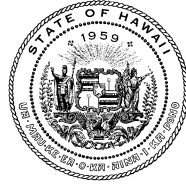


DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
Phone: (808) 587-1540 / Fax: (808) 587-1560
Email: Tax.Directors.Office@hawaii.gov

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

To: The Honorable Glenn Wakai, Chair;
The Honorable Brian T. Taniguchi, Vice Chair;
and Members of the Senate Committee on Energy, Economic Development, and
Tourism

From: Rona M. Suzuki, Director
Department of Taxation

Re: S.B. 1431, Relating to Renewable Energy Technologies Tax Credits

Date: Friday, January 31, 2020

Time: 2:55 P.M.

Place: Conference Room 414, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 1431, but has concerns about its ability to administer the proposed measure and offers the following comments for the Committee's consideration.

S.B. 1431 amends section 235-12.5, Hawaii Revised Statutes (HRS), which governs the Renewable Energy Technologies Income Tax Credit (RETTTC). It adds a new category of credits to the RETTTC for commercial air conditioning systems connected to a seawater air conditioning district cooling system. The measure has an effective date of July 1, 2019 and would apply to taxable years beginning after December 31, 2018.

First, the term "system," which is not defined in existing HRS or by this measure, has caused much confusion and uncertainty for taxpayers and industry participants and has resulted in a much larger than anticipated number of RETTTC claims and revenue lost. The ambiguity in the statute was ultimately addressed by the Department's enactment of administrative rules pertaining to the RETTTC in November 2012. (See sections 18-235-12.5-01 through 18-235-12.5-06, Hawaii Administrative Rules (HAR)).

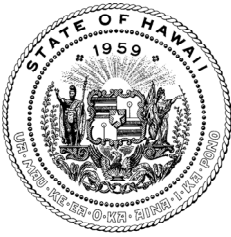
The proposed definitions of "commercial air conditioning system" and "seawater air conditioning district cooling system" need to be clarified for taxpayers to calculate and for the Department to administer the proposed credit. Additional guidelines or thresholds, such as required minimum energy capacity to be considered a "system," are needed for the Department to properly determine how many credits should be allocated to each taxpayer.

Although the Department has adopted administrative rules to define the word "system" for solar energy installations in the past, it would be helpful if the Legislature would specify how many credits a taxpayer may be eligible for. Since the RETTTC is available "per system," the definition directly impacts the availability of the credit. The current version of the law was passed in 2009 and it is not clear from researching the legislative history whether the intent was to allow more than one

credit per installation. However, the current and accepted interpretation is that more than one credit is available depending on the size of the installation. As such, the Department requests that this issue be resolved through the Legislative process if the RETTTC is to be expanded as proposed.

The Department respectfully requests that any changes to the RETTTC begin on January 1, 2021 and apply to taxable years beginning after December 31, 2020. This will give the Department time to adjust forms and complete the technical development needed to enact the provisions specified.

Thank you for the opportunity to provide comments.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5TH Floor, Honolulu, HI 96813 | energy.hawaii.gov

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

(808) 587-3807

Testimony of **SCOTT J. GLENN, Chief Energy Officer**

before the
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
Friday, January 31, 2020
2:55 PM
State Capitol, Conference Room 414

Comments in consideration of **SB 1431** **RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS.**

Chair Wakai, Vice Chair Taniguchi, and members of the Committee. The Hawaii State Energy Office (HSEO) offers comments on SB 1431, which would allow a tax credit equal to the “actual cost of connecting the commercial air conditioning system to the seawater air conditioning district cooling system...” or a cap of \$500,000 per system, whichever is less.

The HSEO recognizes that sea water air conditioning can contribute to achieving Hawaii’s clean energy goals, directly reducing the use of electricity for cooling buildings while also reducing the demand for fresh water and reducing the volume of wastewater from traditional cooling methods. Projects like this (district cooling systems) have been installed and used successfully for many years, in other locations all over the world, and have great potential for Hawaii.

Although it is unknown whether the proposed level of support for this technology is either necessary or sufficient, HSEO appreciates the opportunity to participate in discussions on this topic if desired.

