
A BILL FOR AN ACT

RELATING TO ENERGY RESOURCES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

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PART I

RENEWABLE PORTFOLIO STANDARDS

SECTION 1. Chapter 342B, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§342B- Fossil fuel electricity generating facilities.

(a) Effective July 1, 2009, no new covered source that is owned or operated by an electricity-generating public utility, as defined in section 269-1, with a rated capacity of more than two megawatts shall be permitted to generate electricity from fossil fuel sources; provided that electric utility cooperative associations shall be exempt from the requirements of this subsection until July 1, 2015.

(b) Effective July 1, 2009, no covered source that is owned or operated by an electricity-generating public utility, as defined in section 269-1, with a rated capacity of more than two megawatts and existing on July 1, 2009, except for an

1 electric utility cooperative association, shall be modified in
2 any manner that allows it to use more fossil fuel as a source of
3 electricity generation than is allowed under its permit as of
4 July 1, 2009. No covered source that is owned or operated by an
5 electric utility cooperative association with a rated capacity
6 of more than two megawatts and existing on July 1, 2009 shall be
7 modified in any manner that allows it to use more fossil fuel as
8 a source of electricity generation than is allowed under its
9 permit as of July 1, 2015."

10 SECTION 2. Section 269-91, Hawaii Revised Statutes, is
11 amended by amending the definitions of "renewable electrical
12 energy" and "renewable energy" to read as follows:

13 ""Renewable electrical energy" means:

- 14 (1) Electrical energy generated using renewable energy as
15 the source;
- 16 (2) Electrical energy savings brought about by the use of
17 renewable displacement or off-set technologies,
18 including solar water heating, sea-water air-
19 conditioning district cooling systems, solar air-
20 conditioning, and customer-sited, grid-connected
21 renewable energy systems; provided that, beginning

1 January 1, 2015, electrical energy savings shall not
2 count toward renewable energy portfolio standards; or
3 [+] (3) [+] Electrical energy savings brought about by the use of
4 energy efficiency technologies, including heat pump
5 water heating, ice storage, ratepayer-funded energy
6 efficiency programs, and use of rejected heat from
7 co-generation and combined heat and power systems,
8 excluding fossil-fueled qualifying facilities that
9 sell electricity to electric utility companies and
10 central station power projects[-]; provided that
11 beginning January 1, 2015, electrical energy savings
12 shall not count toward renewable energy portfolio
13 standards. Beginning January 1, 2015, electrical
14 energy savings shall not include customer-sited
15 grid-connected photovoltaic systems.

16 "Renewable energy" means energy generated or produced
17 [utilizing] using the following sources:

- 18 (1) Wind;
- 19 (2) The sun;
- 20 (3) Falling water;
- 21 (4) Biogas, including landfill and sewage-based digester
- 22 gas;

- 1 (5) Geothermal;
- 2 (6) Ocean water, currents and waves[~~-~~], including ocean
- 3 thermal energy conversion;
- 4 (7) Biomass, including biomass crops, agricultural and
- 5 animal residues and wastes, and [~~municipal~~] solid
- 6 waste;
- 7 (8) Biofuels; and
- 8 (9) Hydrogen produced from renewable energy sources."

9 SECTION 3. Section 269-92, Hawaii Revised Statutes, is
 10 amended by amending subsections (a) and (b) to read as follows:

11 "(a) Each electric utility company that sells electricity
 12 for consumption in the [~~State~~] state shall establish a renewable
 13 portfolio standard of:

- 14 (1) Ten per cent of its net electricity sales by
- 15 December 31, 2010;
- 16 (2) Fifteen per cent of its net electricity sales by
- 17 December 31, 2015; [~~and~~]
- 18 (3) [~~Twenty~~] Twenty-five per cent of its net electricity
- 19 sales by December 31, 2020[~~-~~]; and
- 20 (4) Forty per cent of its net electricity sales by
- 21 December 31, 2030.

