.

Hawaii is already in an energy crisis and switching to distributed generation of renewable energy sources will be the best way to reduce our reliance of fossil fuels.

I encourage this committee to hold this bill.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Miles M. Kubo", written in a cursive style.

Miles M. Kubo
Executive Vice President/Chief Operating Officer



H.B. 566, Relating to Taxation

Comments to the House Committee on Energy & Environmental Protection
February 1, 2011

Aloha Representative Morita, Representative Coffman and Distinguished Members of the House Committee on Energy & Environmental Protection. My name is Kekoa Kaluhiwa and I am the Director of External Affairs for First Wind.

I humbly request that you **oppose** H.B. 566, Relating to Taxation, to the extent that the bill would provide a \$7,000,000 annual aggregate cap on the renewable energy technologies income tax credit.

In 2008, a significant milestone was achieved with the creation of the Hawaii Clean Energy Initiative (HCEI) which sets Hawaii's goal of achieving 70% clean energy by 2030. The objective is ambitious, but we believe that through the combined efforts of all our renewable energy sectors - wind, solar, bio-fuels, etc., and continued emphasis on energy efficiency, this goal can be achieved. However, we believe that the establishment of an aggregate cap would be detrimental to the goals of the HCEI.

State renewable energy tax credits have served as a major financial incentive for Hawaii homeowners and local businesses to invest in a clean energy future. For developers such as First Wind, the tax credit is a key incentive for our investing in Hawaii projects. As a utility scale wind energy producer, First Wind is currently in the final stages of constructing a 30 MW facility in Kahuku, Oahu that is expected to be in full operation in early 2011. We are also planning to expand our 30 MW facility on Maui by adding an additional 21 MW by the end of this year. With a combined total of 51 MW of wind energy projected to be added to Hawaii's renewable portfolio this year, we have and will continue to make major contributions to Hawaii's economy through city and state tax revenue from general excise, wage, and property taxes over the life of these projects.

According to the U.S. Department of Energy, Hawaii has some of the best wind resources in the entire world. Yet, it requires substantial investment to harness that energy for man's needs. Our Kahuku project will cost an estimated \$115,000,000 to construct, and very significant investments have been made in good faith with the renewable energy tax credits in place. To take them away via an aggregate cap just as we are about to deliver two operating wind energy projects this year creates a sense of unpredictability that is discouraging to investors. If HB566 is passed, our Kahuku project would lose \$6 million in anticipated renewable energy tax credits. We anticipate our Maui project would also lose \$7 million in anticipated credits.

While we disagree with the aggregate cap, we are also concerned that HB 566 does not clearly define the manner in which tax credit claims would be accepted and prioritized on an annual basis. Further clarification is needed to this end.

In closing, given the ambiguity of HB566 and detrimental effects it would have towards the goals set forth by the Hawaii Clean Energy Initiative, we kindly ask you to **oppose** this measure.

FORESTCITY

February 1, 2011

HOUSE

Jon Wallenstrom
Vice President

8:00 A.M.

COMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 566

WRITTEN TESTIMONY IN STRONG OPPOSITION

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

Forest City Sustainable Resources, LLC is focused on providing sustainable, clean energy in Hawaii. With this mission, we are well underway with large-scale projects that make use of vacant, unproductive land for solar renewable energy. The combined investment in Hawaii would total \$Millions in improvements, create or preserve "green" jobs in the solar industry, and help the state reach its stated goals under the Clean Energy initiative.

Forest City Sustainable Resources, LLC strongly opposes the creation of an annual aggregate cap on the renewable energy technologies tax credit (RETTTC). The renewable energy industry relies on the credits to attract investors and financing. Any proposed cap would result in a dramatic reduction in their value and greatly hinder the industry's ability to source capital.

In general, the State government has incentivized job and revenue growth with a sufficient, but not excessive program. If a cap is placed on the credits, the financial benefits will be insufficient and result in Forest City re-examining several initiatives to spend money in Hawaii. Currently, Forest City is positioned to create over 20 man-years of construction, permanent jobs (through 20 year admin and O&M contracts) and generate significant reoccurring state revenue in general excise tax and income tax with just two renewable energy initiatives. This bill will pause and most likely eliminate these initiatives.

I strongly urge the Committee to oppose HB 566.

Sincerely,



Jon Wallenstrom



February 1, 2011
8:00 A.M.

**HOUSE
COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION**

**MATIAS BESASSO
CO-OWNER**

HB 566

TESTIMONY IN STRONG OPPOSITION

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

Rising Sun Solar Electric LLC has been in business for six years. Our company designs and installs photovoltaic systems for residential and commercial applications. We were in the Top 10 "50 Fastest Growing Companies" with Pacific Business News for the past three years and received SBA Person of the Year for Co-Owner, Bradley Albert and myself in 2010.

The road we've traveled has not been easy but we are proud to say that we employ 18 people.

HB566 is already having a huge impact on our business. Customers are calling with legitimate concerns and are unwilling to execute contracts unless they benefit from a renewable energy credit.

