

# H.B. NO. 1053

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## A BILL FOR AN ACT

RELATING TO HAWAII'S CLEAN ENERGY INITIATIVE IN ENERGY EFFICIENCY.

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

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### PART I

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SECTION 1. Attaining independence from our detrimental reliance on fossil fuels has been a long-standing objective for the State.

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Hawaii is the most petroleum dependent State for its energy needs. It pays the highest electricity prices in the United States, and its gasoline costs are among the highest in the country. Fuel surcharges that pass the increases in fuel costs to consumers have significantly increased the cost of over 80 percent of the goods and services sold in Hawaii. Household fuels and utilities costs rose 36.4 percent, from the previous year, as reflected in the Honolulu Consumer Price Index during the second quarter of 2008. Hawaii's energy costs approach 11 percent of its Gross Domestic Product, whereas in most states energy costs are 4 percent of Gross Domestic Product. Between 2005 and 2008, state government consumption of electricity increased 3.9 percent, but expenditures increased 56.8 percent.

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1 Reducing our oil dependence and the consequent price  
2 volatility and attaining a measure of energy security is  
3 critical. More than 96 percent of petroleum in Hawaii now comes  
4 from foreign sources. Clean energy from indigenous renewable  
5 resources, has the potential to provide an estimated 150 percent  
6 of current installed electrical capacity.

7 On January 28, 2008, the signing of a Memorandum of  
8 Understanding between the State of Hawaii and the United States  
9 Department of Energy launched the Hawaii Clean Energy  
10 Initiative. This initiative and long-term partnership between  
11 Hawaii and USDOE is aimed at accelerating the use and  
12 development of energy efficiency and renewable energy  
13 technologies; allowing Hawaii to serve as a model and  
14 demonstration for the United States and other island  
15 communities; and developing a national partnership to accelerate  
16 system transformation, whereby the following goals are attained:

- 17 (1) Achieve a 70 percent clean energy economy for Hawaii  
18 within a generation.
- 19 (2) Increase Hawaii's energy security.
- 20 (3) Capture economic benefits of clean energy for all levels  
21 of society.
- 22 (4) Contribute to greenhouse gas reduction.

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1 (5) Foster and demonstrate innovation.

2 (6) Build the workforce of the future.

3 (7) Serve as a national model.

4 The purpose of this Act is to provide a first step in  
5 aligning Hawaii's energy policy laws with the State's energy  
6 goals. For Hawaii to realize energy independence and economic  
7 stability, the transformation of its energy system must  
8 encompass changes to:

9 (1) Hawaii's policy or regulatory framework;

10 (2) System-level technology development and integration;

11 (3) Financing or capital investment; and

12 (4) Institutional system planning.

13 Energy efficiency can contribute significantly towards the  
14 goal of utilizing clean energy in meeting 70 percent of Hawaii's  
15 energy demand by 2030. Of the 70 percent, analysis has  
16 determined that 40 percent can be accomplished through renewable  
17 energy initiatives. The remaining 30 percent must be  
18 achieved through energy efficiency measures, which equates to  
19 4300 gigawatt-hours of the total electrical load in 2030. The  
20 Hawaii Clean Energy Initiative set goals for energy efficiency  
21 that were developed by the U.S. Department Of Energy; the  
22 department of business, economic development, and tourism; and

1 members of Hawaii's clean energy initiative working groups  
2 during 2008. This effort presents a range of measures—some  
3 proven elsewhere, some innovative—to reach aggressive energy  
4 goals while balancing the interests of various stakeholders.

5 PART II

6 ENERGY EFFICIENCY

7 SECTION 2. The Hawaii Revised Statutes, is amended by  
8 adding a new section to be appropriately designated and to read  
9 as follows:

10 § \_\_\_\_\_ Energy efficiency portfolio standard. The State  
11 shall set an energy efficiency portfolio standard with the goal  
12 of off-setting forecasted load growth in the electricity sector  
13 from 2009 to 2030.

14 The statewide target shall be 4,300 gigawatt-hours of  
15 electricity savings by 2030. The interim targets, and any  
16 island by island targets, shall be set by the public utilities  
17 commission.