1 (b) The public utilities commission may establish
2 standards for each utility that prescribe what portion of the
3 renewable portfolio standards shall be met by specific types of
4 renewable ~~[electrical]~~ energy resources; provided that:

5 (1) ~~[A]~~ Prior to January 1, 2015, at least fifty per cent
6 of the renewable portfolio standards shall be met by
7 electrical energy generated using renewable energy as
8 the source~~[+]~~, and after December 31, 2014, the entire
9 renewable portfolio standard shall be met by
10 electrical generation from renewable energy sources;

11 (2) Beginning January 1, 2015, electrical energy savings
12 shall not count toward renewable energy portfolio
13 standards;

14 ~~[(+2)]~~ (3) Where electrical energy is generated or displaced
15 by a combination of renewable and nonrenewable means,
16 the proportion attributable to the renewable means
17 shall be credited as renewable energy; ~~[and]~~

18 ~~[(+3)]~~ (4) Where fossil and renewable fuels are co-fired in
19 the same generating unit, the unit shall be considered
20 to generate renewable electrical energy (electricity)
21 in direct proportion to the percentage of the total

1 heat value represented by the heat input value of the
2 renewable fuels[-]; and
3 (5) Effective July 1, 2009, the public utilities
4 commission shall not approve any application by a
5 public utility as defined in section 269-1 to build a
6 new generation facility with a rated capacity greater
7 than two megawatts that uses fossil fuel as the source
8 of electricity generation; provided that, between
9 July 1, 2009 and July 1, 2015, the public utilities
10 commission may approve an application when the
11 application is submitted by an electric utility
12 cooperative association, as that term is defined in
13 section 342B-1."

14 SECTION 4. Section 269-95, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§269-95 Renewable portfolio standards study.** The public
17 utilities commission shall:

18 (1) By December 31, 2007, develop and implement a utility
19 ratemaking structure, which may include performance-
20 based ratemaking, to provide incentives that encourage
21 Hawaii's electric utility companies to use cost-
22 effective renewable energy resources found in Hawaii

1 to meet the renewable portfolio standards established
2 in section 269-92, while allowing for deviation from
3 the standards in the event that the standards cannot
4 be met in a cost-effective manner or as a result of
5 events or circumstances, such as described in section
6 269-92(d), beyond the control of the utility that
7 could not have been reasonably anticipated or
8 ameliorated;

9 (2) Gather, review, and analyze empirical data to
10 [~~determine~~]:

11 (A) Determine the extent to which any proposed
12 utility ratemaking structure would impact
13 electric utility companies' profit margins [~~and~~
14 ~~to ensure~~]; and

15 (B) Ensure that the electric utility companies'
16 opportunity to earn a fair rate of return is not
17 diminished;

18 (3) [~~Using~~] Use funds from the public utilities special
19 fund[~~7~~] to contract with the Hawaii natural energy
20 institute of the University of Hawaii to conduct
21 independent studies to be reviewed by a panel of
22 experts from entities such as the United States

1 Department of Energy, National Renewable Energy
2 Laboratory, Electric Power Research Institute, Hawaii
3 electric utility companies, environmental groups, and
4 other similar institutions with the required
5 expertise. These studies shall include findings and
6 recommendations regarding:

- 7 (A) The capability of Hawaii's electric utility
8 companies to achieve renewable portfolio
9 standards in a cost-effective manner and shall
10 assess factors such as the impact on consumer
11 rates[]; utility system reliability and
12 stability[]; costs and availability of
13 appropriate renewable energy resources and
14 technologies[]; permitting approvals[]; effects
15 on the economy[]; balance of trade, culture,
16 community, environment, land, and water[];
17 climate change policies[]; demographics[]; and
18 other factors deemed appropriate by the
19 commission; and
- 20 (B) Projected renewable portfolio standards to be set
21 five and ten years beyond the then current
22 standards;

- 1 (4) [~~Revise~~] Evaluate the standards every five years,
2 beginning in 2013, and revise the standards based on
3 the best information available at the time [~~if the~~
4 ~~results of the studies conflict with~~] to determine
5 whether the renewable portfolio standards established
6 by section 269-92 [~~+~~] remain achievable; and
- 7 (5) Report its findings and revisions to the renewable
8 portfolio standards, based on its own studies and
9 [~~those contracted under paragraph (3),~~] other
10 information to the legislature no later than twenty
11 days before the convening of the regular session of
12 [~~2009,~~] 2014, and every five years thereafter."

