

STAND. COM. REP. NO.

2076

Honolulu, Hawaii

FEB 09 2012

RE: S.B. No. 2986

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Energy and Environment, to which was referred S.B. No. 2986 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to make permanent the taxation rate for the liquid fuel naphtha, which is sold for use in electric power generation.

Your Committee received testimony in support of this measure from the Public Utilities Commission and Kauai Island Utility Cooperative. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

The Kauai Island Utility Cooperative testified that if the current naphtha fuel tax rate of two cents per gallon of naphtha is allowed to sunset on December 31, 2012, the default state and County of Kauai fuel tax rates would apply. The cooperative also testified that the higher tax rate would result in a tax liability that would be passed on to Kauai Island Utility Cooperative members, whose energy bills would increase by approximately seven percent. Your Committee finds that this potential increase in energy costs would not be in the best interests of the public.

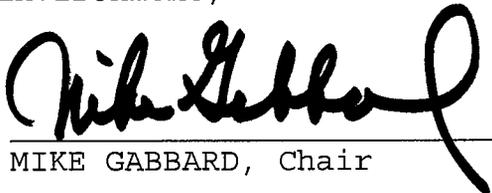
Your Committee notes that no testimony was received on two other changes proposed by this measure. The first change would make permanent the definition of "power-generating facility" in section 243-1, Hawaii Revised Statutes; the second change would repeal the retroactive effect of the naphtha fuel tax rate



established by Act 103, Session Laws of Hawaii 2007, as amended by Act 198, Session Laws of Hawaii 2009. Your Committee notes that the proposed repeal of the retroactive effect of the naptha fuel tax rate should be further discussed if your Committee on Ways and Means chooses to hear this measure.

As affirmed by the record of votes of the members of your Committee on Energy and Environment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2986 and recommends that it pass Second Reading and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Energy and
Environment,



MIKE GABBARD, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* SB 2986	Committee Referral: ENE, WAM	Date: 1/31/12		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	✓			
ENGLISH, J. Kalani (VC)				✓
GREEN, M.D., Josh	✓			
IHARA, Jr., Les	✓			
SLOM, Sam				✓
TOTAL	3	0	0	2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"></div>				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes