

SENATE COMMITTEE ON WAYS AND MEANS

February 22, 2013, 9:00 A.M.

Room 211

(Testimony is 3 pages long)

TESTIMONY IN SUPPORT OF SB 623 SD1, SUGGESTED AMENDMENT

Chair Ige and members of the Ways and Means Committee:

The Blue Planet Foundation supports SB 623 SD1, a measure which makes necessary amendments to Hawaii's highly successful clean energy tax credit incentive.

We believe that SB 623 SD1 takes the right approach for projects of under 1 MW in size by generally following the existing federal structure and guidance, by providing a clear predictable ramp down of the incentive level, and by reducing the tax credits' short-term cost to the State while maximizing the amount of residential and commercial solar that will be installed.

Blue Planet is concerned about SB 623 SD1's proposed production tax credit (PTC) for projects under 1 MW in size. We believe that the proposed PTC does not provide enough incentive for these larger projects to pencil out for developers. **Therefore, we respectfully ask that the bill be amended increase the proposed 4-cent per kilowatt-hour (kWh) PTC to 8-cent per kWh, and to allow the tax credit for electricity actually used to offset load as well as for electricity sold to an unrelated third party.** Raising the base rate to 8 cents will also eliminate the need for any grandfathering, which could be administratively difficult to administer.

Senate Bill 623 SD1 contains a number of elements which make it an attractive policy, for the state economy, the solar sector, and for achievement of Hawaii's aggressive clean energy goals. First, the measure follows the framework and definitions of the federal tax credit law, making it easier for the state to administer. Second, the proposed policy ratchets down the state renewable energy tax credit in a fair and predictable manner, reducing job-jeopardizing volatility in the solar sector. Third, the measure provides for a reasonable incentive for all segments of Hawaii's solar industry: residential, commercial, and utility-scale. Finally, the production tax credit approach in SB 623 SD1 (for utility scale projects, as well as an option for smaller

projects) encourages the most efficient renewable energy installations while spreading out the cost of the credit over a 10-year period.

Solar energy is currently a bright spot in Hawaii's progress toward energy independence, and the solar tax credit has been extremely effective at making Hawai'i a leader in solar installations—creating local jobs and providing steady revenue from its business creation. Moreover, the installation of solar water heaters, photovoltaic systems, and wind systems helps to plug the leak of billions of dollars out of the islands' economy. Further, investments in this technology—and the companies and jobs that provide it—pays dividends back to the state in the form of income tax, general excise tax, and outside investment—among other forms.

Blue Planet has released a report in January, 2013, detailing the economic impacts of Hawai'i's renewable energy tax credit. The analysis, conducted by former University of Hawai'i economist Dr. Thomas Loudat is updated from last spring, peer-reviewed, and includes demographic information from building permits for O'ahu photovoltaic installations over the past 12 years. (Dr. Loudat's earlier analysis of renewable energy tax credits was presented in a report to the state legislature in 2002.)

The findings show that the existing tax incentive yields a clear, significant net fiscal benefit to the state. Every commercial PV tax credit dollar invested yields \$7.15 that stays in Hawai'i and \$55.03 in additional sales, which generates \$2.67 in new tax revenue. For a typical 118 kW commercial PV installation, the state gains 2.7 local jobs each year over the 30-year lifetime of the system.

According to the state Department of Business, Economic Development, and Tourism (DBEDT), solar accounts for 15% of all construction expenditures in Hawai'i. The solar industry employs more than 2,000 people locally.

Any stimulation in solar installations also brings federal dollars (from the 30% federal renewable energy tax credit) into our local economy. These dollars have a full multiplier effect equivalent to tourist dollars coming to Hawai'i.