13 SECTION 5. Section 342B-1, Hawaii Revised Statutes, is
14 amended by adding a new definition to be appropriately inserted
15 and to read as follows:

16 "Electric utility cooperative association" means the same
17 as defined under section 421C-1."

18 **PART II**

19 **ENERGY RESOURCES COORDINATOR**

20 SECTION 6. Section 196-4, Hawaii Revised Statutes, is
21 amended to read as follows:

1 **"§196-4 Powers and duties.** Subject to the approval of the
2 governor, the coordinator shall:

3 (1) Formulate plans, including objectives, criteria to
4 measure accomplishment of objectives, programs through
5 which the objectives are to be attained, and financial
6 requirements for the optimum development of Hawaii's
7 energy resources;

8 (2) Conduct systematic analysis of existing and proposed
9 energy resource programs, evaluate the analysis
10 conducted by government agencies and other
11 organizations and recommend to the governor and to the
12 legislature programs [~~which~~] that represent the most
13 effective allocation of resources for the development
14 of energy sources;

15 (3) Formulate and recommend specific proposals, as
16 necessary, for conserving energy and fuel, including
17 the allocation and distribution thereof, to the
18 governor and to the legislature;

19 (4) Assist public and private agencies in implementing
20 energy conservation and related measures;

21 (5) Coordinate the State's energy conservation and
22 allocation programs with [~~that~~] those of the federal

- 1 government, other state governments, governments of
2 nations with interest in common energy resources, and
3 the political subdivisions of the State;
- 4 (6) Develop programs to encourage private and public
5 exploration and research of alternative energy
6 resources [~~which~~] that will benefit the State;
- 7 (7) Conduct public education programs to inform the public
8 of the energy situation as may exist from time to time
9 and of the government actions taken thereto;
- 10 (8) Serve as consultant to the governor, public agencies,
11 and private industry on matters related to the
12 acquisition, [~~utilization~~] use, and conservation of
13 energy resources;
- 14 (9) Contract for services when required for implementation
15 of this chapter;
- 16 (10) Review proposed state actions [~~which~~] that the
17 coordinator finds to have significant effect on energy
18 consumption and report to the governor their effect on
19 the energy conservation program, and perform [~~such~~]
20 other services as may be required by the governor and
21 the legislature;

- 1 (11) Prepare and submit an annual report and [~~such~~] other
2 reports as may be requested to the governor and to the
3 legislature on the implementation of this chapter and
4 all matters related to energy resources; [~~and~~]
- 5 (12) Formulate a systematic process, including the
6 development of requirements, to identify geographic
7 areas that contain renewable energy resource potential
8 that may be developed in a cost-effective and
9 environmentally benign manner and designate these
10 areas as renewable energy zones;
- 11 (13) Develop and recommend incentive plans and programs to
12 encourage the development of renewable energy resource
13 projects within the renewable energy zones;
- 14 (14) Assist public and private agencies in identifying the
15 utility transmission projects or infrastructure that
16 are required to accommodate and facilitate the
17 development of renewable energy resources;
- 18 (15) Assist public and private agencies, in coordination
19 with the department of budget and finance, in
20 accessing use of special purpose revenue bonds to
21 finance the engineering, design, and construction of
22 transmission projects and infrastructure that are

1 deemed critical to the development of renewable energy
2 resources;

3 (16) Develop the criteria or requirements for identifying
4 and qualifying specific transmission projects or
5 infrastructure that are critical to the development of
6 renewable energy resources and for which the energy
7 resources coordinator shall assist in accessing the
8 use of special purpose revenue bonds to finance; and

9 [+12+] (17) Adopt rules for the administration of this
10 chapter pursuant to chapter 91[7]; provided that the
11 rules shall be submitted to the legislature for
12 review."

