



DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
LUIS P. SALAVERIA
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS

Friday, February 27, 2015
1:00 p.m.
State Capitol, Conference Room 211

in consideration of
SB 1096, SD 1
RELATING TO ON-BILL PROGRAMS.

Chair Tokuda, Vice Chair Kouchi and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) supports SB1096, SD1, which exempts electric utilities serving as billing and collection agents for an on-bill program from certain state-level revenue taxes and other laws regulating financial institutions.

As a result of Act 211, SLH 2013 (Act 211), DBEDT has completed regulatory and bond issuance processes to implement the Green Energy Market Securitization (GEMS) Program on behalf of the Hawaii Green Infrastructure Authority (HGIA), which is administratively attached to DBEDT. One of the goals of the GEMS Program is to allow underserved customers (renters, non-profits and those who do not meet traditional underwriting requirements) access to financing options so that they, too, can be afforded the benefits of cost-effective renewable energy and energy efficiency.

One of the ways to broaden underwriting criteria to include a broader range of underserved customers is to capitalize on the excellent bill-payment performance of Hawaii utility customers. The same exemptions as requested in this bill were provided to the GEMS

Program's Green Infrastructure Charge (GIC), the on-bill charge for the use and services of the GEMS Program in Act 211 (See HRS §269-172(b) and (c)).

As a result of HRS §269-125 and an investigation that on-bill programs were viable, the Public Utilities Commission (PUC) began developing a billing mechanism with the electric utilities for its Hawaii Energy Bill Saver Program. The GEMS Program intends to use the Bill Saver mechanism as the on-bill mechanism for its on-bill charge, and has been granted this request by the PUC in Decision and Order No. 32318 of Docket No. 2014-0135. Therefore, assuring that the PUC's on-bill obligation is treated the same way as GEMS' on-bill charge removes any confusion over the discrepancy in taxation between GEMS' on-bill charge and the Bill Saver on-bill mechanism.

DBEDT defers to the Department of Taxation, the Department of Commerce and Consumer Affairs, and the Public Utilities Commission on the administration of this measure.

Thank you for the opportunity to offer support for SB 1096, SD1.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Jill N. Tokuda, Chair
and Members of the Senate Committee on Ways and Means

Date: Friday, February 27, 2015
Time: 1:00 P.M.
Place: Conference Room 211, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: S.B. 1096, S.D. 1, Relating to On-Bill Programs

The Department of Taxation supports S.B. 1096, S.D. 1, and defers to the Public Utility Commission and the Department of Commerce and Consumer Affairs on the merits and the administration of the measure.

This measure exempts from state and county taxes the amounts collected by electric utilities for the repayment of on-bill obligations, including the general excise tax under chapter 237, Hawaii Revised Statutes (HRS), the public service company tax under chapter 239, HRS, the public utility fee under section 269-30, HRS, and the public utility franchise tax under chapter 240, HRS. S.D.1 has a defective effective date of July 1, 2020.

For the on-bill financing program, electric utilities serve as billing and collection agents in a "pass-through" capacity. This measure exempts amounts collected under the on-bill financing program, but would not have any impact on the other fees or taxes imposed on the other amounts received in the normal course of operations by the electric utilities.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, On-bill programs

BILL NUMBER: SB 1096, SD-1

INTRODUCED BY: Senate Committee on Commerce and Consumer Protection

EXECUTIVE SUMMARY: Provides that the payments of “pass through” expenses, called on-bill obligations, shall not be considered revenue to the electric utilities for purposes of taxation or regulatory laws. For tax purposes, we question why such expenses need special treatment and why the utilities cannot receive the treatment that they seek under existing tax law.

BRIEF SUMMARY: Amends HRS section 269-125 to provide that amounts collected from electric utility customers by electric utilities for the repayment of on-bill obligations shall not be considered revenue of the electric utilities and shall not be subject to state or county taxes, including the general excise tax, the public service company tax, the public utility fee, and the public utility franchise tax.

Serving as an agent to bill and collect the repayment of on-bill obligations shall not cause any electric utility to be subject to the laws that regulate financial institutions, escrow depositories, or collection agencies.

Defines “on-bill obligation” as any costs resulting from the purchase and installation of renewable energy, energy efficiency, or energy conservation systems approved by the PUC for repayment through an on-bill program. An “on-bill program” is any program approved by the PUC that allows for the payment of an electric utility customer for the purchase and installation of renewable energy, energy efficiency, or energy conservation systems as part of the purchasing electric utility customer’s electric utility bill.

EFFECTIVE DATE: July 1, 2020

STAFF COMMENTS: This is an administration measure submitted by the department of commerce and consumer affairs CCA-11(15). An “on-bill” program administered by an electric utility allows customers of the utility to purchase a renewable energy system, whereby the utility serves as billing and collection agents for such a program and the utility is acting as a “pass through.”

This measure provides that these “on-bill” program collections shall not be considered revenue for an electric utility and exempts the electric utilities from certain state taxes and other laws regulating financial institutions, escrow depositories, or collection agencies.

