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LAWRENCE M. REIFURTH
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TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND
COMMERCE

THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Wednesday, February 6, 2008
2:00 p.m.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS, TO THE HONORABLE REPRESENTATIVE HERKES,
CHAIR AND MEMBERS OF THE COMMITTEE

**SENATE BILL NO. 988, S.D. 2, H.D. 1 – RELATING TO PHOTOVOLTAIC
ENERGY.**

DESCRIPTION:

This bill authorizes the Hawaii Public Utilities Commission ("Commission"), after first assessing beneficial impacts, to establish a photovoltaic rebate program to all grid-connected residential, community-center, and small business utility customers within electric utility service areas.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") appreciates the intent of this measure, which seeks to increase awareness of renewable energy technologies, reduce greenhouse gas emissions, and encourage photovoltaic use by offering a rebate for the purchase and installation of photovoltaic energy systems. We offer the following comments on the measure, as written.

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S.B. No. 0988, S.D. 2, H.D. 1
Senate Committee on Consumer Protection and Commerce
Wednesday, February 6, 2008, 2:00 p.m.

COMMENTS:

Increasing the awareness of renewable energy technologies and reducing greenhouse gas emissions by encouraging the use of photovoltaic devices is necessary to ensure the State's energy security and reduce dependence on imported fossil fuels.

We are supportive of the decision to allow the Commission to determine whether rebates should be offered and at what level such rebates and caps should be set. In light of the duties that will soon be transferred from the electric utilities to a new Public Benefits Fund Administrator, this Committee may instead wish to consider whether a Public Benefits Fund Administrator, with oversight by the Commission, should be authorized to offer such rebates.

Some clarification of the measure appears to be necessary. First, what does the Legislature intend by the phrase "[u]pon assessing the beneficial impacts to the Hawaii ratepayers"? That is, should the Commission ensure that there is some correlation between the measurable benefit provided and the amount of the rebate given to the applicant?

Second, the measure, at subsection (c), suggests that rebate amounts and caps are set forth within the measure (as were in the previous drafts of the bill), but specify none.

Finally, the measure implies that ratepayer funds will be used to fund the rebates for use of photovoltaic devices. Is the Legislature intending for the Commission to use public benefit fund moneys for such rebates? Guidance provided to the Commission and the parties to any docket that is commenced to examine this matter is needed.

Thank you for the opportunity to testify.

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Testimony before the
House Committee on
Consumer Protection & Commerce
S. B. 988 SD2 HD 1– Relating to Photovoltaic Energy

Wednesday, February 6, 2008 (2:00 p.m.)
Conference Room 325

by Alan Hee
Energy Services Department
Hawaiian Electric Company, Inc.

Chair Herkes, Vice Chair McKelvey and Members of the Committee:

My name is Alan Hee, and I represent Hawaiian Electric Company, Hawaii Electric Light Company, and Maui Electric Company.

SB 988 SD 2 HD 1 authorizes the Public Utilities Commission to establish a photovoltaic (PV) rebate program which is funded entirely by ratepayers.

Hawaiian Electric supports efforts to encourage renewable energy. However, the Companies prefer the language in SD 2 of this bill in which the PV rebates were funded entirely from state general revenues. Photovoltaic installations will provide renewable and environmental benefits for the entire state. Therefore, the costs of the proposed rebate program should not be borne solely by the electric utility ratepayers.

Thank you for this opportunity to testify.

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ProVision Technologies, Inc.



Electrical Contractor C-26351

February 4, 2008

Information sheet on SB 988

Summary: SB 988 would establish a modest buydown, or rebate, program for those homeowners, business owners and non-profits who install clean, green solar electric systems to offset upfront costs. While many proposals to wean Hawai'i from its dangerous dependence on imported fuel sources have long or questionable lead times, solar electric, or photovoltaic (PV), technologies offer a ready and proven means to immediately reduce the amount of fossil fuels burned in our power plants.

Background: Since the first Net Energy Metering law went into effect in 2001, a grand total of 415 NEM systems have been installed as of December 31, 2007 as reported to the PUC, 415 mostly residential PV systems put in during an almost 7-year span amounting to a little over two megawatts of generating capacity, or about *12/100ths of one percent* of the state's total generating capacity. While we in the industry are grateful for the existing state tax credit incentives for renewable energy systems, tax credits alone are insufficient to kick-start the move toward greater energy independence for Hawai'i's residents.