13 PART III

14 RENEWABLE ENERGY RESOURCES

15 SECTION 7. Section 209E-2, Hawaii Revised Statutes, is
16 amended by amending the definition of "qualified business" to
17 read as follows:

18 ""Qualified business" means any corporation, partnership,
19 or sole proprietorship authorized to do business in the [~~State~~]
20 state that is qualified under section 209E-9, subject to the
21 state corporate or individual income tax under chapter 235, and
22 is:

- 1 (1) Engaged in manufacturing, the wholesale sale of
2 tangible personal property as defined in section
3 237-4, or a service business as defined in this
4 chapter;
- 5 (2) Engaged in producing agricultural products where the
6 business is a producer as defined in section 237-5, or
7 engaged in processing agricultural products, all or
8 some of which were grown within an enterprise zone;
- 9 (3) Engaged in research, development, sale, or production
10 of all types of genetically-engineered medical,
11 agricultural, or maritime biotechnology products; or
- 12 (4) Engaged in [~~producing electric power from wind energy~~
13 ~~for sale primarily to a public utility company for~~
14 ~~resale to the public.~~] the development or production
15 of fuels, thermal energy, or electrical energy from
16 renewable resources, including:
- 17 (A) Wind;
- 18 (B) The sun;
- 19 (C) Falling water;
- 20 (D) Biogas, including landfill and sewage-based
21 digester gas;
- 22 (E) Geothermal;

- 1 (F) Ocean water, currents, and waves, including ocean
- 2 thermal energy conversion;
- 3 (G) Biomass, including biomass crops, agriculture and
- 4 animal residues and wastes, and solid waste;
- 5 (H) Biofuels; and
- 6 (I) Hydrogen produced from renewable energy sources."

PART IV

RENEWABLE ENERGY FACILITATOR

9 SECTION 8. Section 201-12.5, Hawaii Revised Statutes, is
10 amended by amending subsection (b) to read as follows:

11 "(b) The renewable energy facilitator shall have the
12 following duties:

13 (1) Facilitate the efficient permitting of renewable
14 energy projects[+], including:

15 (A) The land parcel on which the facility is
16 situated;

17 (B) Any renewable energy production structure or
18 equipment;

19 (C) Any energy transmission line from the facility to
20 a public utility's electricity system; and

- 1 (D) Any on-site infrastructure necessary for the
2 production of electricity or biofuel from the
3 renewable energy site;
- 4 (2) Initiate the implementation of key renewable energy
5 projects by permitting various efficiency improvement
6 strategies identified by the department;
- 7 (3) Administer the day-to-day coordination for renewable
8 energy projects on behalf of the department and the
9 day-to-day operations of the renewable energy facility
10 siting process established in [~~Act 207, Session Laws~~
11 ~~of Hawaii 2008];~~] chapter 201N; and
- 12 (4) Submit periodic reports to the legislature on
13 renewable energy facilitation activities and the
14 progress of the renewable energy facility siting
15 process."

16 **PART V**

17 **RENEWABLE ENERGY PERMITTING**

18 SECTION 9. Section 201N-1, Hawaii Revised Statutes, is
19 amended by amending the definition of "renewable energy
20 facility" or "facility" to read as follows:

21 ""Renewable energy facility" or "facility" means a new
22 facility located in the State with the capacity to produce from

1 renewable energy at least two hundred megawatts of
2 electricity[-]; provided that biofuel production facilities of
3 at least one million gallons per year and electricity production
4 facilities with capacities between five and two hundred
5 megawatts may apply to the coordinator for designation as
6 renewable energy facilities, with the designation to be at the
7 sole discretion of the coordinator. The term includes any of
8 the following associated with the initial permitting and
9 construction of the facility:

- 10 (1) The land parcel on which the facility is situated;
- 11 (2) Any renewable energy production structure or
12 equipment;
- 13 (3) Any energy transmission line from the facility to a
14 public utility's electricity transmission or
15 distribution system;
- 16 (4) Any on-site infrastructure; and
- 17 (5) Any on-site building, structure, other improvement, or
18 equipment necessary for the production of electricity or biofuel
19 from the renewable energy site, transmission of the electricity
20 or biofuel, or any accommodation for employees of the facility."

