JOSH GREEN M.D. LT. GOVERNOR





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 Nicole E. Lowen, Chair; The Honorable Lisa Marten, Vice Chair; and Members of the House Committee on Energy & Environmental Protection
From:	Isaac W. Choy, Director Department of Taxation
Date: Time: Place:	February 9, 2021 9:00 A.M. Via Videoconference, Hawaii State Capitol

Re: H.B. 1142, Relating to Energy

The Department of Taxation (Department) offers the following <u>comments</u> regarding H.B. 1142 for your consideration.

H.B. 1142 adds a 1% General Excise Tax (GET) surcharge on gross proceeds derived from the sale of passenger cars and pickup trucks powered solely by gasoline that have a published manufacturer's suggested retail price of \$50,000 or more. The new surcharge would be effective July 1, 2021 and would be repealed on June 30, 2030.

The Department requests that subsection (d) of the new Section 237-__, Hawaii Revised Statutes, in Section 2 of the bill be deleted, regardless of whether the effective date of the bill is amended or not. This language appears to be taken from section 237-8.6, HRS (the County Surcharge section). That subsection was necessary at the time of the county surcharge's enactment for implementation of the country surcharge under the Department's old computer system. Under the Department's current computer system, this subsection is unnecessary for implementation of this new surcharge and would actually make implementation of this new surcharge more difficult for the taxpayers and the Department.

In addition, the Department respectfully requests the new surcharge be effective no earlier than January 1, 2022 to give the Department sufficient time to amend its forms, instructions, and computer system.

Thank you for the opportunity to provide comments.

TESTIMONY OF JAMES P. GRIFFIN, Ph.D. CHAIR, PUBLIC UTILITIES COMMISSION STATE OF HAWAII

TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 9, 2021 9:00 a.m.

Chair Lowen and Members of the Committee:

MEASURE: H.B. No. 1142 TITLE: RELATING TO ENERGY.

DESCRIPTION: Establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems. Establishes electric vehicle charging system subaccount within the public utilities commission special fund. Sunsets 6/30/2030.

POSITION:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

COMMENTS:

The Commission supports the intent of this measure to establish a funding source for the electric vehicle charging system rebate program.

Pursuant to the recommendations of the State Auditor, the Commission is currently working to reclassify the Electric Vehicle Charging System Rebate Program Special Fund, in order to fulfill the legislative intent of Act 142 (2019) and satisfy the significant interest in the program. The Commission intends to account for these funds separately once they are transferred to the PUC Special Fund.

If this measure moves forward, the Commission requests that the Committee add language appropriating funds from the PUC Special Fund to account for administration of

H.B. No. 1142 Page 2

the Electric Vehicle Charging System Rebate Program, along with a corresponding increase to the expenditure ceiling of the PUC Special Fund.

These amendments will authorize the Commission to spend the funds generated by the proposed electric vehicle infrastructure incentive surcharge once they are deposited into the PUC Special Fund. It is the Commission's understanding that if this measure is passed without appropriation language and a ceiling increase, the Commission will be unable to use the electric vehicle infrastructure surcharge funds to administer the rebate program.

Thank you for the opportunity to testify on this measure.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813 Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804 Telephone: Fax: Web: (808) 587-3807 (808) 586-2536 energy.hawaii.gov

Testimony of SCOTT J. GLENN, Chief Energy Officer

before the HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Tuesday, February 9, 2021 9:00 A.M. House conference room via videoconference

COMMENTS on HB 1142 RELATING TO ENERGY.

Chair Lowen, Vice Chair Marten, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments for HB 1142, which establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems and establishes the electric vehicle charging system subaccount within the public utilities commission special fund.

HB 1142 aligns with the State's efforts to expand strategies and mechanisms to reduce greenhouse gas emissions through the reduction of energy use, adoption of renewable energy, and control of air pollution among all agencies, departments, industries, and sectors, including transportation.

Emissions from ground transportation account for the largest share of energy sector emissions in the state. As noted in the 2016 Greenhouse Gas Inventory, transportation emissions in Hawaii were at 8.69 million metric tons of carbon dioxide equivalents, accounting for 51 percent of total energy sector emissions. Ground transportation accounted for 47 percent of the transportation emissions. For Hawaii to meet its statutory target "to sequester more greenhouse gases than emitted as soon as practicable, but no later than 2045," programs that support the adoption of cleaner transportation options are necessary and important.

Hawaii State Energy Office Testimony HB 1142 - Relating to Energy - Comment February 9, 2021

Electric vehicle charging infrastructure has been noted as a barrier to electric vehicle adoption. The electric vehicle charging system rebate program aides and encourages electric vehicle adoption by providing much needed rebates to offset a portion of the cost of installing an electric vehicle charging station at commercial facilities and multi-unit dwellings statewide. The adoption and widespread deployment of electric vehicles is essential to reduce Hawaii's dependence on fossil fuels. Expanding affordable and easily accessible electric vehicle charging infrastructure is one of the tactics identified in the Hawaii Clean Energy Initiative Transportation Energy Analysis, prepared for HSEO by the International Council on Clean Transportation, which could accelerate the adoption of electric vehicles.

As the State develops plans to achieve a decarbonized ground transportation sector, it is important to ensure the necessary infrastructure is in place to enable all residents and visitors to address the effects of climate change to protect the State's economy, environment, health, and way of life. Preserving the electric vehicle charging system rebate program will help to achieve this goal.

Thank you for the opportunity to testify.

LEGISLATIVE TAX BILL SERVICE

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: GENERAL EXCISE, Surcharge on Motor Vehicle Sales

BILL NUMBER: HB 1142

INTRODUCED BY: LOWEN, AQUINO, JOHANSON, MARTEN, PERRUSO

EXECUTIVE SUMMARY: Establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems. Establishes electric vehicle charging system subaccount within the public utilities commission special fund. Sunsets 6/30/2030.