As a result, we expect a complete cessation of revenue as the word spreads that legislature is going to retroactively end the tax credit. Setting in place an annual aggregate cap of \$7,000,000 for renewable energy will be devastating to the future of Hawaii. As a result Rising Sun will be forced to lay off employees as it is not capitalized to sustain its business without revenue. Passing this Bill will completely eliminate any growth in this sector in 2011 and is counter policy to the promise of the newly adopted feed-in tariff

In closing, Rising Sun is asking you NOT to move on this bill as HB566 will destroy the renewable energy industry and will cripple Rising Sun Solar Electric.

Respectfully submitted,

RISING SUN SOLAR ELECTRIC LLC

A handwritten signature in black ink, appearing to read "Matias Besasso", is written over the printed name.

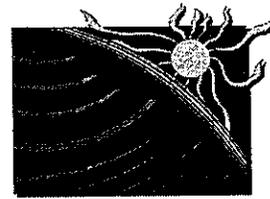
Matias Besasso, Co-Owner

MB/bb

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5823 Kalaniana'ole Hwy
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808.373.4559 (Office)
808.373.1740 (Fax)



February 1, 2011
8:00 A.M.

HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

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

I have been in the renewable energy solutions industry for 15 years and started my own company in 2004. I have overseen many installations of solar hot water and photovoltaic systems, energy audits, windmills, etc. for homeowners and businesses as well as the military.

I am also the Vice President of the Hawaii Solar Energy Association.

My company consists of 7 crew members including 2 electricians, 1 Master Electrician, 7 energy consultants, and 6 executive and administrative staff. I work with many other renewable energy companies to service the needs of our clients. There has been a tremendous amount of effort to bring renewable energy to where it is today - it has been a win-win situation for the homeowner or business owner, our industry and our 'aina.

I have been around our industry long enough to know that a bill like this will be the beginning of the end of our industry as we know it. This is a bill that has not been thought through thoroughly. It will kill the solar industry in Hawaii, setting us back decades in energy independence. It would do nothing but saddle our children with a future tax liability.

In closing, I am asking that this bill not be rejected as it will destroy an extremely promising industry right as it is about to really take off.

Respectfully submitted,

Myron Thompson
President



STATE OF HAWAII HOUSE OF REPRESENTATIVES

**COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION**

**Testimony of Axio Power
In Regard To
HB 566, Relating to Taxation
Before The
House Committee on Energy & Environmental Protection
Tuesday, February 1, 2011**

TESTIMONY IN STRONG OPPOSITION

Chair Morita, Vice Chair Coffman and Members of the Committee,

My name is Paul Curran, Senior Executive Vice President of Axio Power -- a utility-scale solar photovoltaic project development company. It has come to our attention that HB 566 proposes to place an annual aggregate cap of \$7 million on the State of Hawaii renewable energy technologies income tax credit. Axio Power is strongly opposed to H.B. 566. If this bill were to be passed, it would be severely detrimental to Axio Power and the entire utility-scale solar market in Hawaii. .

For the past two years, Axio Power has been developing the IC Sunshine project on land adjacent to the Tesoro refinery in Kapolei. Among other development activities we have been negotiating a power purchase agreement (PPA) with Hawaiian Electric Company ("HECO") for the project which would provide HECO and its ratepayers with up to 5 megawatts of clean and renewable power. The PPA was recently signed between Axio Power and HECO, which is a major milestone for Axio Power and the renewable energy market in Hawaii. Currently, there are no utility-scale solar developments on Oahu, so Axio Power's project will likely be the first. As we negotiated the PPA in good faith with HECO, we also continued various engineering and permitting studies. Our underwriting of these activities was based on the premise that an economic framework, including state tax credits would be available for the solar facility. These tax credits are a significant economic attribute of these projects from a financing perspective. If passed, H.B. 566 could very well end our project which we have worked hard to bring to the State of Hawaii. Without these tax incentives, it is unlikely that Axio Power, or any of our competitors, would be able to successfully finance a

axiopower

project in Hawaii. H.B. 566, in so many words, would kill utility-scale solar development in Hawaii.

We hope that the House Committee would stipulate that if H.B. 566 were to be passed than it should do so under the important condition that any contracts signed and secured with HECO prior to the passing of this bill should realize the existing state tax credit benefit since projects before this bill was proposed had assumed and been negotiated with HECO under that existing economic framework.

The renewable energy industry will not be the only to suffer from H.B. 566 being passed. Our 5 megawatt project is poised to infuse the local economy with a significant amount of capital which will far exceed the state tax credit over the course of the project's life. The project specifically allocates funds to community services for programs set up to train and educate the local community on how to install solar power plants. A recent, national study shows that 13 installation job-years are created for each Megawatt power (MWp) of solar panels installed. That would be 65 job-years (13 job-years x 5MW) for our project. A recent third party model known as the JEDI (Jobs and Economic Development Impact) model developed by NREL (National Renewable Energy Laboratory) shows the our project would create 34 direct jobs related to construction and installation services.