Benefits if passed into law, this bill would:

- allow grid-tied residential, community center owners and small business system owners to offset the initial costs of purchasing a PV system and bring about an economy of scale which would lead to lower installed costs, greater affordability and accessibility to more Hawai'i residents
- encourage more local entrepreneurs to enter into the renewable energy field
- increase the number of skilled, high quality jobs selling, designing and installing these systems
- contribute to Hawai'i's efforts to achieve ambitious Renewable Energy Portfolio goals
- provide significant electric bill cost savings after system payback
- reduce greenhouse gas emissions
- promote greater energy security

After similar rebate programs were enacted in California, Oregon, Washington, Nevada, Colorado, Arizona, Montana, Minnesota, Connecticut, New Jersey, New York and Florida, to list some of the states that have implemented PV buydown programs, it's evident that this type of incentive has a huge impact in encouraging people to go solar electric. Since California, which enjoys much lower electric rates than Hawai'i, enacted their buydown program in 1998, over 28,000 NEM systems have gone into operation.

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ProVision Technologies, Inc.



Electrical Contractor C-26351

February 4, 2008

To: House Sergeant-at-Arms—Please provide 25 copies.

To: Robert Herkes, Chair, Angus McKelvey, Vice Chair, House Committee on Consumer Protection and Commerce, Committee Members Cindy Evans, Josh Green, Ken Ito, Sylvia Luke, Hermina Morita, Alex Sonson, Joseph Suki, Clift Tsuji, Ryan Yamane, Kyle Yamashita, Barbara Morumoto, Cynthia Thielen

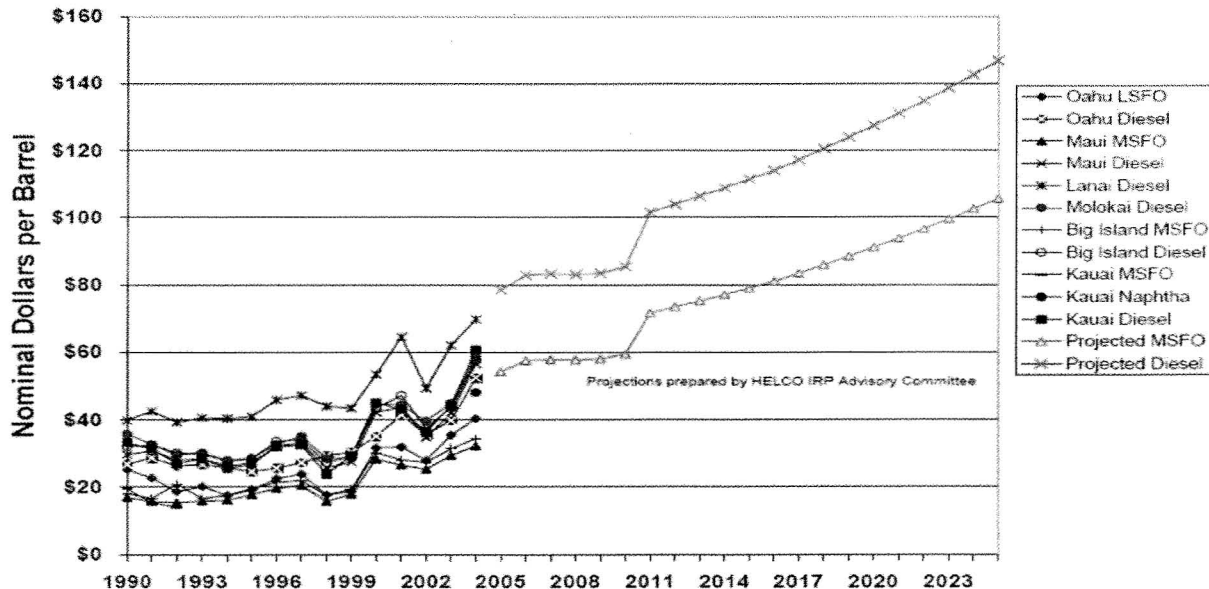
From: Marco Mangelsdorf, President, ProVision Technologies and founder of the Hawai'i PV Coalition

Re: SB 988 SD 2, HD1, Scheduled to be heard Wednesday February 6 @ 2PM, Conference Room 325

I am writing to urge you to support SB 988 which would establish a state-sponsored buydown program to encourage Hawai'i home, small business owners and non-profit organizations to install clean, green solar electric systems.