SYNOPSIS: Adds a new section to chapter 237, HRS, to establish an electric vehicle infrastructure incentive surcharge. The surcharge is 1 percentage point on all gross proceeds of selling a passenger car or pickup truck powered solely by gasoline that has a published MSRP of \$50,000 or more. Requires fiscal year taxpayers to file two returns for the tax year in which the taxes become effective, one for the short period prior to the effective date and one for the short period afterward.

Amends section 237-31, HRS, to provide that remittances of the surcharge are to be deposited in a subaccount of the public utilities commission special fund (section 269-33, HRS) to fund the electric vehicle charging system rebate program established pursuant to sections 269-72 and 269-73, HRS.

EFFECTIVE DATE: 7/1/2021, repealed on 6/30/2030.

STAFF COMMENTS: This bill proposes what is essentially a tax increase on sales of gaspowered motor vehicles.

A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

The proposed measure would also perpetuate the earmarking of tax revenues. Incentives for electric vehicle infrastructure may be a worthy expense if considered alone. But does that justify a GET tax hike and without going through the normal appropriation and budgeting process that also considers invasive species, unique health risks like the Wuhan coronavirus, and the aging infrastructure in our educational system?

Earmarking revenues from any tax type for a particular purpose decreases transparency and accountability.

Re: HB 1142 Page 2

Next, it should be remembered that revenues diverted for a special purpose, in this case to fund electric vehicle infrastructure, will not be counted against the state's spending ceiling or debt limit and will obscure the state's true financial condition.

As a technical matter, we observe that the bill forces fiscal year taxpayers to file two short period returns for the period before and after December 31. To conform with that provision, the effective date of this bill should be January 1.

Digested 2/5/2021

Submitted on: 2/6/2021 10:48:12 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Justin Carvalho	Mission Zero Hawaii	Support	No

Comments:

To the Leaders of Hawaii,

On behalf of Mission Zero Hawaii, Hawaii's largest electric car rental business based out of Kauai, I write in strong support of HB1142.

Having more electric vehicles and fewer gas-powered vehicles on our streets will help us reach our climate goals, especially when paired with more renewable energy becoming available on our island grids.

Analysts have forecasted exponential growth in EVs, as more models come to market, including pickup-trucks and SUVs. In California and some European states exponential market share growth has been observed for up to 5 years.

Research is indicating the US will need 9.6 million new electric vehicle charging ports by 2030.

Justin Carvalho

HB-1142 Submitted on: 2/7/2021 12:08:35 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Albert E Beeman	Big Island EV Associatiom	Support	No

Comments:

Strongly support this bill as long as the implementation does not create unmitigable hardship for small businesses and individuals who rely on vehicles that are not yet available in the zero emission form.

Respectfully

Al Beeman - Hilo



Email: communications@ulupono.com

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION Tuesday, February 9, 2021 — 9:00 a.m.

Ulupono Initiative supports HB 1142, Relating to Energy

Dear Chair Lowen and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve quality of life throughout the islands by helping our communities become more resilient and selfsufficient through locally produced food; renewable energy and clean transportation; and better management of freshwater and waste.

Ulupono <u>supports</u> HB 1142, which establishes a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems and establishes electric vehicle charging system subaccount within the public utilities commission special fund.

Ulupono supports Hawai'i's reduction of fossil fuel use as we strive to meet the State's 100% renewable goal by 2045. This measure seeks to make a large impact on the renewable energy goal by placing a surcharge on the purchase of gasoline-powered vehicles over \$50,000. These funds will then be reinvested into EVCS infrastructure to ensure community access to this low-cost alternative.

Ulupono finds that electric vehicles (EVs) are an important avenue to address Hawai'i's pressing climate issues and align with the State's energy and environmental goals. EVs currently offer an effective option to advance clean, renewable ground transportation and provide immediate benefits to Hawai'i.

In fact, the Governor of California recently signed an executive order to eliminate the sale of new gas cars and trucks by 2035. California joins a multitude of countries and cities across Europe, as well as China and British Columbia, who have taken similar measures to eliminate the sale of new fossil fuel vehicles.

Most recently, Nissan committed to having every new vehicle in major markets (including the US) be electrified by the early 2030s and just last week General Motors (GM) committed to stop making gasoline and diesel cars, vans and SUVs by 2035.

Investing in a Sustainable Hawai'i



The future of transportation does not depend on fossil fuels and the State of Hawai'i should continue to lead by example and further show the world that Hawai'i is serious about the sustainability and resiliency of our community by encouraging EVs as this bill proposes.

EVs Provide Immediate Energy and Environmental Impact

Ground transportation alone utilizes more than a quarter of the state's imported petroleum. Electrifying ground transportation will reduce our demand for imported fossil fuels, keeping millions of dollars in the state and cutting harmful pollution.



Source: Hawai'i State Energy Office – Hawai'i Energy Facts & Figures

Converting from petroleum-based vehicles to EVs immediately reduces GHG emissions, helping combat climate change and its impacts on our islands. EVs produce zero-emissions at the tailpipe, and even when full lifecycle emissions (from manufacturing through disposal) are considered, EV emissions are approximately 50 percent lower than internal combustion engine (ICE) vehicles.

EVs can also support the integration of more renewables on the electric grid with smart charging technology and rate structures. Thus, proliferating EVs throughout Hawai'i can help accelerate progress towards the State's 100 percent RPS goal, as well as contribute to the State's Paris Agreement commitments and carbon neutral goal.

