



LURF

LAND USE RESEARCH
FOUNDATION OF HAWAII
700 Bishop Street, Ste. 1928
Honolulu, Hawaii 96813
Phone 521-4717
Fax 536-0132

Via Capitol Website

February 3, 2009

**Senate Committee on Energy and Environment
Hearing Date: Tuesday, February 3, 2009, 2:45 p.m. in CR 225**

**Testimony in Support of Increased Tax Credit Incentives
and in Opposition to Mandatory Solar Water Heaters
SB 151 – Relating to Renewable Energy
(Mandatory solar water heaters for new townhouses and condominiums
and increased tax credits)**

Honorable Chair Mike Gabbard, Vice-Chair J. Kalani English
& Energy and Environment Committee Members:

My name is David Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF and its members understand that Hawaii is particularly at risk during times of energy shortages, that we must reduce our dependence on fossil fuels and that we must start to employ other clean and efficient sources of energy for our residences. As such, LURF members support and employ solar energy or comparable renewable energy devices in their residential projects, and are taking the following position regarding this bill:

- LURF supports the general intent of this SB 151, and **strongly supports the increase in tax credit incentives** for solar thermal energy systems for single family, multi-family and commercial properties, as well as the increased tax incentives for photovoltaic energy systems.
- LURF is **opposed to the repeal of those tax credits**, as provided in the bill; and
- LURF is also **opposed to the mandatory solar water system provisions for new townhouses and condominiums in the current version of SB 151.**

SB 151. The purposes of SB 151, are as follows:

- To mandate that all new townhouses and condominiums, which acquire a building permit after January 1, 2010, to include a solar water heating system;
- To increase the tax credits for solar thermal energy systems for single-family residential property from the current thirty-five percent of the actual cost or \$2,500, whichever is less, to fifty percent of the actual cost, or \$5,000, whichever is less;
- To increase the tax credits for solar thermal energy systems for multi-family residential property from the current thirty-five percent of the actual cost or \$350 per unit, whichever is less, to fifty percent of the actual cost, or \$1,000 per unit, whichever is less;
- To increase the tax credits for solar thermal energy systems for commercial properties from the current thirty-five percent of the actual cost or \$250,000, whichever is less, to fifty percent of the actual cost, or \$250,000, whichever is less;
- To increase the tax credits for photovoltaic energy systems for single-family residential property from the current thirty-five percent of the actual cost or \$5,000, whichever is less, to seventy-five percent of the actual cost, or \$12,500, whichever is less;
- To increase the tax credits for photovoltaic energy systems for multi-family residential property from the current thirty-five percent of the actual cost or \$350 per unit, whichever is less, to seventy-five percent of the actual cost, or \$1000 per unit, whichever is less;
- To increase the tax credits for solar thermal energy systems for commercial properties from the current thirty-five percent of the actual cost or \$500,000, whichever is less, to seventy percent of the actual cost, or \$1,000,000, whichever is less;
- The bill also includes provisions for repeal of the tax credits by the Energy Resources Coordinator under certain conditions.

LURF's Position. While we agree that we, as a community, should work to conserve more energy, and we fully support the increase in tax credits, we also believe that the choice of energy conservation devices should be governed by market forces and government incentives, rather than by mandatory government regulations. Thus, we oppose the solar mandate on townhouses and condominiums, based on, among other things, the following:

- "If it ain't broke, don't fix it." The present system of rebates and incentives are working, there is no need for any additional regulation or increased costs to new homeowners;
- We believe the choice to install a solar thermal energy system should be left to each individual homeowner.
- This mandatory legislation will increase the sales prices of homes in Hawaii since the cost of a solar thermal energy systems and installation will be "passed-on" to the new homebuyer.
- The increased sales prices caused by this bill will adversely impact the ability of new homebuyers to qualify for mortgage loans.
- Solar mandates will also cause the loss of HECO rebates for homeowners;
- The regulatory process established by this bill is subjective, confusing, unenforceable and of questionable legality;

- Instead of mandatory legislation, the legislature should encourage making solar thermal energy devices or comparable renewable energy devices “cost-neutral” to new homebuyers and developers, by providing up front credits and incentives to developers to counteract the detrimental consequences of this mandate – which will result in increased costs of such devices (which will be passed-on to new homebuyers) and the resulting increased prices of new homes.
- Philosophically, this is the classic “Carrot versus the Stick” approach to influence peoples’ behavior. We prefer the “carrot” approach and would recommend that incentives be increased for developers of new residential projects who install energy conservation devices, rather than require compliance through legislation. If the legislature grants sufficient incentives and tax credits to developers of new residential development projects, then the impact of this legislation could be cost-neutral for new homebuyers.
- The purported purpose of the bill is to significantly reduce the State’s dependence on imported oil over time, however, it is curious that this bill does not require solar thermal energy systems to be installed on all state buildings. Instead, it only focuses on government requirements which would increase the costs of new townhouse or condominium developments. If the stated purpose of the bill is true, one wonders why government does not impose the same requirements upon itself.

Other Concerns

- **Broad exceptions are unenforceable.** The regulatory process established by this bill remains subjective, confusing and unenforceable. The criteria for granting exceptions (“impracticable due to poor solar resource;” or “cost prohibitive”) are subjective, lack consistent application, and therefore, are unenforceable. There are no definitions or technical standards to define “impracticable” or “cost prohibitive,” thus each architect or engineer can create their own interpretations to justify exceptions.
- **Effective Date.** The bill, which would go into effect on January 1, 2010, is impracticable and not feasible especially in these hard economic times for developers and even small lot owners who want to develop a multi-family residential units. The date of implementation will also cause increased townhouse and condominium prices, and will impose a hardship on families wanting to purchase a residence.

Thank you for the opportunity to express our concerns on this matter.

**Testimony Before the Senate Committee
On
Energy and Environment**

February 3, 2009 (2:45 PM)

S.B. 151 RELATING TO ENERGY

**By: Joanne Ide
Energy Services Department
Hawaiian Electric Company, Inc.**

Chair Gabbard, Vice Chair English and Members of the Committee:

My name is Joanne Ide, and I represent Hawaiian Electric Company (HECO) and its subsidiary utilities, Hawaii Electric Light Company (HELCO) and Maui Electric Company (MECO). I appreciate the opportunity to present testimony on S.B. 151.

HECO supports language in this bill to make tax credits available for eligible renewable energy technology systems. However, HECO recommends clarifying the eligibility criteria to include installations of solar water heating systems on existing single-family dwellings, townhouses or condominiums made after January 1, 2010. The existing language is confusing because the tax credits apply only to "properties for which building permits were issued prior to January 1, 2010". Building permits are required to install a solar water heating system. Thus, taken literally, a solar water heating system installed on an existing home with a building permit dated after January 1, 2010 would not be eligible for the tax credit.

HECO further recommends the following language in the bill be clarified, "On or after January 1, 2010, no building permit shall be issued for a single-family, townhouse, or condominium that does not include a solar water heater system." Since a building permit is required to install a solar water heating system, this language could be interpreted as not allowing a building permit to install a solar water heating system on homes that do not have solar water heating systems after January 1, 2010.

HECO also recommends eliminating the option for gas tankless instantaneous water heaters to replace solar water heaters. The inclusion of that option in Act 204 contradicts claims that the Act supports renewable energy.

HECO prefers the language contained in S.B. 390 regarding the eligibility criteria of issuing a building permit on or after January 1, 2010 as well as the requirements of the variance application.

Thank you for this opportunity to testify on this measure.