

STAND. COM. REP. NO.

1011

Honolulu, Hawaii

MAR 02 2007

RE: S.B. No. 644
S.D. 3

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 644, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY RESOURCES,"

begs leave to report as follows:

The purpose of this measure is to require the installation of solar energy or comparable renewable energy devices to heat water in the construction of every new residential single-family residence, condominium, and townhouse, beginning January 1 of an unspecified year.

This measure also increases the tax credit for the installation of solar thermal energy systems in residential properties.

Your Committee received written comments in support of this measure from the Hawaiian Electric Company; Sierra Club Hawai'i Chapter; ProActive Chiropractic, LLC; and four individuals. Written comments in opposition were received from The Gas Company and Hawaii Solar Energy Association. Written comments were received from the Department of Taxation; Department of Business, Economic Development, and Tourism; and the Tax Foundation of Hawaii.

Your Committee finds that solar energy or comparable renewable energy devices for heating water are a great cost saver for homeowners. The monthly savings in electricity expenses would significantly offset the cost of monthly mortgage payments. If

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every home has a solar energy or comparable renewable energy water heater, then the State's dependence on imported oil would likewise be significantly reduced over time.

Your Committee further finds that solar water heating is the best "clean" energy alternative for homes in Hawaii. Your Committee further finds that using fossil fuels to heat water is one of the most significant contributors to environmental pollution.

Your Committee believes that affordability is essential to the success of this measure. Although solar water heating makes housing more affordable over time, an incentive is needed to set this in motion, raise awareness, and reduce the initial costs of the device.

Your Committee has amended this measure to:

- (1) Expand the existing income tax credit for solar thermal devices installed in homes originally constructed prior to January 1, 2009;
- (2) Insert a date of January 1, 2009, when solar energy or comparable renewable energy devices are required to be installed in every new residential construction;
- (3) Provide that the tax credits for single family residential properties and multi-family residential properties shall be raised from the existing \$2,250 and \$350, respectively, to \$3,250 and \$450, respectively, beginning July 1, 2007, for residences originally constructed prior to January 1, 2009; and
- (4) Changing the effective date to July 1, 2050, in the interests of furthering discussion.

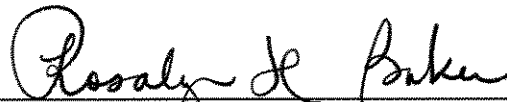
Your Committee notes that under this measure, as amended, the solar thermal energy systems tax credit would no longer be in effect beginning January 1, 2009, for new residential construction. However, the same tax credit for commercial properties, wind-powered energy systems, and photovoltaic energy systems would remain in effect thereafter. This is consistent with the intent of this measure to convert all residential water heating systems to solar energy power by January 1, 2009. This measure represents the first logical step to promote universal



energy conservation statewide by taking advantage of the State's perennially warm climate. Solar energy water heating has proven its feasibility, effectiveness, and utility.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 644, S.D. 2, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 644, S.D. 3.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,



ROSALYN H. BAKER, Chair



