

Honolulu, Hawaii

March 24, 2006

RE: S.B. No. 2957
S.D. 2
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Third State Legislature
Regular Session of 2006
State of Hawaii

Sir:

Your Committees on Energy & Environmental Protection and Consumer Protection & Commerce, to which was referred S.B. No. 2957, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

beg leave to report as follows:

The purpose of this measure is to provide a comprehensive set of proposals to assist the State in achieving energy self-sufficiency.

Specifically, the measure:

- (1) Increases the renewable energy technologies income tax credit for solar thermal and photovoltaic energy systems and removes the tax credits' 2008 sunset date, thereby making them permanent;
- (2) Authorizes the issuance of general obligation bonds for a photovoltaic pilot project in public schools statewide and to bring state facilities into compliance with the State's greenhouse gas and energy consumption reduction goals;
- (3) Requires the incorporation of Leadership in Energy and Environmental Design standards for state-funded buildings;



- (4) Establishes a Pay As You Save pilot project for the purchase of residential solar hot water heater systems;
- (5) Establishes a biodiesel preference in Hawaii's procurement laws; and
- (6) Establishes a Hawaii renewable hydrogen program and hydrogen investment capital fund and provides appropriations therefor.

The Hawaiian Electric Company, Hawaii Electric Light Company, Maui Electric Company, Sierra Club, Hawaii Energy Policy Forum, Hawaii Renewable Energy Alliance, PowerLight Solar Electric Systems, Rocky Mountain Institute, Inter-Island Solar Supply, Hawaii Solar Energy Association, Honolulu Seawater Air Conditioning LLC, Hawaii Association of Realtors, and R&R Solar Supply submitted testimony in support of the measure. The Department of Business, Economic Development, and Tourism testified in support of the measure with amendments. The Governor, the Department of Accounting and General Services, the Department of Education, The Gas Company, the American Institute of Architects Hawaii State Council, and the Hawaii Carpenters Union supported the intent of the measure. The Public Utilities Commission, Consumer Advocate, Department of Taxation, Hawaii Natural Energy Institute, Life of the Land, and the Tax Foundation of Hawaii offered comments.

Your Committees have amended the measure by:

- (1) Deleting the original contents of the measure, except for section 10, the purpose of which is to establish a biodiesel preference in Hawaii's procurement law;
- (2) Inserting the amended contents of House Bill No. 2175, H.D. 1, the purpose of which is to provide a framework for energy self-sufficiency for Hawaii by:
 - (A) Increasing the renewable energy technologies income tax credit for certain solar-thermal, wind-powered, and photovoltaic energy systems and removing the tax credit's January 1, 2008, sunset date;
 - (B) Authorizing the issuance of general obligation bonds for a pilot project to install photovoltaic



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systems at public schools on the islands of Oahu, Hawaii, and Kauai and within the county of Maui;

- (C) Promoting the use of green building practices by requiring each county agency that issues building, construction, or development-related permits to establish a procedure for priority processing of permit applications for construction projects incorporating energy and environmentally efficient building standards;
 - (D) Authorizing the issuance of general obligation bonds to fund energy efficiency initiatives for state facilities, vehicles, and equipment; and
 - (E) Establishing the pay as you save pilot project to provide residential electric utility users with a financing mechanism to make purchases of residential solar hot water heater systems more affordable;
- (3) Adding appropriation sections to, among other things:
- (A) Conduct a statewide multi-fuel biofuels production assessment of potential feedstocks, technologies, and economics of the various renewable fuels pathways and the potential for ethanol, biodiesel, and renewable hydrogen production to contribute to Hawaii's near-, mid-, and long-term energy needs;
 - (B) Provide assistance to the agricultural community interested in developing energy projects, especially for the production of biodiesel from energy crops and cellulosic ethanol from agricultural waste streams, and to seek funding that may be available from the United States Departments of Agriculture and Energy, and other external sources; and
 - (C) Provide moneys for the Hawaii Natural Energy Institute to fund a full time hydrogen system program manager position;
- (4) Adding provisions that amend what is to be considered an energy efficient motor vehicle with regard to state purchases of motor vehicles and accelerating the

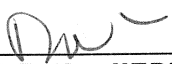


timetable to phase-in energy efficient vehicles into the State's motor vehicle fleet;

- (5) Adding several provisions that will promote the State's position in developing hydrogen-based energy generation technology and utilizing hydrogen generated energy in lieu of petroleum-generated energy;
- (6) Amending the purpose section of the measure to reflect these amendments; and
- (7) Changing the effective date from July 1, 2050, to July 1, 2006.

As affirmed by the records of votes of the members of your Committees on Energy & Environmental Protection and Consumer Protection & Commerce that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2957, S.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2957, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Energy &
Environmental Protection and
Consumer Protection & Commerce,



ROBERT N. HERKES, Chair



HERMINA MORITA, Chair