18 The public utilities commission shall identify the parties  
19 who are responsible for each element of the standard and set  
20 incentives and penalties based on performance by each entity.



1 Renewable substitution, including but not limited to solar  
2 water heating and sea water air conditioning, shall count toward  
3 this standard.

4 The administrator of the public benefits fee, whether the  
5 utility or a third party, will be responsible for reaching this  
6 level of energy efficiency by instituting efficiency programs  
7 across all end use sectors. The administrator will submit  
8 annual reports to the public utilities commission by March 1 of  
9 each year, beginning March 1, 2010, reporting energy efficiency  
10 savings achieved during the previous calendar year. The public  
11 utilities commission shall monitor and evaluate progress against  
12 this standard.

13 Penalties for not meeting the standard shall be established  
14 by the public utilities commission."

15 SECTION 3. The Hawaii Revised Statutes, is amended by  
16 adding a new section to be appropriately designated and to read  
17 as follows:

18 "§ \_\_\_\_\_ **Energy efficiency studies and planning.** The public  
19 benefits fee administrator shall expend \$500,000 from the public  
20 benefit fee to conduct energy efficiency assessments to identify  
21 current energy use patterns in this State and areas of greatest  
22 potential for energy efficiency savings. The assessments shall

1 include end use research regarding Hawaii's homes, businesses,  
2 and other utility customers. The energy potential assessments  
3 shall identify and recommend energy efficiency programs to  
4 target.

5 The assessments shall be forwarded to the legislature, the  
6 public utilities commission, the energy resources coordinator,  
7 and the utilities.

8 The assessments shall be completed by December 31, 2010.

9 The public benefits fee administrator will establish  
10 aggressive efficiency plans with the provision that efficiency  
11 will be the first loaded resource in all cases where it is cost  
12 effective. Cost effectiveness shall be defined as all resources  
13 deemed to effectively cover the incremental cost of investment  
14 within 15 years when measured against average electricity rates  
15 for residential, small commercial, large commercial, industrial,  
16 and agricultural customers.

17 To the extent that the building code changes between  
18 efficiency plans, the net impact of the code shall be netted out  
19 of the requirements.

20 Until the full energy efficiency plan is available, the  
21 public utilities commission, department of business, economic  
22 development, and tourism, utilities, and the public benefits fee

1 administrator shall work with stakeholders to identify a small  
2 set of cost-effective energy efficiency measures that will have  
3 high energy-saving impact and can be implemented in significant  
4 volumes with high penetration goals, so the State can begin  
5 realizing energy savings immediately."

6 SECTION 4. The Hawaii Revised Statutes, is amended by  
7 adding a new section to be appropriately designated and to read  
8 as follows:

9 "§ \_\_\_\_\_ **Building codes.** The public benefits fee  
10 administrator shall expend \$600,000 from the public benefits fee  
11 to implement the following responsibilities.

12 The public benefits fee administrator shall set up  
13 procedures for and conduct measurement and verification of  
14 buildings and homes constructed under the code to assess code  
15 compliance and building performance. The results will help  
16 inform necessary changes to the code and code training delivery  
17 in subsequent amendments.

18 The public benefits fee administrator shall conduct an  
19 analysis of the energy intensity of residential and commercial  
20 buildings built to code compared to baseline homes.

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1       The public benefits fee administrator shall conduct surveys  
2 of builders to determine actual costs associated with meeting  
3 code for residential and commercial buildings.

4       Results of these analyses and surveys shall be delivered to  
5 the legislature twenty days prior the convening of each  
6 legislative session. Each report shall include recommendations  
7 for building code updates, which can be provided to the state  
8 building code council as petitions for rules changes.

9       The public benefits fee administrator shall assess the  
10 feasibility of implementing a net zero energy building code for  
11 residential and commercial construction.

12       The public benefits fee administrator shall recommend  
13 technical code amendments to the international energy  
14 conservation codes in order to take advantage of Hawaii's  
15 climate.

16       Building code analysis shall also consider the costs and  
17 benefits of requiring: advanced meters and energy "dashboard"  
18 technologies that improve the ability of the occupant to monitor  
19 and improve building performance, cool roof standards; that the  
20 roofs of new homes be solar-ready; that all homes built or  
21 rehabilitated in this State have and present an energy label;  
22 and any other measures that can improve the ability of the

1 homeowner to better understand and manage the homeowner's energy  
2 use.