Hawai'i Should Be Doing More

EVs are the future, but they currently only represent about one percent of all passenger vehicles in the state. Though EV sales grew by more than 40% in 2020, Hawai'i must encourage this still nascent market and be prepared with the necessary infrastructure.

Public EV charging stations are a vital component of the EV system. They provide access to



charging for drivers who may not be able to charge at home, such as residents who live in multi-unit dwellings, and alleviate range anxiety for all EV drivers, a top-cited barrier to purchasing EVs. Similar to the benefits that community solar offers to renters and apartment residents, public chargers open up the opportunity and feasibility of owning an EV to more people, increasing equity and access.

This bill is an important measure for the State to push for the decarbonization of our economy, while continuing to show the world that Hawai'i is a clean energy leader.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata Director of Government Affairs



KauaiEV.org 302 Makani Rd. Kapaa, HI 96746 808-652-0591



February 6, 2021

Dear Chair Lowen, Vice Chair Marten, and EEP Committee members,

On behalf of KauaiEV, a grassroots organization with over 100 members on Kauai, I write **in support of HB1142**.

Our members are electric vehicle drivers, and we believe that EVs are the personal transportation of the future. EVs are very efficient, and several of our members get 170 - 180 miles per gallon equivalent, so EVs are far less polluting and cheaper over their lifetime.

The Electric Vehicle Charging System Rebate Program incentivizes the installation of more public charging stations. People who can afford to pay more than \$50,000 for their cars usually can also afford the surcharge to help the environment, the climate and Hawaii's economically disadvantaged EV drivers. There should be an exception though, where the surcharge could create hardships for small businesses and workers that rely on trucks, while electric trucks are not yet available. Please add a recommendation to exclude small businesses and individuals who rely on vehicles that are not yet available electric.

The International Energy Association recommends a ratio of 10 EVs to 1 working charger - Hawaii's lack of public chargers, especially DC fast chargers is an obstacle to EV adoption. Charge anxiety is is a big a problem for EV-driving renters, condo-dwellers and potential EV buyers. 4 of our members had to sell their EVs because they had no way to keep them charged.

Typically 80% of EV charging takes place at home, it's easy and convenient for home owners. Sadly Hawaii's economically disadvantaged usually can't charge at home. For them public chargers are even more important. The public charging infrastructure also greatly benefits EV owners with older models with shorter range.

Please support HB1142 and recommend to exclude small businesses and individuals who rely on vehicles that are not yet available electric.

Souja Kan

Sonja Kass, President KauaiEV

info@KauaiEV.org

FB @KauaiEV

Page 1 of 1



TESTIMONY BEFORE THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 1142

Relating to Electric Vehicles

February 9, 2021 9:00 AM, Agenda Item # 4 State Capitol, Conference Room 325 / VIDEO CONFERENCE

> June Chee Program Manager, Electrification of Transportation Hawaiian Electric Company, Inc.

Aloha Chair Lowen, Vice Chair Marten and Committee Members,

My name is June Chee and I am testifying on behalf of Hawaiian Electric Company **supporting the intent of HB1142**, Relating to Energy.

The Company supports the intent of this measure to establish an electric vehicle infrastructure incentive program to contribute funding toward charging infrastructure that will help meet the State's climate change goals and support the expected increase in electric vehicles. However, the Company also recognizes that during this challenging economic time, such a surcharge may create added burden to some businesses that are considering purchasing commercial vehicles as part of their recovery efforts.

In 2019, Hawaiian Electric conducted its Electric Vehicle Critical Backbone Study, which looked at the forecasted need for public and private electric vehicle charging infrastructure in the next 10 years. The backbone study projected a need of seven times more public charging by 2030 and an even greater need for private commercial and residential charging. This insight helped the Company focus its planning for the coming influx of electric vehicles through electrification of transportation programs such as EV-specific rates to encourage daytime charging; an electric bus make ready infrastructure

pilot; a request to expand our public charging network; and our proposed Charge Ready Hawai'i pilot. The Charge Ready Hawai'i program will provide make ready infrastructure support to commercial properties, fleet owners, and multi-unit dwellings, which are key locations that serve EV charging needs of current and future EV drivers. The current EV charging system rebate program administered by Hawaii Energy has proven to be successful, widely adopted, and needed to encourage further EV and EV infrastructure adoption. The EV charging system rebate program offers cost-share for the Charge Ready Hawai'i pilot making EV infrastructure installation even more cost-efficient for participants.

Hawaiian Electric Company remains committed to EV strategies that are sustainable and help create a bridge to a cleaner future. Thank you for this opportunity to testify.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 9, 2021, 9:00 A.M. Video Conference

TESTIMONY IN SUPPORT OF HB 1142

Aloha Chair Lowen, Vice Chair Marten, and members of the Committee:

Blue Planet Foundation **supports HB 1142**, which establish a revenue-neutral feebate through a surcharge on the sale of luxury gasoline vehicles to provide funding for Hawai'i's existing electric vehicle (EV) charging system rebate program. At a time when the state budget is strapped but policy action on climate is still urgently needed, House Bill 1142 provides an innovative and revenue-neutral funding pathway for ensuring that Hawai'i's successful EV charging station rebate program continues.

Electric vehicles are the fastest growing segment of new cars in Hawai'i, even during a global pandemic. Over the past year (January 2020 – January 2021), EV registrations in Hawai'i grew 23.5%, while registrations of gasoline-powered vehicles dropped 3.2%.¹

Still, over one million gasoline-powered vehicles are on the roads in Hawai'i—and from them comes nearly five million metric tons of climate-changing carbon pollution. Although we now have over 13,000 EVs in the state, they still only make up a mere 1% of all registered vehicles in Hawai'i.² What's worse, While Hawai'i has made substantial progress on policies, programs, and actions to reduce burning fossil fuels in the electricity sector, we are falling short on decarbonizing our ground transportation sector. Greenhouse gas emissions from transportation have been climbing steadily for years prior to the coronavirus pandemic. Without deliberate and forward-thinking leadership, we risk accelerating this trend of increased transportation emissions as Hawai'i residents go back to school and the office and as tourists return, especially with lower than usual oil prices.