As you're likely aware, Hawai'i residents pay the most expensive electric utility rates in the nation: Kauai, the Big Island and Maui are consistently 1, 2 and 3 in terms of experiencing the highest kilowatt-hour costs in the U.S. And those costs are likely to continue to rise as illustrated below.

**Fuel Costs for Electricity Generation in Hawaiian Islands:
1990 - 2004; and Projected, 2005 - 2025**



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Understanding, however, that it is important to make affordable solar PV systems more accessible to more of Hawai'i's residents, I have suggestions to improve this bill.

In order to make this buydown program more equitable and benefit a greater number of consumers, I propose a number of revisions to SD2, HD1:

Revision 1) "**§269- Photovoltaic rebate program; establishment.** (a) Upon assessing the beneficial impacts to the Hawaii ratepayers, a photovoltaic rebate program may be established by the public utilities commission. The commission shall coordinate with the Hawaiian Electric Company, Hawaii Electric Light Company, Maui Electric Company, and Kauai Island Utility Cooperative to offer a rebate to grid-connected customers within each respective utility service area.

Please change "may" in the paragraph above to "shall."

Revision 2) (2) The photovoltaic energy system shall be installed by an appropriately licensed contractor;

Please change "an appropriately licensed contractor" to "a licensed C-13 electrical contractor" as this license classification is the only licensed contractor that can legally obtain electrical permits in Hawai'i's four counties.

Revision 3) (d) Participants in the photovoltaic rebate program shall not be eligible for the renewable energy technologies income tax credit under section 235-12.5."

Please delete this stipulation as the state renewable energy tax credit already takes into account the introduction of any future buydown program by reducing the basis from which to calculate the tax credit after the application of any buydown monies. More importantly, the combination of a modest buydown program and the current tax credit support is what is needed to make grid-tie PV systems more easily available to more Hawai'i residents.

As of Dec. 31, 2007 according to figures provided to the Public Utilities Commission, there was a grand total of 415 NEM systems across the state, 415 mostly residential PV systems installed during an almost 7-year time span amounting to a little over two megawatts of generating capacity or about *12/100ths of one percent* of the state's total generating capacity. I estimate that every one million dollars of ratepayer funds (not including any admin costs) will lead to between 80-130 new PV systems going in. A modest funding of \$5 million per year would lead to 400 to 500+ systems being installed per year across the state.

While we in the industry are very grateful for the existing state tax credit incentives for renewable energy systems, tax credits alone are insufficient to kick-start the move toward greater energy independence for Hawai'i's residents. Looking at what happened after such rebate programs have been enacted in California, Oregon, Washington, Nevada, Colorado, Arizona, Montana, Minnesota, Connecticut, New Jersey, New York and Florida, to name some of the states which have implemented PV buydown programs, it's evident that this type of incentive has a huge impact in encouraging people to go solar electric. Since California, which enjoys much lower electric rates than Hawai'i, enacted their buydown program in 1998, over 28,000 NEM PV systems have gone into operation. And as is evidenced in the California example, one of the key benefits of supporting a buydown program is to bring about a larger economy of scale which leads to lower PV system costs and therefore a greater accessibility to more consumers.

And the expenditure of taxpayer money to support this program will lead to better business opportunities for renewable energy entrepreneurs as well as to create more locally-trained, skilled workers.

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Finally, if reducing oil imports into the state, lowering the amount of pollution spewed into the air from the burning of fossil fuels in power plants and encouraging greater sustainability in our Aloha State are of public benefit, then a modest level of ratepayer funding for this program is, I believe, a reasonable price to pay.

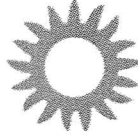
I respectfully ask that you support passage of SB 988 which is sure to accelerate the adoption of this valuable and energy independence-supporting technology.

Thank you for your consideration.

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TESTIMONY SUBMITTED BY



**ISLAND PACIFIC
ENERGY**

Joseph Saturnia
President

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COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Robert N. Herkes, Chair

Rep. Angus L.K. McKelvey, Vice Chair

Rep. Cindy Evans

Rep. Josh Green, M.D.