3 The public benefits fee administrator shall create building  
4 energy efficiency commissioning guidelines appropriate for  
5 building practices including recommending enforcement mechanisms  
6 in this State by January 1, 2010."

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

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

- 18 (1) Installation is impracticable due to poor solar  
19 resource;
- 20 (2) Installation is cost-prohibitive based upon a life  
21 cycle cost-benefit analysis that incorporates the  
22 average residential utility bill and the cost of the

1 new solar water heater system with a life cycle that  
2 does not exceed fifteen years;

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

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

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

1 (c) Nothing in this section shall preclude any county from  
2 establishing procedures and standards required to implement this  
3 section.

4 (d) Nothing in this section shall preclude participation in  
5 any utility demand-side management program or public benefits  
6 fund under part VII of chapter 269."

7 SECTION 6. The Hawaii Revised Statutes, is amended by  
8 adding a new section to be appropriately designated and to read  
9 as follows:

10 "§        **Public buildings.** (a) Each state department with  
11 responsibilities for the design and construction of buildings and  
12 facilities shall benchmark every existing public building that is  
13 either larger than 5000 square feet or uses more than 8000  
14 kilowatt-hour per year by December 31, 2010, and use the  
15 benchmark as a basis in determining the State's investment in  
16 improving the efficiency of its own building stock. Benchmarking  
17 shall be conducted using the ENERGY STAR portfolio management  
18 tool or an equivalent tool, as determined by the public benefits  
19 fee administrator. The public benefits fee administrator shall  
20 provide training to affected departments on the ENERGY STAR  
21 portfolio management tool or an equivalent tool.

1 Public buildings shall be retro-commissioned not less than  
2 every five years. The public benefits fee administrator shall  
3 create retro-commissioning guidelines by January 1, 2010.

4 Departments may enter into energy savings performance  
5 contracts with a third party to cover the capital costs of  
6 energy efficiency measures and distributed generation as long as  
7 the terms of the energy savings performance contracts conform to  
8 this standard. The comptroller may review and exempt specific  
9 projects as appropriate to take into account cost-effectiveness.

10 Energy savings performance contracts shall be executed  
11 according to state guidelines issued by the comptroller and  
12 reviewed by the comptroller. To expedite energy saving  
13 performance contracting for public buildings, the department of  
14 accounting and general services shall develop a master energy  
15 savings performance contracts agreement that any department may  
16 use to contract with an energy savings performance contracts  
17 provider for energy efficiency and renewable energy services.

18 Existing public buildings that undergo a major retrofit or  
19 renovation shall make investments in efficiency, provided that  
20 the cost of the measures shall be recouped within twenty years."



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1 SECTION 7. The Hawaii Revised Statutes, is amended by  
2 adding a new section to be appropriately designated and to read  
3 as follows:

4 "§ On-bill financing for energy efficiency and  
5 renewable energy. By December 31, 2009, the public utilities  
6 commission shall institute a rule governing the on-bill  
7 financing program, to be administered by the public benefits fee  
8 administrator.

9 The program's goals are to change out inefficient  
10 refrigerators, install solar water heaters, and install  
11 photovoltaic systems. The public utilities commission shall  
12 establish the details of this program."

13 SECTION 8. Chapter 235, Hawaii Revised Statutes, is  
14 amended by adding a new section to be appropriately designated  
15 and to read as follows:

16 "§ 235- Tax credit for a net zero energy building.

17 (a) There shall be allowed to each taxpayer who owns a net zero  
18 energy building fixed to real property located in the state an  
19 income tax credit which shall be deductible from the taxpayer's  
20 net income tax liability, if any, imposed by this chapter only  
21 for the first taxable year in which the building meets the  
22 definition of net zero energy building.

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1        (b) The amount of the credit shall be:

2        (1) For a building that is up to 1000 square feet, the tax  
3        credit shall be \$9.00 per square foot;

4        (2) For a building that is more than 1000 square feet but  
5        less than 4,000 square feet, the tax credit shall be  
6        \$6.00 per square foot;

7        (3) For a building that is more than 4,000 square feet, the  
8        tax credit shall be \$3.00 per square foot for a  
9        maximum credit of \$50,000.