Building a robust, equitable, and accessible charging network

Even as the number of EVs in the state increases steadily, adequate and accessible vehicle charging infrastructure remains a roadblock to widespread EV adoption. The International Energy Agency found that "the availability of chargers emerged as one of the key factors for

¹ See DBEDT Monthly Energy Trends, http://dbedt.hawaii.gov/economic/energy-trends-2/. ² Ibid.

contributing to the market penetration of EVs."³ Unlike gasoline car owners, 80% of EV drivers charge their cars at home or at work.⁴ Residents in multi-unit dwellings or condos, however, are often unable to find a place to charge, preventing them from receiving the benefits of EVs. This is a fundamental equity issue in Hawai'i: a large segment of residents in Hawai'i live in multi-family housing, in part because single-family homes are financially out of reach for many.

In addition, expanding access to EV charging is critical to unlock benefits for all electricity users, not just for EV drivers. Enabling EV charging during the middle of the day allows more low cost solar to be added to the grid and helps the overall energy system. When large numbers of EVs—which are essentially batteries on wheels—are connected to the electricity grid simultaneously, they can be used to help manage the system through demand response, load shifting, and other grid services. But most workplaces lack such charging infrastructure currently. How we define "workplaces" may also be shifting. With increases in remote working situations as a result of the COVID-19 pandemic, more homes could permanently morph into offices, underscoring the need to prioritize expanded charging access at both residential and commercial properties.

Ensuring that Hawai'i's successful EV-charging system rebate program continues at a critical time

Recognizing that a lack of charging infrastructure remains a barrier to more widespread adoption of EVs in Hawai'i, in 2019 lawmakers established an electric vehicle charging rebate program to incentive the installation of publicly available charging stations and charging stations that serve fleets, or multiple tenants, employees, or customers. This rebate program administered by Hawai'i Energy with oversight by the Public Utilities Commission—has been a success. The initial funding allotted to the program is nearly fully committed as a result of pentup demand. To date, the rebates have enabled the installation of five new Level 2 chargers and the retrofit of 30 existing Level 2 chargers and 1 DC fast charger across Kaua'i, Honolulu, and Hawai'i counties. But this is a fraction of the additional charging needed to prepare Hawai'i for the auto industry's emerging pivot to electric mobility.

By charging a surcharge (or "fee") on luxury gasoline vehicles, and then using the collected revenue to fund "rebates" for publicly available charging stations through an already-established and successful program, the "feebate" in HB 1142 is a revenue-neutral strategy for continuing the needed build out of Hawai'i's still-woefully inadequate public charging network.

Preparing Hawai'i for the electric mobility revolution

We expect the number of registered EVs to grow substantially as new EV models with longer ranges and lower prices hit the market. This is part of global trend of governments and automakers planning for and investing in an electric mobility future. In September 2020,

³ Global EV Outlook 2017, International Energy Agency, June 2017, https://www.iea.org/reports/global-ev-outlook-2017.

⁴ Ibid.

California made headlines when Governor Gavin Newsom signed an executive order directing the state to require all new cars and passenger trucks sold in California to be zeroemission vehicles by 2035, after a summer of devastating wildfires fueled by climate-changeinduced extreme weather. California joined the ranks of several countries who have also recognized that fossil fuel-powered ground transportation needs to end. France plans to phase out gas-powered car sales by 2040. Britain announced in November that it will ban the sale of new gasoline and diesel cars by 2030, a decade earlier than its previous commitment of 2040. India, Netherlands, Israel, and Denmark have set a similar goal for 2030. And Norway plans to have all new cars, buses, and light commercial vehicles be zero emission vehicles by 2025.

Auto manufacturers are similarly making bold commitments to phase out fossil-fuel-powered vehicles. **General Motors—one of the world's largest automakers**—announced in January 2021 that it would phase out petroleum-powered cars and trucks and **sell only vehicles that have zero tailpipe emissions by 2035**. As a mere sampling of other examples, Ford is launching all-electric versions of its popular Mustang (launching 2021) and F-150 (expected in 2022), and Volkswagen is targeting electric options for all of its vehicle models by 2030.

House Bill 1142 is necessary to prepare Hawai'i with charging infrastructure for this influx of electric vehicles.

Conclusion

By providing additional, much-needed funding for EV charger rebates **without pulling from the general fund or other state funds**, the "feebate" in HB 1142 can accelerate Hawai'i's transition away from fossil fuel while expanding access to EV charging options—and increasing consumer confidence in choosing an EV—for the many Hawai'i residents that do not currently have access to charging at home or at work. A robust public charging network that includes workplaces, commercial locations, and multi-family housing is a necessary component of an equitable clean transportation future. Convenient charging and clean mobility options should be available to all Hawai'i residents.

Thank you for the opportunity to provide testimony.



600 Puuloa Road | Honolulu, HI 96819 | 808.831.2600

February 7, 2021

Committee on Energy and Environmental Protection Chair Lowen and Vice Chair Marten

Subject: <u>OPPOSITION</u> to HB 1142: Relating to EV Charging System Program, New Vehicle Sales

Dear Chairs Lowen and Marten:

We OPPOSE HB 1142 because it is an inefficient tax and discourages the purchase of newer, more fuel-efficient vehicles.