21 **PART VI**

22 **ENERGY EFFICIENCY PORTFOLIO STANDARDS**

1 SECTION 10. In January 2008, the United States Department
2 of Energy and the State of Hawaii signed a Memorandum of
3 Understanding to strengthen cooperation to implement clean
4 energy technologies that will increase energy efficiency and
5 maximize use of the state's vast and abundant renewable
6 resources. The legislature finds that the establishment of this
7 long-term partnership, called the Hawaii Clean Energy Initiative
8 is designed to transform Hawaii's energy system into one that
9 uses renewable energy and energy-efficient technologies for a
10 significant portion of its energy needs. The partnership aims
11 to put Hawaii on a path to supply seventy per cent of its energy
12 needs using clean energy by 2030, which can significantly reduce
13 Hawaii's current crude oil consumption. The legislature further
14 finds that this type of clean energy transformation will help to
15 stabilize and strengthen Hawaii's economy by reducing its
16 dependency on imported fossil fuels and enhance its environment
17 by sharply reducing greenhouse gas emissions.

18 As a leader in clean energy technologies, the legislature
19 finds that the United States Department of Energy is working
20 with the State of Hawaii to further the potential of its natural
21 resources, including wind, sun, and bioenergy resources, and
22 engage experts in clean energy technology development to help

1 Hawaii to launch projects with public and private sector
2 partners that target opportunities and critical needs for
3 Hawaii's transition to a clean energy economy, including:

- 4 (1) Designing cost-effective approaches for the exclusive
5 use of renewable energy on smaller islands;
- 6 (2) Designing systems to improve the stability of electric
7 grids operating with variable generating sources, such
8 as wind power plants on the islands of Hawaii and
9 Maui;
- 10 (3) Minimizing energy use while maximizing energy
11 efficiency and renewable energy technologies at new
12 large military housing developments;
- 13 (4) Expanding Hawaii's capability to use locally grown
14 crops and byproducts for producing fuel and
15 electricity; and
- 16 (5) Assisting in the development of comprehensive energy
17 regulatory and policy frameworks for promoting clean
18 energy technology use.

19 The legislature further finds that similar to the strategy
20 of establishing a renewable energy portfolio standard, an energy
21 efficiency portfolio standard sets a target of electricity use
22 reduction to be achieved in incremental stages as end-use energy

1 efficiency programs can make a significant and cost-effective
2 contribution to achieving the goals and objectives of the Hawaii
3 Clean Energy Initiative.

4 The purpose of this part is to maximize cost-effective
5 energy efficiency programs and technologies through the
6 establishment of an energy efficiency portfolio standard to
7 achieve electricity use reductions to the maximum extent
8 feasible.

9 SECTION 11. Chapter 269, Hawaii Revised Statutes, is
10 amended by adding a new section to be appropriately designated
11 and to read as follows:

12 "§269- Energy efficiency portfolio standards. (a) The
13 public utilities commission shall establish energy efficiency
14 portfolio standards that will maximize cost-effective energy
15 efficiency programs and technologies.

16 (b) The energy efficiency portfolio standards shall be
17 designed to achieve four thousand three hundred gigawatt hours
18 of electricity use reductions statewide by 2030; provided that
19 the commission shall establish interim goals for electricity use
20 reduction to be achieved by 2015, 2020, and 2025, and may also
21 adjust the 2030 standard by rule or order to maximize cost-
22 effective energy efficiency programs and technologies.

1 (c) The commission shall establish incentives and
2 penalties based on performance in achieving the energy
3 efficiency portfolio standards by rule or order."