10       (c) In the case of a partnership, S corporation, estate,  
11       or trust, the tax credit allowable is for every net zero energy  
12       building owned by the entity. Distribution and share of the  
13       credit shall be determined pursuant to section 235-110.7(a).

14       In the case of a building owned by more than one person,  
15       the tax credit shall be determined as if owned by one person,  
16       and then apportioned among the various owners in proportion to  
17       their ownership interest in the building.

18       (d) For purposes of this section:

19       "Net zero energy building" means any building that produces  
20       more electricity from renewable energy technology systems than  
21       it consumes from all sources on a monthly basis during any 9  
22       months of the tax year.

1       "Renewable energy technology system" means a system that  
2 captures and converts a renewable source of energy into  
3 electricity.

4       (e) The director of taxation shall prepare any forms that  
5 may be necessary to claim a tax credit under this section. The  
6 director of taxation may require the taxpayer to furnish  
7 reasonable information to ascertain the validity of the claim  
8 for credit made under this section and may adopt rules necessary  
9 to effectuate the purposes of this section pursuant to chapter  
10 91.

11       (f) If the tax credit under this section exceeds the  
12 taxpayer's income tax liability, the excess of the credit over  
13 liability may be used as a credit against the taxpayer's income  
14 tax liability in subsequent years until exhausted. All claims  
15 for the tax credit under this section, including amended claims,  
16 shall be filed on or before the end of the twelfth month  
17 following the close of the taxable year for which the credit may  
18 be claimed. Failure to comply with this subsection shall  
19 constitute a waiver of the right to claim the credit.

20       (g) This section shall apply to taxable years beginning  
21 after December 31, 2009, and shall not apply to taxable years  
22 beginning after December 31, 2019.

1        (h) Taxpayers claiming tax credits for renewable energy  
2 systems under this section are not eligible for tax credits  
3 under section 235-12.5.

4        (i) (1) If, during any taxable year, a net zero energy  
5 building ceases to be a net zero energy building and is owned by  
6 the taxpayer who claimed the tax credit, then the tax credit  
7 shall be recaptured. To recapture, the taxpayer must add to  
8 taxable income for the taxable year in which the building ceases  
9 to be a net zero energy building, the amount of the recapture  
10 percentage of the credits allowed and claimed under this  
11 section.

12        (2) For purposes of subsection (1), the recapture  
13 percentage shall be determined in accordance with the  
14 following:

15        If the property ceases to be a net zero energy building  
16 within the time specified, then the recapture percentage is:

- 17                (A) One full year after the taxable year in  
18                         which the credit is claimed: 100 percent.
- 19                (B) One full year after the close of the period  
20                         described in clause (A) 80 percent.
- 21                (C) One full year after the close of the period  
22                         described in clause (B) 60 percent.

1 (D) One full year after the close of the period  
2 described in clause (C) 40 percent.

3 (E) One full year after the close of the period  
4 described in clause (D) 20 percent.

5 (j) If a deduction is taken under section 179 of the  
6 Internal Revenue Code of 1986 amended, no tax credit shall be  
7 allowed for that portion of the cost for which the deduction is  
8 taken.

9 (k) The basis of eligible property for depreciation or  
10 accelerated cost recovery system purposes for state income taxes  
11 shall be reduced by the amount of credit allowable and claimed.  
12 In the alternative, the taxpayer shall treat the amount of the  
13 credit allowable and claimed as a taxable income item for the  
14 taxable year in which it is properly recognized under the method  
15 of accounting used to compute taxable income."

16 SECTION 9. The Hawaii Revised Statutes, is amended by  
17 adding a new section to be appropriately designated and to read  
18 as follows:

19 "§ Consumer information. Prior to the sale or  
20 leasing of property, property owners and lessors shall provide  
21 the last utility bills for the most recent three month period  
22 for property for sale or lease while occupied. If the property

1 does not have a utility account number, the property owner or  
2 lessor is not required to meet this requirement.

3 The public benefits fee administrator shall develop  
4 programs and information to educate financial institutions,  
5 realtors, mortgage brokers, and consumers on the economics of  
6 energy efficient properties, including savings over the life-  
7 cycle of such properties."