- Kelly Blue Book has found in 2020 the average new vehicle (blended cars and trucks) was \$37,876. With strong mix of trucks here in the State of Hawaii due to small business and commercial use, many functionally equipped trucks have now exceeded \$50,000 due to the Federal mandates and manufacturers working towards improved fuel-efficient technologies. As a result, many small businesses, trades, construction, and agriculture industries will be negatively impacted by this tax.
- According to the U.S. EPA, since 2004 CO2 emissions have decreased 23%, while fuel economy has increased 29% or 5.6 mpg. An increase in taxes will discourage those in these industries to transition to more fuel-efficient vehicles, thus not decreasing CO2 emissions as they hold off on major purchases.
- 3. Hawaii residents may look to purchase new vehicles from other States to circumvent the General Excise Tax, Import Tax, other proposed taxes like the HB1309 Luxury Tax of 10%, and this tax here in HB1142. As a result, the State will lose tax revenue on higher transaction amounts and see an overall reduction in revenue as a result of the proposed coupling of these taxes.

Respectfully,

Brad Nicolai President Hawaii Electric Vehicle Association PO BOX 6310 Hilo, HI 96720 hawaiidriveelectric@gmail.com



February 8, 2021

Dear Chair Lowen, Vice-Chair Marten, and EEP Committee members,

Hawaii Electric Vehicle Association is in SUPPORT of HB1142 and offers a recommendation to ensure that we don't penalize customers of trucks not yet readily available in electric vehicle form.

In order for Hawaii to achieve its sustainable transportation and climate goals, it must quickly electrify its ground transportation. Thankfully, automakers are heeding the demand for zero-emission vehicles and are providing consumers with a wider choice of affordable electric vehicles (EVs). This addresses a couple of important barriers to adoption - relatively high prices and a low number of makes and models.

Another important barrier to address is our inadequate public charging infrastructure. This is now becoming the key to the broader adoption of EVs in Hawaii. Without adequate public charging, EV adoption with falter. Importantly, this issue will get in the way of the democratization of sustainable transportation. Much of Hawaii's ALICE (Asset Limited, Income Constrained, Employed) and low-income communities don't have the luxury of home charging. By expanding our public charging infrastructure, we enable all segments of our community to enjoy the economic and environmental benefits of electric vehicles.

Thus, we need to incentivize the installation of public charging stations. One way to accomplish this is to continue to provide site or property owners with rebates to help cover the cost of charging station installation. This rebate program has enabled the installation of several charging stations across the state over the past few quarters.

We are supportive of HB1142 as it offers a means to fund the rebate program while incentivizing the purchase of zeroemission vehicles. **However**, we feel that the MSRP threshold and eligibility requirements need to be tuned to ensure that the surcharge does not create hardships for small businesses and contractors that rely on trucks and other large vehicles not currently available in the zero-emission form. Please consider an exception for these situations.

Thank you for your support of HB1142.

Sincerely,

Noel Morin - President

Sour Kam

Sonja Kass - Director

Hawaii EV Association is a grassroots non-profit group representing electric vehicle owners in Hawaii. Our mission is to accelerate the electrification of transportation through consumer education, policy advocacy, and electric vehicle charging infrastructure expansion. For more information, please visit hawaiiev.org.



DATE: February 8, 2021

Representative Nicole Lowen
Chair, Committee on Energy and Environmental Protection

Submitted Via Capitol Website

FROM: Tiffany Yajima

RE: H.B. 1142 – Relating to Energy Hearing Date: Tuesday, February 9, 2021 at 9:00 a.m. Conference Room: 325

Dear Chair Lowen, Vice Chair Marten, and Members of the Committee on Energy and Environmental Protection:

On behalf of the Alliance for Automotive Innovation ("Auto Innovators") we submit this testimony in **opposition** of H.B. 1142.

The Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. Members include motor vehicle manufacturers, original equipment suppliers, technology, and other automotive-related companies and trade associations.

The intent of this measure is to establish a 1% surcharge tax on high-end gasolinepowered vehicles with an MSRP of \$50,000 or over to fund the state electric vehicle charging system rebate program under HRS 269-72 and 269-73.

Automobile manufacturers support state efforts to grow Hawaii's EV charging network but are concerned that this measure would disproportionately impact the labor, construction, and agriculture sectors, as well as other sectors of business that utilize large vehicles, such as trucks and vans, in their fleets to transport tools and materials. While the intent of this measure is to tax high-end luxury vehicles purchased by wealthier consumers, this tax, to fund EV infrastructure, not only would raise the cost of vehicle fleets but would also raise the cost of vehicles typically purchased by families and working individuals.

Currently, the only pick-up trucks available for sale in the U.S. are gasoline-powered. With no electric alternative, the majority of consumers driving pick-up trucks and vans would be subject to the tax with no other vehicle options to meet their work needs. Contractors, plumbers, electricians, tradesmen, farmers, and other workers that utilize these larger vehicles for businesses would be disproportionately impacted by this measure. Additionally, families and other consumers with special interests who require larger vehicles would be negatively impacted by this fee.

The \$50,000 price point in this measure also appears to be arbitrarily set and automakers are concerned that vehicles priced below this figure may be unintentionally included in the tax as consumers add various options to their vehicles. These options are not frivolous add-ons, but can include important features like all wheel drive, navigation systems, engine/transmission upgrades, driver assist systems, and other advanced life-saving technologies. Consumers may forego these important add-ons to stay under the price point established by this bill. Moreover, we are concerned that some consumers may altogether forgo buying newer, safer and more environmentally-friendly vehicles, opting instead to purchase used vehicles with lower fuel economy and outdated safety features to avoid the additional tax established in this bill.