Axio Power continues to show interest in the solar market in Hawaii and we have begun working on other projects in Hawaii on the premise that state legislation would remain consistent to the past few years. Solar companies like Axio Power thrive on consistent and reliable state legislation as an indicator of a "good renewable energy" market. Bills like H.B. 566, however, have had a chilling effect on the renewable energy industry in certain states. Please do not allow Hawaii to take a step back from achieving its own renewable energy goals and its renewable energy future by passing this bill. Thank you for the opportunity to submit testimony on behalf of Axio Power.



February 1, 2011
8:00 A.M.

HOUSE
COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION

BRADLEY ALBERT
PRESIDENT

HB 566

TESTIMONY IN STRONG OPPOSITION

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

The Hawaii PV Coalition was formed in 2005 and works with business owners, homeowners, and local and national stakeholders in the photovoltaic industry in support of the greater use and more rapid diffusion of solar electric applications across the State. The Coalition has been active during the past two state legislative sessions supporting pro-photovoltaic and renewable energy bills and educating representatives on the benefits of Hawaii-based solar electric applications. The Coalition has taken part in discussions with the Hawaii Public Utilities Commission and Hawaii Energy Forum in an effort to move the photovoltaic agenda forward.

The Hawaii PV Coalition is proud to say that the results of this education and lobbying have been positive as supportive legislation was passed and signed into law which included raising the state business and residential tax credit amounts for photovoltaics, adopting Renewable Energy Portfolio standards, increasing the size of PV and other renewable energy systems to qualify for net energy metering and giving the PUC the authority to establish a progressive state buy-down program to further accelerate the adoption of grid-connected energy systems.

HB566 is already having a negative impact on the State. Renewable energy businesses are receiving calls from customers with legitimate concerns. Those businesses have encountered difficulties entering into contracts with customers based on the fear that legislature is going to retroactively end the tax credit. As a result, photovoltaic installers and suppliers are expecting a decline in revenue as word spreads.

Setting in place an annual aggregate cap of \$7,000,000 for renewable energy will be detrimental to Hawaii's future. As a result businesses will be forced to lay off employees. In addition, passing this Bill will be in complete contrast to policy in favor of the newly adopted feed-in tariff

In closing, the Hawaii PV Coalition is asking you NOT to move on HB566.

Respectfully submitted,

HAWAII PV COALITION


Bradley Albert, President

The Sun At The Source Of Life
Mary Kawena Pukui

Post Office Box 81501, Haiku HI 96708

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F 808 575 9878

info@hawaiipvcoalition.org
www.hawaiipvcoalition.org

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 31, 2011 5:56 PM
To: EEPtestimony
Cc: grandsolar808@gmail.com
Subject: Testimony for HB566 on 2/1/2011 8:00:00 AM

Testimony for EEP 2/1/2011 8:00:00 AM HB566

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: John Grandinetti
Organization: Grand Solar, Inc.
Address: 4882-4 Kilauea ave.. HI
Phone: 808 7373536
E-mail: grandsolar808@gmail.com
Submitted on: 1/31/2011

Comments:
The solar industry will not survive if this bill is passed. Many jobs will disappear.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 1, 2011, 8:00 A.M.

(Testimony is 1 page long)

TESTIMONY IN OPPOSITION OF HB 566

January 31, 2011

The Honorable Hermina M. Morita, Chair
The Honorable Denny Coffman, Vice Chair
State Capitol, Room 325
Honolulu, Hawaii 96813

Dear Chair Morita, Vice Chair Coffman and Members of the Committee,

On behalf of Hoku Corporation (Nasdaq: HOKU) and Hoku Solar, Inc., our PV integration and project development subsidiary, I am writing to express my strong opposition to the proposed House Bill 566.

Hoku was founded in Hawaii in 2001 and currently employs 17 persons in the State. Over the past three years, Hoku Solar has installed more than 2,300 kilowatts of clean solar power in the islands, an effort which has involved our staff and more than sixteen Hawaii firms as subcontractors. This has created valuable, needed work in a badly hit sector of our economy.

In fact, solar power installations represent one of the few growth sectors in Hawaii's construction market in recent years. This is directly attributable to the state and federal incentives available for local customers who are seeking real solutions to move off of carbon-based power.

For these and other reasons, I strongly oppose HB566. Setting an aggregate cap of any size on Hawaii's renewable tax credit would create market uncertainty and prevent local customers from moving forward with any investment in clean, solar power. Besides the negative repercussions this would have on Hawaii's solar industry, a cap would curtail building momentum among Hawaii homeowners and businesses toward the adoption of clean energy, and it would negatively impact Hawaii's progress toward statewide renewable energy portfolio targets.

I ask you to consider **not** moving this bill forward. To do so would place a promising industry at grave risk, just as it is poised to lead our State into a future based on clean, renewable, distributed power.

Please feel free to contact me directly should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Paul".

Scott Paul
Chief Executive Officer