4 **PART VII**

5 **SOLAR WATER HEATER SYSTEM**

6 SECTION 12. The purpose of this part is to clarify
7 provisions of Act 204, Session Laws of Hawaii 2008, with respect
8 to variances for solar water heater systems. The legislature
9 finds that the variances provided for in Act 204 will be rarely,
10 if ever, exercised or granted because the burden of proof will
11 lie with the applicant to prove that a solar water heater
12 system, regardless of location or circumstance, is not cost
13 effective in the context of a thirty-year mortgage term. This
14 requires the use of realistic assumptions regarding interest
15 rates, discount rates, inflation rates, and the expected average
16 cost of electricity by island over the thirty-year period,
17 regardless of the cost of electricity, or of oil or some other
18 fossil fuel, at a specific point in time.

19 The legislature also finds that the renewable energy income
20 tax credit needs to remain available for all homes built before
21 January 1, 2010.

1 SECTION 13. Section 196-6.5, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "[+]§196-6.5[+] **Solar water heater system required for new**
4 **single-family residential construction.** (a) On or after
5 January 1, 2010, no building permit shall be issued for a new
6 single-family dwelling that does not include a solar water
7 heater system that meets the standards established pursuant to
8 section 269-44, unless the [~~energy resources coordinator~~] public
9 benefits fee administrator approves a variance. A variance
10 shall only be approved if an architect or mechanical engineer
11 licensed under chapter 464 attests that:

- 12 (1) Installation is impracticable due to poor solar
13 resource;
- 14 (2) Installation is cost-prohibitive based upon a life
15 cycle cost-benefit analysis that incorporates the
16 average residential utility bill and the cost of the
17 new solar water heater system with a life cycle that
18 does not exceed fifteen years;
- 19 (3) A substitute renewable energy technology system, as
20 defined in section 235-12.5, is used as the primary
21 energy source for heating water; or

1 (4) A demand water heater device approved by Underwriters
2 Laboratories, Inc., is installed; provided that at
3 least one other gas appliance is installed in the
4 dwelling~~[-]~~ and the conditions for a variance as set
5 forth in paragraphs (1) or (2) are met. For the
6 purposes of this paragraph, "demand water heater"
7 means a gas-tankless instantaneous water heater that
8 provides hot water only as it is needed.

9 (b) The public benefits fee administrator shall conduct
10 post-installation verification inspections of the water heating
11 technology installed pursuant to this section.

12 ~~[(b)]~~ (c) A request for a variance shall be submitted to
13 the ~~[energy resources coordinator]~~ public benefits fee
14 administrator on an application prescribed by the ~~[energy~~
15 ~~resources coordinator]~~ public benefits fee administrator and
16 shall include, but not be limited to, a description of the
17 location of the property and justification for the approval of a
18 variance using the criteria established in subsection (a). A
19 variance shall be deemed approved if not denied within thirty
20 working days after receipt of the variance application. The
21 public benefits fee administrator shall make public:

- 1 (1) All applications for a variance within seven days
2 after receipt of the variance application; and
- 3 (2) The disposition of all applications for a variance
4 within seven days of the determination on the variance
5 application.

6 [~~e~~] (d) Nothing in this section shall preclude any
7 county from establishing procedures and standards required to
8 implement this section.

9 [~~d~~] (e) Nothing in this section shall preclude
10 participation in any utility demand-side management program or
11 public benefits [~~fund~~] fee under part VII of chapter 269."

12 SECTION 14. Section 235-12.5, Hawaii Revised Statutes, is
13 amended to read as follows:

14 "**§235-12.5 Renewable energy technologies; income tax**
15 **credit.** (a) When the requirements of subsection [~~e~~] (d) are
16 met, each individual or corporate taxpayer that files an
17 individual or corporate net income tax return for a taxable year
18 may claim a tax credit under this section against the Hawaii
19 state individual or corporate net income tax. The tax credit
20 may be claimed for every eligible renewable energy technology
21 system that is installed and placed in service in the State by a
22 taxpayer during the taxable year. [~~This credit shall be~~

1 ~~available for systems installed and placed in service in the~~
2 ~~State after June 30, 2003.]~~ The tax credit may be claimed as
3 follows:

4 ~~[(1) Solar thermal energy systems for:~~

5 ~~(A) Single-family residential property for which a~~
6 ~~building permit was issued prior to January 1,~~
7 ~~2010: thirty-five per cent of the actual cost or~~
8 ~~\$2,250, whichever is less;~~

9 ~~(B) Multi-family residential property: thirty-five~~
10 ~~per cent of the actual cost or \$350 per unit,~~
11 ~~whichever is less; and~~

12 ~~(C) Commercial property: thirty-five per cent of the~~
13 ~~actual cost or \$250,000, whichever is less;~~

14 ~~(2) Wind-powered energy systems for:~~

15 ~~(A) Single-family residential property: twenty per~~
16 ~~cent of the actual cost or \$1,500, whichever is~~
17 ~~less;~~

18 ~~(B) Multi-family residential property: twenty per~~
19 ~~cent of the actual cost or \$200 per unit,~~
20 ~~whichever is less; and~~

21 ~~(C) Commercial property: twenty per cent of the~~
22 ~~actual cost or \$500,000, whichever is less; and~~

- 1 ~~(3) Photovoltaic energy systems for:~~
- 2 ~~(A) Single-family residential property: thirty-five~~
3 ~~per cent of the actual cost or \$5,000, whichever~~
4 ~~is less;~~
- 5 ~~(B) Multi-family residential property: thirty-five~~
6 ~~per cent of the actual cost or \$350 per unit,~~
7 ~~whichever is less; and~~
- 8 ~~(C) Commercial property: thirty-five per cent of the~~
9 ~~actual cost or \$500,000, whichever is less;]~~

- 10 (1) For each solar energy system: thirty-five per cent of
11 the actual cost or the cap amount determined in
12 subsection (b), whichever is less; or
- 13 (2) For each wind-powered energy system: twenty per cent
14 of the actual cost or the cap amount determined in
15 subsection (b), whichever is less;

16 provided that multiple owners of a single system shall be
17 entitled to a single tax credit; and provided further that the
18 tax credit shall be apportioned between the owners in proportion
19 to their contribution to the cost of the system.

20 In the case of a partnership, S corporation, estate, or
21 trust, the tax credit allowable is for every eligible renewable
22 energy technology system that is installed and placed in service

1 in the State by the entity. The cost upon which the tax credit
2 is computed shall be determined at the entity level.
3 Distribution and share of credit shall be determined pursuant to
4 section 235-110.7(a).

5 (b) The amount of credit allowed for each eligible
6 renewable energy technology system shall not exceed the
7 applicable cap amount, which is determined as follows:

8 (1) If the primary purpose of the solar energy system is
9 to use energy from the sun to heat water for household
10 use, then the cap amounts shall be:

11 (A) \$2,250 per system for single-family residential
12 property;

13 (B) \$350 per unit per system for multi-family
14 residential property; and

15 (C) \$250,000 per system for commercial property.

16 (2) For all other solar energy systems, the cap amounts
17 shall be:

18 (A) \$5,000 per system for single-family residential
19 property;

20 (B) \$350 per unit per system for multi-family
21 residential property; and

22 (C) \$500,000 per system for commercial property.

1 (3) For all wind-powered energy systems, the cap amounts
2 shall be:

3 (A) \$1,500 per system for single-family residential
4 property;

5 (B) \$200 per unit per system for multi-family
6 residential property; and

7 (C) \$500,000 per system for commercial property.

8 [~~b~~] (c) For the purposes of this section:

9 "Actual cost" means costs related to the renewable energy
10 technology systems under subsection (a), including accessories
11 and installation, but not including the cost of consumer
12 incentive premiums unrelated to the operation of the system or
13 offered with the sale of the system and costs for which another
14 credit is claimed under this chapter.

15 "Household use" means any use that heated water is commonly
16 put to in a residential setting, including commercial
17 application of those uses.

18 "Renewable energy technology system" means a new system
19 that captures and converts a renewable source of energy, such as
20 [~~wind, heat (solar thermal), or light (photovoltaic) from the~~
21 ~~sun~~] solar or wind energy, into:

22 (1) A usable source of thermal or mechanical energy;

1 (2) Electricity; or

2 (3) Fuel.