By assessing the surcharge on only gas-powered vehicles over an arbitrary price point, this measure assumes that higher priced vehicles are detrimental to the environment. There is no logical connection between price and environmental harm. In fact, according to the U.S. EPA and U.S. Department of Energy, the most fuel-efficient midsize station wagon has a cost of over \$50,000. Additionally, many of the most fuel-efficient full-size vehicles cost more than the \$50,000 threshold in this bill. The higher cost brought on by the surcharge could result in many cost-conscious consumers purchasing less fuel-efficient vehicles to avoid the additional fee.

In addition, the proposition of a "one-time surcharge" could impact the total amount of sales tax the state collects from vehicle sales. As with any purchase, the sale of more expensive vehicles yields more sales tax revenue for the State. The "one-time surcharge" provision could discourage consumers from purchasing vehicles subject to this additional tax.

Finally, we are concerned that this measure establishes an artificial divide between vehicles that will and will not be subject to a tax surcharge. This divide will influence consumer decisions in such a way that will ultimately impact revenue streams and negatively impact local automobile dealers who are still recovering due to the pandemic.

For these reasons we respectfully ask the committee to defer this measure.

Thank you for the opportunity to submit testimony on this bill.

45 North King Street, Suite 500 • Honolulu, Hawai'i 96817 • HawaiiEnergy.com • P: (808) 839-8880 • F: (808) 441-6068

Before the House Committee on Energy & Environmental Protection Tuesday, February 9, 2021, 9:00am

Testimony Providing Comments on HB1142: Relating to Energy

Chair Lowen, Vice-Chair Marten, and Members of the Committee:

Thank you for the opportunity to provide comments on House Bill 1142.

Hawai'i Energy works to empower island families and businesses on behalf of the Hawai'i Public Utilities Commission (PUC) to make smart energy choices to reduce energy consumption, save money, and pursue a 100% clean energy future. Energy efficiency is the cheapest option to help us achieve our 100% clean energy goal by eliminating waste and being more efficient.

Under the Hawai'i Public Utilities Commission's direction, Hawai'i Energy has been managing the electric vehicle charging station (EVCS) rebate program that was funded in 2019 by the State Legislature and signed by the Governor as Act 142. Launched in January 2020, Act 142's total funding of \$400,000 is applicable to the installation of new or the retrofit of existing Level 2 chargers and DC Fast Chargers (DCFC) that are publicly available and completed by June 30, 2021. The incentive was even highlighted by Plug-In America as a main reason why Hawai'i is ranked #14 in its *"Top 25 States Supporting the EV Driver"* report, just released this month.¹

To date, the program has provided \$140,500 rebates, resulting in the installation of five (5) new Level 2 chargers and the retrofit of 30 existing Level 2s and one (1) DCFC in Kaua'i, Honolulu and Hawai'i counties. There are currently \$224,500 worth of rebates in progress, and should all of these applications come through, they will result in an additional 21 new Level 2 chargers, 20 retrofitted Levels 2s and two (2) new DCFCs being installed. There is currently \$35,000 available, and Hawai'i Energy is actively promoting the incentive to stakeholders and potential customers.

Based on 12 months of administering the EVCS rebate under Act 142, the current annual funding requirement is about \$200,000, which could result in the installation of 44 new Level 2 chargers or retrofit of 66 existing Level 2s. Hawai'i Energy would also be open to extending our affordable housing bonus rebate through our current Triennial contract with the Public Utilities Commission that expires in June 2022. The bonus rebate is funded by the Public Benefits Fee for Honolulu, Maui and Hawai'i counties.

Thank you for the opportunity to provide comments on HB1142.

Sincerely, Brian Kealoha Executive Director Hawai'i Energy

¹ *"Top 25 States Supporting the EV Driver,"* Plug-In America, February 2021 - <u>https://pluginamerica.org/policy/top-25-states-supporting-the-ev-driver/</u>

Hawaii Energy's mission is to empower island families and businesses to make smart energy choices that reduce energy consumption, save money and pursue a 100% clean energy future.



HADA Testimony in OPPOSITION to HB1142 RELATING TO EV CHARGING SYSTEM PROGRAM, NEW VEHICLE SALES

Presented to the House Committee on Energy and Environmental Protection at the Public Hearing 9 a.m. Tuesday, February 9, 2021 in Room 325 VIA VIDEO CONFERENCE Hawaii State Capitol by David H. Rolf for the members of the Hawaii Automobile Dealers Association

Chairs Lowen, Vice Chair Marten and members of the committee:

HADA dealers oppose this bill.

Local dealerships have invested millions and millions of their family-owned businesses' dollars in Hawaii's ongoing transition to electric vehicles.

This bill would create market disruption, just like the experience in Canada which put a luxury tax on vehicles, which was later discontinued.

The number of affected new-vehicle-buying customers would be in excess of 10,000 Hawaii customers this year. The tax would be passed along and paid by the customers purchasing the vehicles.

The Hawaii Auto Outlook being published this week, shows that one luxury EV brand accounted for 80% of EV sales in Hawaii in 2020. The result of this bill thus would be government rebates that would accrue mainly to purchasers of luxury electric vehicles.

The group of customers proposed to be taxed through this bill, however, includes tradesmen who are purchasing trucks for their work.

It is wrong to ask one group of customers to pay for the vehicle technology choice of another group of customers. Customers purchase vehicles to meet their needs.

--continued on page 2---

HADA testimony on HB1192, page 2 of 2

Because of issues relating to the costs of electric vehicles, the charging time involved, the battery disposal and other issues involved with the ongoing transition, the process will continue to be an evolution. It will be a process, though, that will speed up rapidly as technology improves.