Rep. Ken Ito

Rep. Sylvia Luke

Rep. Hermina M. Morita

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Rep. Kyle T. Yamashita

Rep. Barbara C. Marumoto

Rep. Cynthia Thielen

SB 988, SD2, HD1 - RELATING TO PHOTOVOLTAIC ENERGY

February 6, 2008 2:00pm

State Capitol

Conference Room 325

415 South Beretania Street

Honolulu, HI 96813

Support for SB 988, SD2, HD1 – RELATING TO PHOTOVOLTAIC ENERGY

My name is Joseph Saturnia and I am President of Island Pacific Energy, a local renewable energy finance company. I am testifying in support of SB 988, SD2, HD1 - RELATING TO PHOTOVOLTAIC ENERGY. I support this bill because rebates are the most effective means to encourage the development of solar energy systems. A rebate incentive is needed in Hawaii in order to meet the renewable energy goals that the current state tax credits on solar energy have been unable to achieve.

Nearly all solar energy projects rely in part on government incentives to be financially viable. Without these incentives, owners would never achieve payback on solar energy systems. There will always be a small group of early adopters who will install solar energy for altruistic environmental reasons however effective economic incentives are needed to encourage the deployment of renewable energy on a broader scale. Since renewable energy projects rely so heavily on government incentives, a project's payback is critically dependent upon the owner's ability to monetize these incentives. Many times a potential owner of a solar project has the desire for renewable energy but lacks the tax credit appetite to make the project financially viable. Without the ability to effectively monetize tax incentives, a renewable project is not financially justified.

In Hawaii, state tax credits are not sufficient incentive to encourage broad adoption of solar energy. In order to benefit from tax credits, potential owners must owe state taxes in the first place. This fact eliminates all governmental and non-profit organizations as well as individuals and businesses lacking sufficient taxable income or who have already exhausted their tax credit appetite through other means such as Act 221 investments. State tax credits are further hampered by the relatively low state income tax rate. At 6.4%, an entity must have a taxable income in excess of \$500,000 to fully utilize the tax credits on a relatively modest 10 kW photovoltaic solar energy system. With these limitations, the resulting number of qualified potential owners is very small.

Unlike state tax credits, rebates are generally considered the best form of incentives to encourage the development of solar energy systems. They do not require the end user to have tax credit appetite because they give the end user cash to offset the cost of the system. Rebates can be used by governmental and non-profit organizations as well as individuals and businesses regardless of tax credit appetite. Another benefit of rebates is that if funded correctly, they can be an encouragement to further solar energy development. If rebates are funded through a surcharge on electric rates, existing solar energy owners are rewarded because they use less utility power and non-solar energy owners are encouraged to install systems to avoiding the surcharge. Funding rebates with a surcharge on electric rates also has the added benefit of avoiding the negative effects the tax credit has of reducing the States income tax receipts.

It is important to note that rebates are not new to Hawaii. Rebates are currently used to great success in the promotion of solar hot water systems. Over 25% of all homes in Hawaii have installed solar hot

water systems. Rebates have been a significant factor in the broad adoption of renewable solar hot water systems in Hawaii.

Hawaii's tax credits on solar energy are insufficient to encourage broad adoption of solar energy systems to meet the State's renewable energy goals. I urge the committee to pass SB 988, SD2, HD1 and provide Hawaii with an incentive that truly encourages broad scale development of solar energy systems. Thank you for this opportunity to testify.

Joseph Saturnia
President
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**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
FEBRUARY 6, 2008**

MEASURE: S.B. No. 988, S.D. 2, H.D. 1
TITLE: Relating to Photovoltaic Energy.

Chair Herkes and Members of the Committee:

DESCRIPTION:

This bill proposes to add a new section to Hawaii Revised Statutes ("HRS") Chapter 269 that would give the Public Utilities Commission ("Commission") the discretion to establish a photovoltaic rebate program, upon assessing the beneficial impacts of such a program on Hawaii's ratepayers.

POSITION:

The Commission supports renewable energy programs to reduce dependence on foreign oil and greenhouse gas emissions, while increasing energy security and reliability. For this reason, the Commission supports considering the establishment of a photovoltaic rebate program in Hawaii and respectfully submits the following comments and recommendations on the bill as written.

COMMENTS:

- **Senate Bill No. 988, S.D. 2 was amended by H.D. 1 to require that ratepayer funds be used instead of general fund appropriations if a photovoltaic rebate program is established.**
 - This will have the effect of slightly increasing customers' electricity bills, and it is likely that those who cannot afford photovoltaic systems will in effect subsidize customers who own their own homes and can afford to invest in photovoltaic systems.
 - Careful consideration should be given to whether it may be more appropriate to effectuate this policy with general funds instead of ratepayer funds.

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- The Commission would prefer the use of general funds instead of ratepayer funds for a photovoltaic rebate program since reducing our dependence on oil and increasing the use of clean renewable energy would benefit the public in general and thus may be more appropriate to implement with general funds.
- However, the Commission defers to the Legislature's policy determination concerning this issue.
- **Senate Bill No. 988, S.D. 2 was also amended by H.D. 1 to give the Commission the discretion to decide whether to establish a photovoltaic rebate program rather than requiring it by law.**
 - The Commission appreciates the authority and discretion that the bill gives the Commission to establish a photovoltaic rebate program upon assessing the beneficial impacts of such a program on Hawaii's ratepayers.
 - This approach would allow for a more careful and deliberate analysis of the costs and benefits of establishing a photovoltaic rebate program.
- **To clarify and simplify the bill, the process under which the Commission may establish a photovoltaic rebate program, and the funding source for such a program, the Commission suggests the following:**
 - The determination of whether to establish a photovoltaic rebate program that would be ratepayer-funded should be based on a finding that such a program is in the public interest.
 - The applicant qualifications for the rebate program should be evaluated and determined through the Commission's investigation under this section, in which electric utilities and qualified interested stakeholders would have an opportunity to contribute.
 - Other program details and requirements, including rebate amounts and caps, should also be incorporated into the Commission's decision-making on this matter so that all elements of the program can be carefully analyzed and crafted for optimum effectiveness.
- **To reflect the above suggestions, the Commission requests that the following language replace certain language in the bill:**
 - Revise the last paragraph of Section 1 of the bill:

Accordingly, the purpose of this Act is to encourage and authorize the public utilities commission to establish a ratepayer funded photovoltaic rebate program if it determines that it is in the public interest to establish such a program after an assessment of the costs and benefits of such a program in promoting the use of this renewable energy technology to utility customers within electric utility service areas.

- o **Revise Section 2 of the bill in its entirety:**

SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§269- Photovoltaic rebate program; establishment. (a) The public utilities commission shall be authorized to establish a ratepayer funded photovoltaic rebate program upon evaluating the costs and benefits of a rebate program and upon determining that a rebate program is in the public interest.

(b) To qualify for the photovoltaic rebate program, applicants shall comply with requirements and conditions established by the public utilities commission.

(c) Rebate amounts and other program specifications shall be established by the public utilities commission.

(d) The public utilities commission shall be authorized to effectuate the purposes of this section by rule or order.

Thank you for the opportunity to testify.

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Date: February 5, 2008

To: Rep. Robert N. Herkes, Chair
Rep. Angus L.K. McKelvey, Vice Chair
Committee on Consumer Protection & Commerce
Committee Members Cindy Evans, Josh Green, Ken Ito, Sylvia Luke, Hermina Morita, Alex Sonson, Joseph Suki, Clift Tsuji, Ryan Yamane, Kyle Yamashita, Barbara Morumoto

Fr: Carla Din, Oakland, CA

Re: Support for SB988, to be heard Wednesday, February 6, 2008 at 2:00 pm

I am writing as an individual who cherishes Hawai'i, its natural resources, and its inhabitants to respectfully urge your support for SB988, to establish a photovoltaic rebate program to all grid-connected residential, community-center, and small business utility customers within electric utility service areas. From both an environmental and economic perspective, accelerating the adoption of solar energy in Hawai'i through a modest rebate program makes enormous sense.

If Hawai'i continues on the same path of energy usage, it will heighten the risk of global warming, increase sea levels and more severely disturb weather patterns, which means putting the Hawaiian islands and hundreds of miles of coastline in danger.

Hawai'i's over-dependence on fossil fuels causes concern for economic impact, as imported oil prices and supplies are vulnerable to the volatility of the world oil market and greatly influenced by political instability, trade disputes, embargoes, and other disruptions, which dramatically impacts Hawai'i's economy. Renewable energy helps hedge against these forces and cost increases.

On the positive side, renewable energy technologies are more labor intensive than fossil fuel and could result in high-quality, local job creation in manufacturing, installation, transportation, construction, servicing and research and development. For every dollar spent abroad on the importation of oil and coal, it means one less dollar invested in the local Hawaiian economy.

If SB988 were adopted, Hawai'i would be joining at least 13 states, including Arizona, Oregon, Washington, Texas, California and New York in offering solar PV rebate programs. Solar rebates are standard financial incentives for residential, business, government and non-profit entities to help offset the upfront capital investments of solar PV. A rebate program such as SB988 makes good financial sense and could take into account the greater needs of community-based organizations that cannot take advantage of tax credits.

I believe a rebate program, coupled with the State's tax credit support would help create a more even playing field with subsidies for fossil fuels. An October, 2007 report from the

Government Accountability Office (GAO) comparing federal electricity subsidies by fuel type shows that renewable technologies still get only a small share of the overall subsidies awarded to the energy sector. The GAO report looked specifically at research and development (R&D) and tax expenditures for fossil fuels, nuclear, and renewable energy from fiscal year (FY) 2002 through FY 2007.

The report shows total R&D expenditures from FY 2002 to FY 2007 to be \$11.5 billion, which was distributed among nuclear (\$6.2 billion), fossil fuel (\$3.1 billion) and renewable energy (\$1.4 billion). Total tax expenditures for the energy sector from FY 2002 to FY 2007 were \$18.2 billion, with fossil fuel receiving \$13.7 billion and renewable energy receiving just \$2.8 billion.

The combination of a modest buydown program and the current tax credit support is what is needed to make grid-tie PV systems accessible to more Hawaii residents who are interested in moving toward greater sustainability for themselves, their environment and the local and global economy.

Thank you kindly for your consideration.

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**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
FEBRUARY 6, 2008**

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POSITION:

The Commission supports renewable energy programs to reduce dependence on foreign oil and greenhouse gas emissions, while increasing energy security and reliability. For this reason, the Commission supports considering the establishment of a photovoltaic rebate program in Hawaii and respectfully submits the following comments and recommendations on the bill as written.

COMMENTS:

- **Senate Bill No. 988, S.D. 2 was amended by H.D. 1 to require that ratepayer funds be used instead of general fund appropriations if a photovoltaic rebate program is established.**
 - This will have the effect of slightly increasing customers’ electricity bills, and it is likely that those who cannot afford photovoltaic systems will in effect subsidize customers who own their own homes and can afford to invest in photovoltaic systems.
 - Careful consideration should be given to whether it may be more appropriate to effectuate this policy with general funds instead of ratepayer funds.

- The Commission would prefer the use of general funds instead of ratepayer funds for a photovoltaic rebate program since reducing our dependence on oil and increasing the use of clean renewable energy would benefit the public in general and thus may be more appropriate to implement with general funds.
- However, the Commission defers to the Legislature's policy determination concerning this issue.
- **Senate Bill No. 988, S.D. 2 was also amended by H.D. 1 to give the Commission the discretion to decide whether to establish a photovoltaic rebate program rather than requiring it by law.**
 - The Commission appreciates the authority and discretion that the bill gives the Commission to establish a photovoltaic rebate program upon assessing the beneficial impacts of such a program on Hawaii's ratepayers.
 - This approach would allow for a more careful and deliberate analysis of the costs and benefits of establishing a photovoltaic rebate program.
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 - Other program details and requirements, including rebate amounts and caps, should also be incorporated into the Commission's decision-making on this matter so that all elements of the program can be carefully analyzed and crafted for optimum effectiveness.
- **To reflect the above suggestions, the Commission requests that the following language replace certain language in the bill:**
 - Revise the last paragraph of Section 1 of the bill:

Accordingly, the purpose of this Act is to encourage and authorize the public utilities commission to establish a ratepayer funded photovoltaic rebate program if it determines that it is in the public interest to establish such a program after an assessment of the costs and benefits of such a program in promoting the use of this renewable energy technology to utility customers within electric utility service areas.

o **Revise Section 2 of the bill in its entirety:**

SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

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(b) To qualify for the photovoltaic rebate program, applicants shall comply with requirements and conditions established by the public utilities commission.

(c) Rebate amounts and other program specifications shall be established by the public utilities commission.

(d) The public utilities commission shall be authorized to effectuate the purposes of this section by rule or order.

Thank you for the opportunity to testify.