It may be necessary to add a definition of “connecting,” as the other sections imply that the taxpayer is one of the owners of the system. It is unclear if “connecting” is a one-time fee or is a portion of construction cost.

We defer to the appropriate agencies on the administration of this tax credit.

Thank you for the opportunity to testify.

SB-1431

Submitted on: 1/29/2020 7:58:27 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Mulinix	Testifying for Our Revolution Hawaii	Support	No

Comments:

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable Energy Technologies Credit for Seawater A/C

BILL NUMBER: SB 1431; HB 1302

INTRODUCED BY: SB by KOUCHI by request; HB by SAIKI by request

EXECUTIVE SUMMARY: Amends the renewable energy technologies income tax credit to include commercial seawater air conditioning systems.

SYNOPSIS: Amends section 235-12.5, HRS, to allow a credit for 100% of the cost of connecting the commercial air conditioning system to the seawater air conditioning district cooling system, up to \$500,000 per system.

Defines “commercial air conditioning system” as a building air conditioning system for commercial, office, or residential buildings connected to a seawater air conditioning district cooling system.

Defines “seawater air conditioning district cooling system” as an identifiable facility, equipment, apparatus, or the like that utilizes naturally occurring cold, deep seawater as its primary source of cooling that centralizes chilled water production into a single central chiller plant for distribution of the chilled water to multiple commercial air conditioning systems.

EFFECTIVE DATE: This Act shall take effect on July 1, 2019 and shall apply to taxable years beginning after December 31, 2018.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize the purchase of this type of technology, then a direct appropriation would be more accountable and transparent. The credit as currently drafted is very complex. Complexity makes proper administration of the credit very difficult. There will be taxpayers who will not claim the credit properly because of honest mistakes or misunderstandings, as well as bad actors who will intentionally claim the credit improperly for profit. Less complexity reduces the number of the former and makes it easier to catch the latter.

Digested 1/28/2020

SB-1431

Submitted on: 1/30/2020 10:31:11 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joseph Kohn MD	Testifying for We Are One, Inc. - www.WeAreOne.cc - WAO	Support	No

Comments:

Strongly support SB 1431.

Seawater Air Conditioning (SWAC) deserves the support of the renewable energy technologies income tax credit. It is very well-suited to Hawaii because of our warm climate, and the proximity of so many large buildings to water, particularly in downtown Honolulu.

SWAC lowers electrical costs and provides rate stability. It will soon cool eight state buildings in downtown Honolulu, reducing electricity use by over 5.3 million kilowatt hours yearly. (The average U.S. utility customer uses about 11,000 kilowatt hours yearly.) [1]

SWAC is clean, renewable, and has no significant environmental impact. It cools air directly, requiring no conversion to electricity. It reduces fossil fuel use and greenhouse gas emissions.

District Cooling provides high reliability (generally 99.99% or greater) and can cool 24hrs/day, 365 days/year.

A local company is close to creating a District Cooling system to air-condition about 40 buildings, mostly in downtown Honolulu [2].

SWAC reduces sewer production and water usage, and requires minimal on-site equipment and maintenance.

Please support this bill so SWAC can get the tax credit it deserves, save more electricity, and reduce Hawaii's greenhouse gas emissions.

www.WeAreOne.cc

Testimony on

S.B. 1431

RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS

Before the

State Senate

COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Friday, January 31, 2020

By

Eric Masutomi, CEO and President
Honolulu Seawater Air Conditioning, LLC

Chair Wakai, Vice Chair Taniguchi and Members of the Committee:

Honolulu Seawater Air Conditioning (HSWAC) strongly supports this measure which would provide for a renewable energy tax credit income tax credit (ITC) for building owners connecting to a seawater air conditioning district cooling system.

This bill reinforces the State's strong policy commitment to encouraging investment in renewable energy systems.