The graph above shows estimated hybrid powertrain and electric vehicle market share. Registrations by powertrain for vehicles equipped with multiple engine types were estimated by Auto Outlook. The estimates are based on model registrations compiled by Experian, and engine installation rates collected from other sources.

MARVET GEOMENTO

Our dealers look forward to working will all in drafting the roadmap that is needed for all to see how the distance to the goal can be covered in the shortest amount of time.

We look forward to working alongside all on this transition. We recommend, however, that this measure not be passed.

Its effect would unnecessarily damage the Hawaii economy when many factors are now coming into the marketplace that will foster a more rapid EV transition.

Respectfully submitted,

David H. Rolf, on behalf of the dealer members of the Hawaii Automobile Dealers Association

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TESTIMONY REGARDING HB 1142 House Committee on Energy and Environmental Protection February 9, 2021 at 9:00 AM

Aloha Chair Lowen, Vice Chair Marten, and Members of the Committee:

Thank you for the opportunity to provide testimony on HB 1142, which would impose, through June 29, 2030, a one percent surcharge on passenger cars and trucks powered solely by gasoline with a MSRP of \$50,000 or greater. Up to \$500,000 in surcharge revenue would fund an existing electric vehicle (EV) infrastructure program overseen by the Public Utilities Commission (PUC); any additional revenues would be deposited in the state's general fund.

Tesla supports this bill and commends the author for tackling the largest source of greenhouse gas and air pollutants in the state by proposing a mechanism that addresses the externalities of vehicle pollution and funds much needed EV charging infrastructure. However, as explained below, we respectfully urge the committee to amend the bill to provide incentive funding for zero emission vehicles as well.

While forward thinking, HB 1142 represents a significant missed opportunity for Hawaii to implement a feebate, considered "one of the best available policy options to reduce passenger car emissions" by the International Council of Clean Transportation (ICCT)¹, one of the most well-respected transportation research organizations in the world. Feebate systems impose a fee on vehicles with high CO2 emissions or fuel consumption and provide a rebate to vehicles with low CO2 emissions or fuel consumption.

According to a report² prepared for the Quebec government, "What makes feebate systems unique is the possibility for governments to design a regime that is self-funded, with fees collected on more polluting vehicles subsidizing those that are more environmentally friendly. The other key benefit of a feebate system is a cohesive policy approach, where both the fees and rebates are guided by, assessed against, and adjusted in tandem to achieve the same policy objectives." Feebate systems have proven highly effective in many European Union nations in speeding adoption of clean transportation by providing the right market signals to incentivize ZEV adoption and disincentivize purchases of highly polluting vehicles. For example, after Italy implemented a feebate in 2019 ZEV adoption increased tenfold.

It is worth noting that these and other programs tie incentives and disincentives to vehicle performance on a CO2-per-mile basis rather than a specific technology or MSRP of a gas vehicle. As such, they can be credibly marketed as a technology-neutral approach focused on reducing emissions. In contrast, MSRP does not appear correlated with vehicle emissions—there are many "gas guzzlers" under \$50,000—and, again, HB 1142 passes up the opportunity to discourage high fuel consumption and improve public health.

In order to increase the likelihood of incentive dollars going to low-middle income consumers, some programs also impose a price cap on ZEVs eligible for incentives. Others offer an "ecobonus" if a

² https://www.equiterre.org/sites/fichiers/report_the_road_ahead_to_low-carbon_mobility_low.pdf



¹ https://theicct.org/spotlight/feebate-systems

consumer scraps an internal combustion vehicle of a certain age. These are just two examples of program design options that the state can consider in order to meet equity or environmental goals.

In closing, while intended to dissuade consumers from purchasing gas vehicles, HB 1142 does not directly encourage consumers to purchase a zero emission vehicle (ZEV). For a consumer protection perspective, this seems fundamentally unfair.

HB-1142 Submitted on: 2/5/2021 12:32:36 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruta Jordans	Individual	Support	No

Comments:

Wonderful idea to enable more electric vehicles and their infrastructure. Please support!

Submitted on: 2/6/2021 10:40:13 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Justin R Carvalho	Individual	Support	No

Comments:

To the Leaders of Hawaii,

On behalf of myself a lifetime resident of Kauai, I write in strong support of HB1142.

Having more electric vehicles and fewer gas-powered vehicles on our streets will help us reach our climate goals, especially when paired with more renewable energy becoming available on our island grids.

Analysts have forecasted exponential growth in EVs, as more models come to market, including pickup-trucks and SUVs. In California and some European states exponential market share growth has been observed for up to 5 years.

Research is indicating the US will need 9.6 million new electric vehicle charging ports by 2030.

Justin Carvalho

Submitted on: 2/6/2021 8:16:08 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cory Harden	Individual	Support	No

Comments:

Aloha legislators,

Please support this bill so people who can afford it are the ones to assist the state in setting up electric vehicle infrastructure.

mahalo,

Cory Harden

Submitted on: 2/7/2021 9:52:05 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kevin Kern	Individual	Support	No

Comments:

With the qualility of luxuary EVs that are available, it seems that those who choose to continue to purchase gas powered luxuary cars shoule be taxed to help fund charging. Luxuary gas powered vehicles tend to be significantly less full effecient and a tax would encourage a change in thinking to the EV Market.

Submitted on: 2/7/2021 10:52:08 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Tom Aitken	Individual	Support	No

Comments:

This bill certainly will not be popular, but it is vital to tip the balance away from fossil fuel energy use. Please take that leadership leap and support!

Submitted on: 2/7/2021 11:30:40 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ronald FitzGerald	Individual	Support	No

Comments:

Please support HB1142.

