

Honolulu, Hawaii

Feb. 16

, 2006

RE: S.B. No. 2123  
S.D. 1

Honorable Robert Bunda  
President of the Senate  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committees on Business and Economic Development and Energy, Environment, and International Affairs, to which was referred S.B. No. 2123 entitled:

"A BILL FOR AN ACT RELATING TO ALTERNATIVE ENERGY INCENTIVES,"

beg leave to report as follows:

The purposes of this measure are to:

- (1) Add a new definition to section 209E-2, Hawaii Revised Statutes, for "alternative energy source";
- (2) Expand the definition of "qualified business" under section 209E-2 to include an entity engaged in research, development, sale, or production of any alternative energy source;
- (3) Amend section 209E-11, Hawaii Revised Statutes, to state that a qualified business shall be exempt from the payment of general excise taxes on the gross proceeds from research, development, sale, or production of any alternative energy source; and
- (4) Expand the designation of enterprise zones from six areas up to twenty areas in each county under 209E-4, Hawaii Revised Statutes.



Your Committees received testimony in support of this measure from the Department of Business, Economic Development, and Tourism, the Hawaiian Electric Company, Inc., Honolulu Seawater Air Conditioning LLC, and the Hawaii Renewable Energy Alliance. The Department of Taxation submitted comments on the measure.

Hawaii is highly dependent on imported oil for its energy needs. As a result, the State is vulnerable to economic disruption in the event of an upheaval in the world oil market. Hawaii is blessed with an abundance of renewable energy resources, including wind, solar, hydropower, geothermal resources, ocean thermal energy conversion, and wave energy. Your Committees find that it is important to encourage the development and implementation of alternative energy sources in Hawaii. An expansion of the state enterprise zones to include entities that are engaged in alternative energy research, development, sales, or production will encourage local private industries to begin or continue to commercialize alternative energy resources.

Your Committees have amended this measure by:

- (1) Amending the new definition for "alternative energy source" to include the language suggested by the Hawaii Renewable Energy Alliance and to include seawater air conditioning as an alternative energy source; and
- (2) Making technical, nonsubstantive formatting changes.

As affirmed by the records of votes of the members of your Committees on Business and Economic Development and Energy, Environment, and International Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2123, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2123, S.D. 1, and be referred to the Committee on Ways and Means.



Respectfully submitted on  
behalf of the members of the  
Committees on Business and  
Economic Development and  
Energy, Environment, and  
International Affairs,

*J. Kalani English*  
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J. KALANI ENGLISH, Chair

*Will Espero*  
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WILL ESPERO, Chair