The significance of seawater as a renewable energy resource cannot be overstated. HSWAC's Downtown Honolulu District Cooling System, alone, is the largest energy efficiency project to be undertaken in the State. When it begins operation, HSWAC's privately financed and developed infrastructure project has the potential to significantly "move the needle" in meeting the State's renewable energy goals, displacing the need will eliminate the need for 178,000 barrels of oil per year, saving enough electricity to power more than 10,000 homes annually.

Deepwater district cooling systems have been successfully implemented in numerous localities throughout the U.S., Canada and Europe. Despite this proven record of success, our experience has shown that when district energy systems such as that being developed by HSWAC are introduced in a community, potential customers are frequently wary about the costs of converting to the new system, the risk of higher costs in the initial years of operation and the uncertainties of adapting to a new system. As in the case of solar and wind technology, the availability of such credits is effective in not only ameliorating such concerns, but in accelerating the State's transition to a renewable energy future.

If passed, this bill will assist potential customers of seawater air conditioning district cooling systems in making the critical decision to eliminate existing inefficient cooling systems – currently responsible for more than forty percent of a building's electricity consumption - in favor of utilizing a district cooling system that takes benign advantage Hawaii's abundant surrounding ocean waters. With the potential to reduce electricity consumption used for air conditioning by up to 75%, this technology promises to significantly contribute to the State's sustainability objectives and reduce our dependence on imported fossil fuels.

Discounting the substantial energy and environmental benefits associated with seawater cooling, from a cost-benefit standpoint the estimated maximum amount of credits that might be incurred under this bill should be weighed against the projected economic benefits, including: a) over \$300 million in construction spending, b) 1,348 construction-related jobs, and c) over \$55 million in net increase in State revenues over 25 years from GET and income taxes.ⁱ In addition, it would create long-term, highly-skilled employment opportunities and establish the State as a leading authority on the development and installation of seawater air conditioning systems throughout the Asia-Pacific region. Other local economic benefits would accrue from money that stays in Hawaii and is not exported outside the State to purchase oil.

The State Legislature should be applauded for its foresight in the establishing these renewable energy tax credits to promote Hawaii's transition to a clean energy future. It has proven to be an effective and successful tool in this regard. We encourage your support of H.B. 1431 to expand eligibility of the credits to users of seawater cooling technology.

Thank you for the opportunity to testify in support of this measure.

ⁱ Source: Analysis of Honolulu Seawater Air Conditioning Economic Benefits, John M. Knox and Associates Inc., February 15, 2017.



183 Pinana St., Kailua, HI 96734 • 808-262-1285 • info@350Hawaii.org

To: The Senate Committee on Energy, Economic Development, and Tourism
From: Brodie Lockard, Founder, 350Hawaii.org
Date: Friday, January 31, 2020, 2:55 pm

In strong support of SB 1431

Dear Chair Wakai, Vice Chair Taniguchi, and members:

350Hawaii strongly supports SB 1431.

Seawater Air Conditioning (SWAC) deserves the support of the renewable energy technologies income tax credit. It is very well-suited to Hawaii because of our warm climate, and the proximity of so many large buildings to water, particularly in downtown Honolulu.

SWAC lowers electrical costs and provides rate stability. It will soon cool eight state buildings in downtown Honolulu, reducing electricity use by over 5.3 million kilowatt hours yearly. (The average U.S. utility customer uses about 11,000 kilowatt hours yearly.) [1]

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Please support this bill so SWAC can get the tax credit it deserves, save more electricity, and reduce Hawaii's greenhouse gas emissions.

Brodie Lockard
Founder, 350Hawaii.org



Email: communications@ulupono.com

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
Friday, January 31, 2020 — 2:55 p.m. — Room 414

UluPono Initiative supports SB 1431, Relating to Renewable Energy Technologies Tax Credits.

Dear Chair Wakai and Members of the Committee:

My name is Amy Hennessey, and I am the Senior Vice President of Communications & External Affairs at UluPono Initiative. We are a Hawai'i-based impact investment firm that strives to improve our community's quality of life by creating more locally produced food; increasing affordable clean renewable energy and transportation options; and better managing waste and fresh water resources.

