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Hawaii Solar Energy Association

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TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO SB 2100 SD1, RELATING TO RENEWABLE ENERGY
BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS
ON
WEDNESDAY, FEBRUARY 28TH, 2018

Chair Dela Cruz, Vice-Chair Keith-Agaran, and members of the committee, my name is Will Giese, and I am the executive Director of the Hawaii Solar Energy Association, Inc. (HSEA).

The HSEA was founded in 1977 to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the Hawaiian Islands. Our membership includes the vast majority of locally owned and operated solar installers, contractors, distributors, manufacturers, and inspectors across all islands.

HSEA **oppose SB 2100** as it is currently written. This measure seeks to amend §196-6.5 and §235-12.5 in light of changes in both the overall state of clean energy technology as well as recent alterations in state policy.

Over the last 2 years, since the closing of NEM, the HSEA has witnessed and recorded significant job losses across all levels of our industry.[1] Permitted and interconnected systems have declined between 40-60% year over year and several local companies have ceased operations and closed their doors for good. On some islands, it is likely that there has been a reduction of up to 50% of the solar workforce as a result of this decline.

This precipitous decline in systems installed, while troubling for both state energy goals and the local economy, has also had the effect of lowering the state's tax obligation for claimed solar investment tax credits. Therefore, the argument that the solar tax credit creates an undue financial burden on the state is simply false, given that the amount of credits claimed over the past two years have declined. In fact, over the life of a system Hawaii may actually be *decreasing* its own taxable revenue. A recent study of Hawaii's investment tax credit found that it benefits both the state and the individual energy consumer.[2] Specifically, the study found that an average residential PV system **generated $1.97 in state revenue for every $1.00 spent** on that system's construction over the life of that system.

From a state policy perspective, Hawaii PUC's order ending NEM in October 2015 and its subsequent orders in Docket 2014-0192 as well as the Power Supply Improvement Plan (2015-0183) and HECO's Grid Modernization Plan (April 2017), have urged the

[1] See "HSEA Industry Reports" 2016-2017. Provided upon request or at hsea.org.
[2] Loudat, Thomas A., and Kasturi, Prahlad. "The Economic and Fiscal Impacts of Hawaii's Solar Tax Credit." *International Journal of Energy Economics and Policy : IJEEP*, vol. 7, no. 1, 2017, pp. 224–252.

adoption of energy storage technology in congress with renewable energy generators such as solar PV as a means to a 100% renewable portfolio standard as outlined in Act 97.[3] Thus, any incentive that could be adopted by the Hawaii state legislature that would allow our state's energy markets to utilize these types of technologies should be encouraged.

However, given recent federal tariff decisions regarding foreign manufactured solar modules[4] as well as the White House administration's increasingly troubling tendency to push energy schemas favoring fossil fuels like coal and natural gas[5] it is ***imperative*** that Hawaii be a leader in both federal and state energy policy. Recent tariff decisions on PV modules manufactured outside the United States are already impacting financing models of both large and small PV developments. Changes to the state's tax code, especially one as drastic as a 10% reduction in state investment tax credits over a 1-year time frame beginning in 2019[6] will put further pressure on already overstressed project development timelines and financing structures. This will likely increase project timelines or force developers back to the drawing board, slowing Hawaii's progress towards a 100% 2045 RPS and preventing energy consumers from benefiting from renewable energy deployment.

In general, tax credits without step-downs create market stability and allow for reliable benchmarks that the state can use to measure consistent revenue projections. Given the instability of the federal government's energy plan, the recent trade decision regarding the import of foreign made solar panels, and the state of Hawaii's aggressive energy goals, **we cannot support SB2100 SD1 in its current form.**

If the legislature were to consider a step-down structure like the one proposed in SB2100 SD1, we would suggest the following amendments be considered:

- Begin the stepdown on January 1st, 2021 to allow for any larger commercial or utility scale projects currently being developed adequate runway to complete their projects. This prevents developers from having to go back to the drawings board to reassess financing structures and encourages deployment of clean renewable energy.
- A step-down of 10% within the first year of SB 2100's effect would have an overall negative impact on renewable projects currently in the pipeline for

[3] https://governor.hawaii.gov/newsroom/press-release-governor-ige-signs-bill-setting-100-percent-renewable-energy-goal-in-power-sector/
[4] Shallenberger, Krysti. "Will Utilities Keep Investing in Solar after Trump's Tariffs?" *Utility Dive*, 25 Jan. 2018, www.utilitydive.com/news/will-utilities-keep-investing-in-solar-after-trumps-tariffs/515556/.
[5] Roberts, David. "Rick Perry's Proposed Coal Bailout Just Died an Unceremonious Death."*Vox,* Vox, 9 Jan. 2018, www.vox.com/energy-and-environment/2018/1/9/16866196/perry-coal-bailout-nopr-ferc.
[6] See SB2100 SD1, Page 5 – 13.

deployment. We instead suggest a step-down of 5% or less in the first year, consistent with the other step-downs detailed in SB 2100.