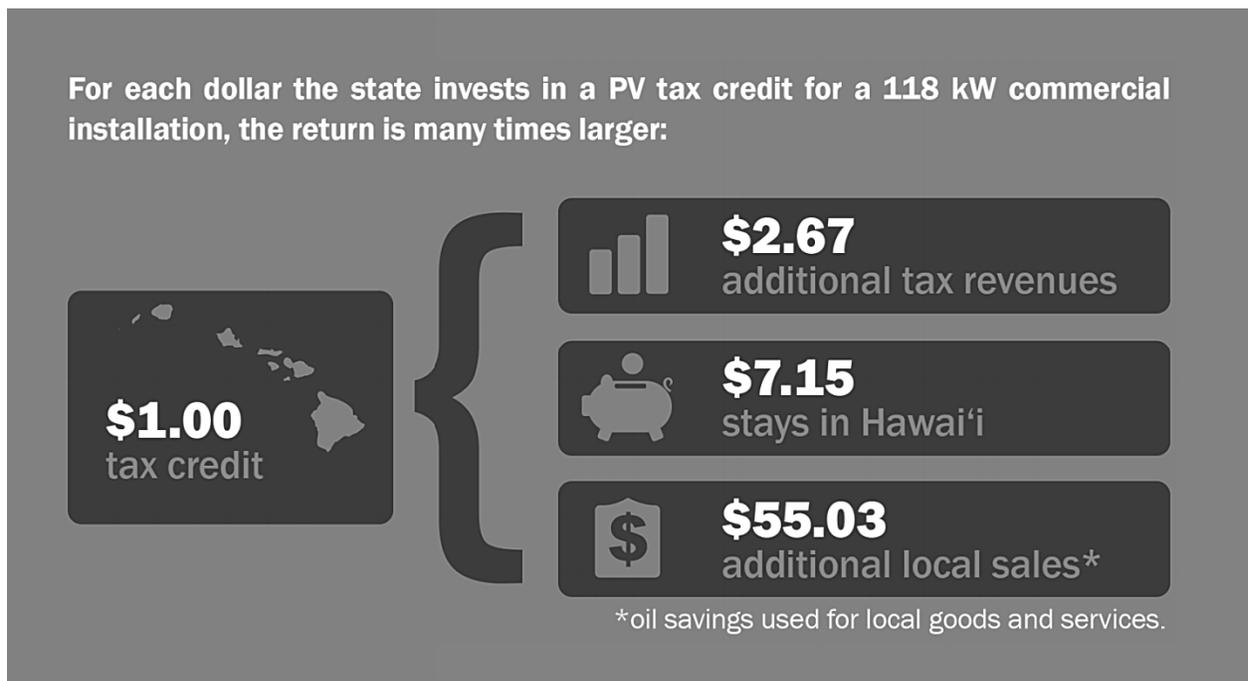
Blue Planet's analysis shows that the use of solar is increasing more rapidly in less wealthy neighborhoods. An examination of O'ahu residential PV permits from the past decade indicates that while overall number of installations are located in zip codes that have higher median incomes, the rate at which PV installations occurred in 2012 versus 2002-2011 was significantly higher in lower median income areas. For example, Wai'anae (with a median household income of \$55,836) saw a 300% increase in PV permits in 2012 compared with the previous decade combined (173 total permits between 2002 and 2011; 521 permits in 2012 alone). Hawai'i's solar tax credit—coupled with new third party-owned PV programs—have enabled a broadening

range of O'ahu homeowners to escape the burden of high energy costs and benefit from a clean energy solution.

Hawai'i's renewable energy tax credit is a catalyst in driving positive economic growth through solar. When we shift our energy dollars away from foreign oil and to local clean energy sources, those dollars circulate in Hawai'i's economy to the benefit of everyone. Ultimately, the tax credit is a smart investment in a better, cleaner tomorrow, a future we value beyond dollars and cents.

Please forward an amended SB 623 SD1.

Thank you for this opportunity to testify.





TESTIMONY BY
KELLY O'BRIEN, VICE-PRESIDENT FOR DEVELOPMENT
FIRST WIND

REGARDING S.B. 623 SD1, RELATING TO RENEWABLE ENERGY

BEFORE THE
HAWAII STATE LEGISLATURE
HAWAII STATE SENATE
COMMITTEE ON WAYS AND MEANS

THURSDAY, FEBRUARY 22, 2013
CONFERENCE ROOM 211
9:00 A.M.

Aloha Chairman Ige, Vice Chairman Kidani and Distinguished Members of the Committee on Ways and Means. My name is Kelly O'Brien and I am the Vice-President for Development for First Wind.