UluPono supports SB 1431, which amends the renewable energy technologies income tax credit to include commercial seawater air conditioning systems.

UluPono is an investor with the Honolulu Seawater Air Conditioning (HSWAC) project. We support HSWAC as it is a proven technology that will replace the energy-intensive central refrigeration system of a traditional air-conditioning system. HSWAC is targeting buildings that could benefit from substantial savings on electricity and water consumption, system replacement costs, and maintenance costs. By using 44-degree seawater via a freshwater loop instead of electricity to cool buildings, electricity costs can be cut by 75 percent and save an estimated 77 million kilowatt-hours of power a year, which is equivalent to a 20-megawatt wind farm or a 40-megawatt solar farm. That is enough to power more than 10,000 homes and eliminate the need to burn 178,000 barrels of oil a year. HSWAC is one of the State's largest energy efficiency projects.

This technology is known to provide substantial savings of energy and fresh water, both of which are critical to our economy and sustainability. HSWAC will reduce potable water consumption for air conditioning by 260 million gallons, reduce sewage production up to 84 million gallons per year, and avoids 84,000 tons of carbon dioxide (15,000 cars). In addition, it will also help the State move closer to its clean energy goals. To date, the project has been supported entirely by private capital. Seawater air conditioning's inclusion as a qualifying technology in the existing renewable energy tax credit will help to spur greater success in energy efficiency projects that can help Hawai'i become less dependent on imported fossil fuels.

As Hawai'i's energy issues become increasingly complex and challenging, we appreciate this committee's efforts to look at policies that support renewable energy production.

Thank you for this opportunity to testify.

Respectfully,

Amy Hennessey, APR
Senior Vice President, Communications & External Affairs

Investing in a Sustainable Hawai'i

SB-1431

Submitted on: 1/28/2020 11:17:30 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Caroline Kunitake	Individual	Support	No

Comments:

Please support SB1431.

Mahalo,

Caroline Kunitake

SB-1431

Submitted on: 1/29/2020 4:48:27 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Nanea Lo	Individual	Oppose	No

Comments:

Hello,

My name is Nanea Lo and I'm a lifelong resident of Hawai'i on the island of O'ahu. I am also a masters student at the university of Hawai'i at MÄ• noa in the Department of Urban and Regional Planning. I fully oppose this bill.

me ke aloha 'Ä• ina,

Nanea Lo

SB-1431

Submitted on: 1/29/2020 9:07:19 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
J Riverstone	Individual	Support	No

Comments:

SB-1431

Submitted on: 1/29/2020 11:23:09 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

SB-1431

Submitted on: 1/29/2020 12:57:15 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark K.Wilson III	Individual	Support	No

Comments:

SB-1431

Submitted on: 1/29/2020 2:59:38 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
tlaloc tokuda	Individual	Support	No

Comments:

i support this bill

SB-1431

Submitted on: 1/29/2020 7:34:09 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Pollack	Individual	Support	No

Comments:

SB-1431

Submitted on: 1/29/2020 9:39:10 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Phaethon Keeney	Individual	Support	No

Comments:

Please SUPPORT SB1431, time to bring new technologies in and support what works for Hawaii and our Clean Energy goals, commercial seawater airconditioning sounds perfect, mahalo!

Phaethon Keeney

Honokaa Hawaii

SB-1431

Submitted on: 1/30/2020 6:17:17 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Aaberg	Individual	Support	No

Comments:

Please support SB 1431. SWAC deserves the support of the tax credit. SWAC is well suited to our warm climate and many buildings are conveniently located near the water. In the eight state buildings that it will soon cool, it will reduced electricity use by over 5.3 million kilowatt hours yearly. This is huge! SWAC is clean and renewable, saves money, reduces sewer production and water usage. Please continue the fight against climate catastrophe, help reduce green house emissions, and support this bill.

Mahalo,

Lynn Aaberg

SB-1431

Submitted on: 1/30/2020 7:21:37 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Zoe Malia Ozoa Loos	Individual	Support	No

Comments:

To: The Senate Committee on Energy, Economic Development, and Tourism

From: Zoe Malia Ozoa Loos

Date: 1/30/2020

In strong support of SB 1431

Dear Chair Wakai, Vice Chair Taniguchi, and members:

I strongly support SB 1431.