- Having more electric vehicles and fewer gas-powered vehicles on our streets will help us reach our climate goals, especially when paired with more renewable energy becoming available on our island grids.
- Electric vehicles have lower lifetime costs, because they are so much more efficient, and because there is hardly any maintenance.
- Switching to electric vehicles is one of the biggest steps we can take to reduce our dependence on oil and cut dangerous air pollution.

HB-1142 Submitted on: 2/7/2021 11:36:24 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
lyman jakahi	Individual	Support	No

Comments:

it should be in a way that does not create problems for small businesses.

HB-1142 Submitted on: 2/7/2021 2:47:45 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kenneth Eisner	Individual	Support	No

Comments:

I support this measure.
HB-1142 Submitted on: 2/7/2021 3:33:20 PM Testimony for EEP on 2/9/2021 9:00:00 AM

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

Comments:

Please support.

HB-1142 Submitted on: 2/7/2021 6:26:46 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Douglas Perrine	Individual	Support	No

Comments:

I support HB1142

HB-1142 Submitted on: 2/7/2021 7:36:10 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jared	Individual	Support	No

Comments:

I support this Bill!

Submitted on: 2/7/2021 8:56:24 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Sarah Matye	Individual	Support	No

Comments:

I support more electric vehicle infrastructure as it is desperately needed on island and an integral part of future society! Thank you.

Submitted on: 2/7/2021 8:56:40 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Steve Parsons	Individual	Support	No

Comments:

Yes, anything that makes Fossil Fuel more expensive that helps accearate EVs and everyont wins!

Mahalo,

Steve Parsons Hawaii Resident Kapaa, HI

Submitted on: 2/7/2021 9:04:43 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
GORAN RAD	Individual	Support	No

Comments:

I support this bill to fund EV chargers by taxing high-end and ineffiicient gasoline burning vehicles. a surcharge on the sale of high-end gasoline-powered vehicles to fund the installation of electric vehicle charging systems makes good sense since we are headed to an energy- efficient and sustainable future. Please pass HB1142. Thanks!

Submitted on: 2/7/2021 9:36:26 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John Weist	Individual	Support	No

Comments:

I am supportive of this concept. **However**, I feel that the MSRP threshold will need to be confirmed to ensure that the surcharge does not create hardships for small businesses and workers that rely on large vechicles.

Submitted on: 2/7/2021 9:40:34 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrew Richard Kass	Individual	Support	No

Comments:

Aloha Chair Lowen, Vice Chair Marten, and EEP Committee members,

I encourage you to support HB1142 as part the state's larger goal to create a renewable transportation future. This proposed fee incentivized the purchase of electric vehicles for those who can afford a high end model, and will generate funds to build a charger network for everyone, including used EV drivers. As shown by Tesla, having chargers available everywhere leads to EV adoption.

Remember, every electric vehicle in Hawaii is spending money on electricity that was generated in Hawaii, often from renewable solar, wind, or hydropower, not imported gasoline.

Mahalo,

Andrew Kass

302 Makani Rd. Kapaa, HI, 96746

Hawaii resident since 2003 EV driver since 2014

Submitted on: 2/8/2021 12:08:36 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Diaz	Individual	Support	No

Comments:

2/07/21

Aloha Rep. Nicole Lowen,

Committee Chair Energy & Environmental Protection,

AND EEP Committee Members:

RE: <u>HB1142</u> - Funding of Commercial EV Charger Rebate -

I SUPPORT HB1142 and urge the EEP CPC, and FIN Committees to pass this bill without delay, so that Hawaii can meet our renewable energy goals, reduce emissions and mitigate climate change.

HB1142 is important for our state to achieve renewable energy goals, reduce emissions and mitigate climate change by enabling funding of commercial EV charger rebates via a surcharge on sales of gas cars & trucks with high MSRP.

I support this concept; however, I recommend MSRP thresholds will need to be adjusted so that implementation does not create heavy hardships for small businesses and individuals who rely on vehicles that are not yet available in the zero-emission form.

Mahalo to all of you for your leadership in supporting Hawaii's 2045 goal of meeting 100% Renewable Energy.

Lisa Diaz

76-223 Haoa St.

Kailua- Kona, HI 96740

Submitted on: 2/8/2021 5:38:13 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Torrey Wagner	Individual	Support	No

Comments:

An EV used commercially will require a level 2 (or higher rate) charger. My level 2 charger cost several hundred dollars (plus electrician fees), and this may tip businesses towards buying a gas vehicle instead of an EV. A commercial EV charger rebate program seems practical, as long as it is structured to prevent hardship to small businesses.

HB-1142 Submitted on: 2/8/2021 8:15:06 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Gary Miller	Individual	Support	No

Comments:

I support this Bill!!

HB-1142 Submitted on: 2/8/2021 8:29:18 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mike Kane	Individual	Comments	No

Comments:

This could be a fair way to fund future public charging infrastructure, depending on where the threshold is set for additional vehicle fees. As long as the structure is set correctly so that it is not an undue burden on small businesses and lower income families I would strongly support.



HB-1142 Submitted on: 2/8/2021 9:12:49 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeff Mcknight	Individual	Support	No

Comments:

The climte crisis requires that we address the fossil fuel-powered trnsportation sector. This can be accomplished with the electrification of transprtation.



HB-1142 Submitted on: 2/8/2021 3:36:12 PM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Constance Casey	Individual	Support	No

Comments:

The more EVs out there the better, and the tax incentives must come from somewhere.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

<u>HB-1142</u>

Submitted on: 2/9/2021 10:18:03 AM Testimony for EEP on 2/9/2021 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michelle Matson	Individual	Support	No

Comments:

Hopefully this measure will encourage some to think twice about spending their money on fossil-fueled vehicles for luxury rides.