First Wind has been developing and operating utility scale wind energy projects in Hawai'i since 2006 and to date has invested nearly \$600 million in Hawai'i. We own and operate Kaheawa Wind Power I & II on Maui (51 MW) and Kahuku Wind Power (30 MW) and Kawailoa Wind Power (69 MW) on O'ahu. First Wind currently employs 25 people in Hawai'i with plans to add 5 more in the near term. We are also involved with several utility-scale solar projects in Hawai'i. We are firmly committed to helping to improve Hawai'i's energy security by decreasing its reliance on fossil fuels for its energy needs. We have a demonstrated record in establishing long-term dialogues and partnerships with the communities we join and we are proud of our accomplishments in establishing successful Habitat Conservation Plans for our projects which ensure a "net benefit" to native wildlife that could be affected by our projects.

Hawai'i has made great strides in utilizing renewable resources for its electricity needs in the past decade, much more needs to be done to decrease Hawai'i's reliance on fossil fuels. Renewable Energy tax credits have a significant economic impact on each project. While First Wind supports the concept of tax credits for residential, commercial and feed-in-tariff solar projects, we are not taking a position on how the credits for those projects should be structured. Our interests are in the area of solar tax credits for utility-scale projects. First Wind supports efforts to establish a consistent tax credit structure that ensures a level playing field for all utility-scale project developers. We believe that S.B. 623 SD1 provides for that level playing field, and thus we fully support this bill.

However, from an editing standpoint, we note that on page 7 of this bill, the term "competitive bid solar energy property" is defined even though this term is not used elsewhere in the bill. We would recommend that this definition be removed from future drafts of this bill.

Thank you for the opportunity to testify.



LATE

Directors

Jody Allione
AES-Solar

Joe Boivin
The Gas Company

Kelly King
Pacific Biodiesel

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

SB 623 SD1, RELATING TO RENEWABLE ENERGY

February 22, 2013

Chair Ige Vice-Chair Kidani, 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 purposes of SB 623 SD1 are to: (i) define solar energy property and wind energy property and classify utility scale solar energy facility, competitively-bid utility scale solar energy facility, and ordinary utility scale solar energy facility, (ii) establish a method for calculating tax credits for solar or wind energy property, and (iii) require department of business, economic development, and tourism to monitor and report tax credits claimed under section 235-12.5, Hawaii Revised Statutes.

HREA **supports this measure** and offers the following comments:

- 1) Definitions. We recommend that the term “competitive bid solar energy property” (p. 5, l.13) be deleted as it is not used in the text. We also note that “ordinary utility scale solar energy facility,” is neither defined nor used in the text of this measure.
- 2) Residential-Small Commercial-Scale (<1 MW). This measure provides:
 - a) a 35% Investment Tax Credit (“ITC”) for solar water heating systems with a \$2,250 CAP for residential projects. We support the 35% credit, but recommend that the residential CAP be increased to \$2,500,
 - b) an initial credit for distributed generators (“DGs”) at 30% with a ramp down to 15% beyond 2017, and no project CAPs. We do not believe a ramp down is justified at this time, and recommend that the credit level remain at 30%, and that we watch closely the market response to this new ITC treatment, and.
 - c) Finally, to provide or commercial solar projects, that have not been included in sections (j) to (l), we recommend adding a “new” (j) as follows:

“For solar energy properties under one megawatt placed in service after December 31, 2012, and before January 1, 2014, a taxpayer may elect tax credits under this section or under the department’s temporary administrative rules that became effective on January 1, 2013.”
- 3) Utility-Scale (≥ 1 MW). This measure provides Production Tax Credits (“PTCs”) utility-scale solar projects at 8.0 cents/kWh or a class of grandfathered projects. We support this provision, along with lower PTC at 4.0 cents/kWh for all projects moving forward. We also support the provisions that allow a taxpayer to take the PTC as a “credit” or as refundable.” In short, we believe this sets a level playing field for all utility-scale projects, whether they by bi-lateral, feed-in tariff or competitive bid.
- 4) Recommendations. We recommend that the committee **pass** this measure with our proposed amendments.

Mahalo for this opportunity to testify.

SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 22, 2013 — 9:00 a.m. — Room 211

**TESTIMONY SUPPORTING THE INTENT OF
SB 623 SD1 RELATING TO RENEWABLE ENERGY**

Chair Ige, Vice Chair Kidani, and Members of the Committee:

Keahole Solar Power LLC supports the intent of SB 623 SD1, which will make needed reforms to the Renewable Energy Technologies Income Tax Credit (“RETITC”) to reduce the credit’s cost to the State. Specifically, SB 623 SD1 takes the right approach for projects of under 1MW in size by generally following the existing federal structure and guidance, by providing a clear predictable ramp down of the incentive level, and by reducing the tax credits’ cost to the State while maximizing the amount of residential and commercial solar that will be installed.