Seawater Air Conditioning (SWAC) deserves the support of the renewable energy technologies income tax credit. It is very well-suited to Hawaii because of our warm climate, and the proximity of so many large buildings to water, particularly in downtown Honolulu.

SWAC lowers electrical costs and provides rate stability. It will soon cool eight state buildings in downtown Honolulu, reducing electricity use by over 5.3 million kilowatt hours yearly. (The average U.S. utility customer uses about 11,000 kilowatt hours yearly.) [1]

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A local company is close to creating a District Cooling system to air-condition about 40 buildings, mostly in downtown Honolulu [2].

SWAC reduces sewer production and water usage, and requires minimal on-site equipment and maintenance.

Please support this bill so SWAC can get the tax credit it deserves, save more electricity, and reduce Hawaii's greenhouse gas emissions.

[1] <http://bigislandnow.com/2018/10/09/8-state-facilities-to-be-cooled-by-ocean-water/>

[2] [http://www.honoluluswac.com/assets/pdfs/20190603_HonStarAd - Officials move on seawater AC project 2pages.pdf](http://www.honoluluswac.com/assets/pdfs/20190603_HonStarAd_-_Officials_move_on_seawater_AC_project_2pages.pdf)

Zoë Malia Ozoa Loos

SB-1431

Submitted on: 1/30/2020 7:53:30 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
helen raine	Individual	Support	No

Comments:

To: The Senate Committee on Energy, Economic Development, and Tourism

From: Helen Raine

Date: Friday, January 31, 2020, 2:55 pm

In strong support of SB 1431

Dear Chair Wakai, Vice Chair Taniguchi, and members:

I strongly support SB 1431.

Seawater Air Conditioning (SWAC) deserves the support of the renewable energy technologies income tax credit. It is very well-suited to Hawaii because of our warm climate, and the proximity of so many large buildings to water, particularly in downtown Honolulu.

SWAC lowers electrical costs and provides rate stability. It will soon cool eight state buildings in downtown Honolulu, reducing electricity use by over 5.3 million kilowatt hours yearly. (The average U.S. utility customer uses about 11,000 kilowatt hours yearly.) [1]

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SWAC reduces sewer production and water usage, and requires minimal on-site equipment and maintenance.

Please support this bill so SWAC can get the tax credit it deserves, save more electricity, and reduce Hawaii's greenhouse gas emissions.

Many thanks

Helen Raine

SB-1431

Submitted on: 1/30/2020 8:37:24 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Silver	Individual	Support	No

Comments:

SB-1431

Submitted on: 1/30/2020 10:31:24 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Dinner	Individual	Support	No

Comments:

SB-1431

Submitted on: 1/30/2020 11:27:40 AM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Laurel Quarton	Individual	Support	No

Comments:

LATE

SB-1431

Submitted on: 1/30/2020 3:50:20 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Geyer	Individual	Support	Yes

Comments:

Given the abundant renewable energy sources in Hawai'i, we can be leaders by taking advantage of a variety of renewable clean energy sources and continuing our commitment to be energy independent. Thank you for your support of this bill.

LATE

SB-1431

Submitted on: 1/30/2020 6:44:18 PM

Testimony for EET on 1/31/2020 2:55:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Noel Morin	Individual	Support	No

Comments:

Dear Chair Wakai, Vice Chair Taniguchi, and members:

I strongly support SB 1431.

Seawater Air Conditioning (SWAC) deserves the support of the renewable energy technologies income tax credit. We spend a lot of energy to cool our buildings, especially in Honolulu. Importantly, the proximity of our cities and large towns to the ocean offers the opportunity to leverage cool ocean water for cooling. SWAC will lower electrical costs and provide rate stability. Importantly, it will help Hawaii meet its renewable energy goal.

Please support this bill so SWAC can get the tax credit it deserves.

Sincerely,

Noel Morin - Hilo