3 "Solar or wind energy system" means any identifiable
4 facility, equipment, apparatus, or the like that converts
5 [~~insolation~~] solar or wind energy to useful thermal or
6 electrical energy for heating, cooling, or reducing the use of
7 other types of energy that are dependent upon fossil fuel for
8 their generation.

9 [~~(c)~~] (d) For taxable years beginning after December 31,
10 2005, the dollar amount of any utility rebate shall be deducted
11 from the cost of the qualifying system and its installation
12 before applying the state tax credit.

13 [~~(d)~~] (e) The director of taxation shall prepare any forms
14 that may be necessary to claim a tax credit under this section,
15 including forms identifying the technology type of each tax
16 credit claimed under this section, whether for [~~solar thermal,~~
17 ~~photovoltaic from the sun,~~] solar or wind. The director may
18 also require the taxpayer to furnish reasonable information to
19 ascertain the validity of the claim for credit made under this
20 section and may adopt rules necessary to effectuate the purposes
21 of this section pursuant to chapter 91.

1 [~~(e)~~] (f) If the tax credit under this section exceeds the
2 taxpayer's income tax liability, the excess of the credit over
3 liability may be used as a credit against the taxpayer's income
4 tax liability in subsequent years until exhausted. All claims
5 for the tax credit under this section, including amended claims,
6 shall be filed on or before the end of the twelfth month
7 following the close of the taxable year for which the credit may
8 be claimed. Failure to comply with this subsection shall
9 constitute a waiver of the right to claim the credit.

10 [~~(f)~~] (g) By or before December, 2005, to the extent
11 feasible, using existing resources to assist the energy-
12 efficiency policy review and evaluation, the department shall
13 assist with data collection on the following:

14 (1) The number of renewable energy technology systems that
15 have qualified for a tax credit during the past year
16 by:

17 (A) Technology type (solar thermal, photovoltaic from
18 the sun, and wind); and

19 (B) Taxpayer type (corporate and individual); and

20 (2) The total cost of the tax credit to the State during
21 the past year by:

22 (A) Technology type; and

1 (B) Taxpayer type.

2 [~~(g)~~] (h) For systems installed and placed in service in
3 2009, no residential home developer shall be entitled to claim
4 the credit under subsections (a) (1) [~~(A)~~] and (a) (2) [~~(A)~~], and
5 ~~(a) (3) (A)]~~. A residential home developer is defined as a person
6 who holds more than one residential dwelling for sale as
7 inventory.

8 (i) No taxpayer shall be allowed a credit under this
9 section for the portion of a renewable energy technology system
10 required by section 196-6.5 that is installed and placed in
11 service on any newly constructed single-family residential
12 property authorized by a building permit issued on or after
13 January 1, 2010.

14 (j) This section shall apply to eligible renewable energy
15 technology systems that are installed and placed in service on
16 or after July 1, 2009."

17 SECTION 15. Section 269-44, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "~~[f]~~**\$269-44**~~[f]~~ **Solar water heater system standards.** Not
20 later than [~~July 1, 2009,~~] January 1, 2010, or as soon as
21 reasonably practicable, the public utilities commission shall
22 adopt [~~or establish by rule, tariff, or order,~~] standards for

1 solar water heater systems [~~to include, but not be limited to,~~
2 ~~specifications for the performance, materials, components,~~
3 ~~durability, longevity, proper sizing, installation, and quality~~
4 ~~to promote the objectives of section 269-124.]; provided that
5 the public utilities commission may contract with the public
6 benefits fee administrator for the development of standards that
7 may be adopted by the public utilities commission."~~

8 **PART VIII**

9 **MISCELLANEOUS**

10 SECTION 16. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 17. This Act shall take effect on July 1, 2009.

Report Title:

Renewable Energy; Energy Efficiency.

Description:

Provides for and encourages renewable energy use and development, and energy efficiency. (SD1)