However, SB 623 SD1 will severely limit the development of any projects larger than 1 MW in size by reducing the tax credit for those solar energy properties to four (4) cents per kilowatt-hour sold for the first one hundred twenty months of operation. At current prices, these larger projects would no longer be economically viable, and as a result, there would be very few utility scale projects going forward. Also, while the concept of providing a grandfathering provision where certain preconditions were met prior to December 31, 2012 is appreciated, it does not give fair notice to industry members so that they may have the opportunity to begin the process. Therefore, we respectfully ask that the bill be amended to provide for an 8-cent PTC in place of the 4 cents currently stated in the bill, and to allow the tax credit for electricity actually used to offset load as well as for electricity sold to an unrelated third party. Raising the base rate to 8 cents will also eliminate the need for any grandfathering, which could be administratively difficult to administer.

We believe that this amendment will lead to a higher level of renewable energy installation while still reducing the credit’s cost to the State. In doing so, it will maximize the use of State tax dollars and keep Hawai’i on the path to achieving its clean energy goals.

Sincerely,

A handwritten signature in black ink, appearing to read 'Harry Jackson', is written over a faint, large watermark of the letters 'KSP'.

Harry Jackson

President



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.538.6616 hawaii.chapter@sierraclub.org

LATE

SENATE COMMITTEE ON WAYS AND MEANS

February 22, 2013, 9:00 A.M.
(*Testimony is 1 page long*)

TESTIMONY IN SUPPORT OF SB 623 SD1 WITH PROPOSED AMENDMENT

Aloha Chair Ige and Members of the Committee:

The Sierra Club of Hawai'i, with over 10,000 members and supporters, **opposes** SB 623 SD1. This measure would advance the State's clean energy efforts setting up a long-term plan for our renewable energy tax credit to slowly wean down over time. It maintains an important policy tool intended to encourage investment in clean energy, reduce Hawai'i's dependence on unstable foreign oil, and improve Hawai'i's environment.

Our renewable energy tax credit is an important investment for the state. 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. This measure shows that commitment, but also sets up a long-term path for the solar industry to eventually compete without government assistance.

Proposed Amendment:

We defer to industry experts regarding the amount of production tax credit necessary to incentivize the amount of credit needed for utility scale projects. To that end, we understand eight cents per kilowatt-hour may be required (Page 3).

Mahalo for the opportunity to testify.



TESTIMONY SUPPORTING INTENT OF SB 623, SD 1

To: Honorable David Ige, Chair, Senate Committee on Ways and Means

From: SolarCity

Hearing on Feb. 22, 2013, at 9:00 a.m., Room 211

Aloha Chair Ige, Vice Chair Kidani, and Members of the Committee:

Thank you for the opportunity to provide testimony supporting the intent of SB 623, SD 1, which balances Hawaii's pursuit of a clean energy future with the cost of the Renewable Energy Technologies Income Tax Credit (RETITC).

SolarCity provides clean energy to homeowners, businesses, not-for-profit organizations, and government entities, primarily via photovoltaic systems. SolarCity serves Hawai'i from its operations center in Mililani, which employs 70 local residents. The company's customers and partners in Hawai'i include the Hawai'i Department of Transportation, the Maui Arts & Cultural Center, KIUC, the Ulupono Initiative, the University of Hawai'i, and the U.S. Military.

SolarCity supports the intent of SB 623, SD 1 because it follows the framework of the federal renewable energy tax credit which eliminates multiple credit abuse and reduces the cost to the state. SB 623, SD 1 will continue to promote the goals of the RETITC including job creation and energy independence.

However, we believe the production tax credit proposed for systems larger than 1 MW will limit the development of utility scale projects and should be increased from \$0.04/kWh sold for the first 120 months of operation to \$0.08/kWh.

Thank you for this opportunity to testify supporting the intent of SB 623, SD 1.