- Consider a step-down structure more in line with the state's 2045 RPS goals. The step-down would occur at a protracted rate over a longer period of time. For instance, there are 27 years left till 2045 and a 35% tax credit, meaning a reduction of the tax credit at approximately 1.3-1.5% per year would result in a phase out of the tax credit inverse to the deployment of renewable energy aligned with state goals.
- Consider removing the cap amount for any installed system claiming a tax credit as the credit is stepped down. This allows smaller projects that have a greater potential to benefit low and middle income residents to take advantage of the state's tax credit, thereby encouraging development of renewable energy in underserved communities.

While we greatly appreciate efforts by the prior committee to work with stakeholders on this measure, we continue to urge the committee to consider these points and **oppose SB 2100 SD1 as currently drafted**.

Thank you for the opportunity to testify.

THE ALLIANCE FOR SOLAR CHOICE

LATE

SENATE COMMITTEE ON WAYS AND MEANS

February 28, 2018, 11:00 A.M.
(Testimony is 2 pages long)

TESTIMONY IN SUPORT OF SB 2100 WITH A PROPOSED AMENDMENT

Aloha Chair Dela Cruz and Members of the Committee:

The Alliance for Solar Choice (TASC) supports SB 2100, relating to renewable energy, but recommends some word smithing amendments so as to avoid unintended and unfair consequences. This measure ramps down the existing renewable energy tax credit starting in 2019 and makes energy storage eligible for the credit.

TASC supports smart, prudent incentives to meet Hawaii's ambitious clean energy goals. Successful incentives must be predictable and give the market time to react. The proposed bill wisely incorporates energy storage into the eligible tax credit, but also starting a process to wind down the credit over time.

As with any draft bill, improvements can be made and nits removed. The term "renewable energy technology system" appears to be replaced with the terms of "solar energy," "energy storage," and "wind energy system." However these changes are not consistent. For example, as drafted, partnerships, S corporations, estates, or trusts are not eligible for the energy storage tax credit, as the term "energy storage system" seems to be inadvertently left out. See page 15. There are similar omissions throughout the bill. These omissions appear to be unintentional, but, among other things, could leave homeowners with properties in trust or small businesses unable to take advantage of the proposed tax tax credit.

TASC respectfully recommends that for every removal of the term "renewable energy technology system," this Committee consistently use the term "solar, wind or energy storage system."

Mahalo for the opportunity to submit these comments.

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ELEMENTAL EXCELERATOR

Written Statement of
Elemental Excelerator
before the
Senate Committee on Ways and Means
Wednesday, February 28, 2018
11:00 AM
State Capitol, Conference Room 211

In consideration of
SB2100 – SD1
RELATING TO RENEWABLE ENERGY

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means,

Elemental Excelerator respectfully submits our strong support of SB2100 that replaces the current renewable energy technology systems tax credit with tax credits for solar, wind energy systems and energy storage.

Elemental Excelerator is a Honolulu-based growth accelerator program founded and operating in Hawaii. We have awarded $22 million to 63 companies and 35 demonstration projects in Hawaii & Asia Pacific. Each year, we select 12-15 companies that best fit our mission and fund each company up to $1 million. Our selection process is competitive – we accept about 5% of our applicants each year. We recruit entrepreneurs from around the world to come to Hawaii and work on energy, transportation, water, and agriculture challenges to help us achieve our 100% clean energy goals.

We strongly support SB2100 for the following reasons:

1) The original intent of renewable energy technology systems tax was to create a structure that would provide additional energy storage that is standalone or connected to PV. This amendment would reflect the advancements in the distributed market, particularly the industry shift to offer PV plus storage.
2) The increased cap and stand-alone provision would provide financial support for the installation of energy storage and would incentivize the commercial and residential retrofit market.

We strongly encourage you to support this bill, as it is a powerful step forward to Hawaii's resilience and commitment to a clean energy future.

Mahalo for the opportunity to provide testimony on this bill.