From a tax standpoint, our existing tax laws already allow for the exclusion or deduction of pure reimbursements, and should allow a utility to escape taxation if all it is doing is billing someone else’s revenue through the utility bills. If the utility is being compensated for the service it is providing the business, such as the seller of the renewable energy system, however, it should be taxed on its revenue like any other business.

Digested 2/26/15

TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON
WAYS AND MEANS

FEBRUARY 27, 2015
1:00 p.m.

MEASURE: S.B. No. 1096, S.D. 1

TITLE: Relating to On-Bill Programs

Chair Tokuda and Members of the Committee:

DESCRIPTION:

This measure amends Chapter 269, Hawaii Revised Statutes (“HRS”), to ensure that electric utilities acting as billing and collections agents in a purely “pass-through” capacity for any on-bill financing program in the State 1) do not inappropriately incur costs and assessments from Hawaii tax laws and 2) are not otherwise regulated as financial and debt collection organizations operating in the state.

POSITION:

The Commission supports this measure and offers the following comments for the Committee’s consideration.

COMMENTS:

Electric utilities serving as billing and collection agents for any On-Bill Program in Hawaii serve in a purely “pass-through” capacity for any and all moneys collected and remitted pursuant to an On-Bill Program. As such, electric utilities serving as billing and collection agents are not raising revenue from the moneys collected and remitted while participating in any On-Bill Program. Levying of revenue-related taxes or requiring other financial regulations on utilities collecting these amounts would create additional costs for the utility. These additional costs could be passed on to ratepayers. This measure would eliminate these additional costs. Therefore, the Commission supports this measure provided that it is clear that it applies exclusively to electric utilities serving as

billing and collection agents in a purely “pass-through capacity,” and that this measure is not intended to apply to any other type of entity or activity.

The Commission would like to propose the following amendment to ensure that the language of this measure is broad enough to remain consistent with the program’s tariff and other program documents.

Beginning on page 3, line 21:

(f) For purposes of this section:

"On-bill obligation" means any and all costs resulting from the **[purchase] acquisition** and installation of renewable energy, energy efficiency, or energy conservation systems approved by the commission for repayment through an on-bill program.

"On-bill program" means any program approved by the commission that allows for the payment or repayment by an electric utility customer for the **[purchase] acquisition** and installation of renewable energy, energy efficiency, or energy conservation systems as part of the **[purchasing]** electric utility customer's electric utility bill."

Thank you for the opportunity to testify on this measure.

Testimony before the Senate Committee on Ways and Means

**By Eric M. Kashiwamura
Director, New Customer Initiatives Division
Customer Service Department
Hawaiian Electric Company**

**Friday, February 27, 2015
1:00 p.m., Conference Room 211**

Senate Bill No. 1096, SD1 –Relating to On Bill Programs

Chair Tokuda, Vice Chair Kouchi, and Members of the Committee:

My name is Eric Kashiwamura and I am testifying on behalf of the Hawaiian Electric Company and its subsidiaries, Hawai'i Electric Light Company and Maui Electric Company (collectively, the "Hawaiian Electric Companies") in strong support of SB 1096, SD1.

SB 1096, SD1 would amend existing statute to exempt electric utilities serving as billing and collection agents for any on-bill financing program or on-bill repayment program from certain state and county taxes and state laws regulating financial institutions, escrow depositories, or collection agencies. The Hawaiian Electric Companies support the bill for the following reasons:

- The Hawaiian Electric Companies would be serving in a purely pass-through capacity in collecting and remitting customer payments in an on-bill program. The electric utilities would not be raising revenue from payments collected, so exempting such payments from revenue taxes would help to reduce costs that may otherwise be passed on to customers.
- The exemption would also reduce the work necessary to calculate and pay such taxes, which would also help to reduce costs to customers.
- The bill would exempt the Hawaiian Electric Companies from state laws regulating financial institutions, escrow depositories, or collection agencies – laws that were not intended to apply to electric utilities serving in a pass-through capacity in an on-bill program.
- The bill makes changes to on bill financing for consistency with the Green Energy Market Securitization ("GEMS") statute. Customer payments under an on-bill financing program would be given the same exemptions and benefits currently provided to payments under the GEMS program and statute (H.R.S. § 269-172).

Thank you for the opportunity to testify on this matter.



SENATE COMMITTEE ON WAYS & MEANS

February 27, 2015, 1 P.M., Room 211

(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SB 1096

Aloha Chair Tokuda, Vice-Chair Kouchi, and members of the committee,

The Blue Planet Foundation supports SB 1096, clarifying the role of the utility in the On-Bill Financing program. On-Bill Financing was catalyzed by the legislature in 2011, and is currently the subject of a PUC docket for approval of the program mechanism. It is designed to allow ratepayers to lower their energy bills by installing energy upgrades and using the monthly bill savings to pay for those upgrades.

Although there certainly could be an expanded proactive role for utilities in making On-Bill Financing a successful program for lowering consumer energy bills, Hawaii's electric utilities have expressed a preference to play a more limited pass-through role. The concepts embodied in SB 1096 are consistent with that limited role.

Thank you for this opportunity to testify.