Mahalo,

Jon Yoshimura, Director of Government Affairs, Hawaii

TESTIMONY SUPPORTING THE INTENT of SB623 SD1

To: COMMITTEE ON WAYS and MEANS

Hearing on February 22, 2013 at 9:00 p.m. Room 211

Aloha Chair Ige, Vice Chair Kidani and members of the Committee:

LATE

Introduction: My name is Riley Saito Senior Manager, Hawaii Projects, for SunPower Systems Corporation. SunPower is a dedicated supporter of renewable energy in Hawaii for the last 15 years. SunPower has been an active Member (charter) of Hawaii Energy Policy Forum and the Hawaii Clean Energy Initiative-Steering Committee and Energy Generation Working Group. SunPower has also participated in many energy related PUC dockets.

Mahalo in advance, for accepting testimony in **support of the intent of SB623 SD1 with comments.**

SB 623 SD1, provides needed reforms to the Renewable Energy Technologies Income Tax Credit ("RETITC") to reduce the credit's cost to the State. Specifically, SB 623 SD1 takes the right approach for projects of under 1MW in size by generally following the existing federal structure and guidance, by providing a clear predictable ramp down of the incentive level, and by reducing the tax credits' cost to the State while maximizing the amount of residential and commercial solar that will be installed.

Regarding Section 3: Providing a grandfathering provision where certain preconditions were met prior to December 31, 2012 is appreciated, but does not give fair notice to industry members that do not meet the utility related preconditions. There are industry members that have invested in site investigation/due diligence, outside of the utility related process.

Therefore, respectfully ask that the bill be amended adopting the HB497 HD2 Section 3 language.

We believe that this amendment will lead to a higher level of renewable energy installation while still reducing the credit's cost to the State. In doing so, it will maximize the use of State tax dollars and keep Hawai'i on the path to achieving its clean energy goals.

Mahalo for the opportunity to testify.



Riley Saito
Senior Manager, Hawaii Projects
SunPower Systems, Corporation



Comments by Cindy McMillan
The Pacific Resource Partnership

Senate Committee on Ways and Means
Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

SB 623, SD1 – Relating to Renewable Energy
Friday, February 22, 2013
9:00 am
Conference Room 211

Aloha Chair Ige, Vice Chair Kidani and Members of the Committee:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP **supports the intent** of SB 623, SD1, which will make needed reforms to the Renewable Energy Technologies Income Tax Credit (“RETITC”) to reduce the credit’s cost to the State. Specifically, SB 623, SD1 takes the right approach for projects less than one megawatt in size by generally following the existing federal structure and guidance, by providing a clear predictable ramp down of the incentive level, and by reducing the tax credits’ cost to the State while maximizing the amount of residential and commercial solar that will be installed.

However, SB 623, SD1 will severely limit the development of any projects larger than one megawatt in size by reducing the tax credit for those solar energy properties. We believe these larger projects would no longer be economically viable resulting in very few utility scale projects going forward. Also, while the concept of providing a grandfathering provision where certain preconditions were met prior to December 31, 2012 is appreciated, it does not give fair notice to industry members so that they may have the opportunity to begin the process.

We believe that this amendment will lead to a higher level of renewable energy installation while still reducing the credit’s cost to the State. In doing so, it will maximize the use of State tax dollars and keep Hawai‘i on the path to achieving its clean energy goals by 2030.

Thank you for the opportunity to provide this testimony.



From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: nihipalim001@hawaii.rr.com
Subject: Submitted testimony for SB623 on Feb 22, 2013 09:00AM
Date: Thursday, February 21, 2013 10:15:04 AM

SB623

Submitted on: 2/21/2013

Testimony for WAM on Feb 22, 2013 09:00AM in Conference Room 211

| Submitted By | Organization | Testifier Position | Present at Hearing |
|------------------|--------------|--------------------|--------------------|
| Michele Nihipali | Individual | Support | No |

Comments: The Hawaiian Islands need solar energy to offset the rising imported fuel costs. By slowly reducing tax credits without drastic cuts, we can continue to see a vibrant change from imported oil to natural solar power.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: shannonkona@gmail.com
Subject: *Submitted testimony for SB623 on Feb 22, 2013 09:00AM*
Date: Thursday, February 21, 2013 10:49:25 AM

SB623

Submitted on: 2/21/2013

Testimony for WAM on Feb 22, 2013 09:00AM in Conference Room 211

| Submitted By | Organization | Testifier Position | Present at Hearing |
|-----------------|--------------|--------------------|--------------------|
| Shannon Rudolph | Individual | Support | No |

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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