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# A BILL FOR AN ACT

RELATING TO ENERGY RESOURCES.

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

1 **PART I**

2 **RENEWABLE PORTFOLIO STANDARDS**

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

6 **"§342B- Fossil fuel electricity generating facilities.**

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

14 (b) Effective July 1, 2009, no covered source that is  
15 owned or operated by an electricity-generating public utility,  
16 as defined in section 269-1, with a rated capacity of more than  
17 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           **"§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,l  
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 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  
19 or biofuel from the renewable energy site,  
20 transmission of the electricity or biofuel, or any  
21 accommodation for employees of the facility."



1 resources, including wind, sun, and bioenergy resources, and  
2 engage experts in clean energy technology development to help  
3 Hawaii to launch projects with public and private sector  
4 partners that target opportunities and critical needs for  
5 Hawaii's transition to a clean energy economy, including:

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

21 The legislature further finds that similar to the strategy  
22 of establishing a renewable energy portfolio standard, an energy

1 efficiency portfolio standard sets a target of electricity use  
2 reduction to be achieved in incremental stages as end-use energy  
3 efficiency programs can make a significant and cost-effective  
4 contribution to achieving the goals and objectives of the Hawaii  
5 Clean Energy Initiative.

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

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

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

18 (b) The energy efficiency portfolio standards shall be  
19 designed to achieve four thousand three hundred gigawatt hours  
20 of electricity use reductions statewide by 2030; provided that  
21 the commission shall establish interim goals for electricity use  
22 reduction to be achieved by 2015, 2020, and 2025, and may also

1 adjust the 2030 standard by rule or order to maximize cost-  
2 effective energy efficiency programs and technologies.

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

6 **PART VII**

7 **SOLAR WATER HEATER SYSTEM**

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

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

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

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

- 15           (1) Installation is impracticable due to poor solar  
16           resource;
- 17           (2) Installation is cost-prohibitive based upon a life  
18           cycle cost-benefit analysis that incorporates the  
19           average residential utility bill and the cost of the  
20           new solar water heater system with a life cycle that  
21           does not exceed fifteen years;

1 (3) A substitute renewable energy technology system, as  
2 defined in section 235-12.5, is used as the primary  
3 energy source for heating water; or

4 (4) A demand water heater device approved by Underwriters  
5 Laboratories, Inc., is installed; provided that at  
6 least one other gas appliance is installed in the  
7 dwelling. For the purposes of this paragraph, "demand  
8 water heater" means a gas-tankless instantaneous water  
9 heater that provides hot water only as it is needed.

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

13 [~~(b)~~] (c) A request for a variance shall be submitted to  
14 the [~~energy resources coordinator~~] public benefits fee  
15 administrator on an application prescribed by the [~~energy~~  
16 ~~resources coordinator~~] public benefits fee administrator and  
17 shall include, but not be limited to, a description of the  
18 location of the property and justification for the approval of a  
19 variance using the criteria established in subsection (a). A  
20 variance shall be deemed approved if not denied within thirty  
21 working days after receipt of the variance application. The  
22 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 "~~[§]§269-44[§]~~ **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, 2046.

**Report Title:**

Renewable Energy; Energy Efficiency

**Description:**

Provides for and encourages renewable energy use and development, and energy efficiency. Prohibits electric utilities from increasing generating capacity using fossil fuels. Increases requirements for renewable energy portfolio standard. Expands duties of energy resources coordinator. Allows businesses that produce electricity using certain renewable energy resources to qualify for enterprise zone benefits. Effective date is 7/1/2046. (SD2)