8 PART III

9 RENEWABLE ENERGY INCOME TAX CREDITS

10 SECTION 10. Section 235-12.5, Hawaii Revised Statutes, is  
11 amended to read as follows:

12 **"§235-12.5 Renewable energy technologies; income tax**  
13 **credit.** (a) When the requirements of subsection ~~[(e)]~~ (d) are  
14 met, each individual or corporate taxpayer that files an  
15 individual or corporate net income tax return for a taxable year  
16 may claim a tax credit under this section against the Hawaii  
17 state individual or corporate net income tax. The tax credit  
18 may be claimed for every eligible renewable energy technology  
19 system that is installed and placed in service in the State by a  
20 taxpayer during the taxable year. ~~[This credit shall be~~  
21 ~~available for systems installed and placed in service in the~~

1 ~~State after June 30, 2003.]~~ The tax credit may be claimed as  
2 follows:

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

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

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

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

13 For each solar energy system: thirty-five percent of  
14 the actual cost or the cap amount determined in  
15 subsection (b), whichever is less; or

16 (2) ~~[Wind-powered energy systems for:~~

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

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

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

3           ~~(3) Photovoltaic energy systems for:~~

4           ~~(A) Single-family residential property: thirty-five~~  
5                           ~~per cent of the actual cost or \$5,000, whichever~~  
6                           ~~is less;~~

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

10           ~~(C) Commercial property: thirty-five per cent of the~~  
11                           ~~actual cost or \$500,000, whichever is less;]~~

12           For each wind-powered energy system: twenty percent  
13                           of the actual cost or the cap amount determined in  
14                           subsection (b), whichever is less;

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

19           In the case of a partnership, S corporation, estate, or  
20 trust, the tax credit allowable is for every eligible renewable  
21 energy technology system that is installed and placed in service  
22 in the State by the entity. The cost upon which the tax credit is



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1 computed shall be determined at the entity level. Distribution  
2 and share of credit shall be determined pursuant to section 235-  
3 110.7(a).

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

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

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

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

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

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

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

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

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

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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 system that  
19        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.

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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~~[-]~~, unless  
5 otherwise elected by the taxpayer pursuant to subsection (g) or  
6 (h). All claims for the tax credit under this section,  
7 including amended claims, shall be filed on or before the end of  
8 the twelfth month following the close of the taxable year for  
9 which the credit may be claimed. Failure to comply with this  
10 subsection shall constitute a waiver of the right to claim the  
11 credit.

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

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

19           ~~(A) Technology type (solar thermal, photovoltaic from~~  
20                   ~~the sun, and wind); and~~

21           ~~(B) Taxpayer type (corporate and individual); and~~

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1       ~~(2) The total cost of the tax credit to the State during~~  
2           ~~the past year by:~~  
3           ~~(A) Technology type; and~~  
4           ~~(B) Taxpayer type.]~~

5       For solar energy systems, a taxpayer may elect to reduce  
6       the eligible credit amount by thirty percent and if this reduced  
7       tax credit exceeds the amount of income tax payment due from the  
8       taxpayer, the excess of the credit over payments due shall be  
9       refunded to the taxpayer; provided that tax credits properly  
10       claimed by a taxpayer who has no income tax liability shall be  
11       paid to the taxpayer; and provided further that no refund on  
12       account of the tax credit allowed by this section shall be made  
13       for amounts less than \$1.

14       The election required by this subsection shall be made in a  
15       manner prescribed by the director on the taxpayer's return for  
16       the taxable year in which the system is installed and placed in  
17       service. A separate election may be made for each separate  
18       system that generates a credit. An election once made is  
19       irrevocable.

20       ~~[(g)] (h) [For systems installed and placed in service in~~  
21       ~~2009, no residential home developer shall be entitled to claim~~  
22       ~~the credit under subsections (a)(1)(A), (a)(2)(A), and~~

1 ~~(a) (3) (A). A residential home developer is defined as a person~~  
2 ~~who holds more than one residential dwelling for sale as~~  
3 ~~inventory.]~~

4 For any renewable energy technology system, an individual  
5 taxpayer may elect to have any excess of the credit over  
6 payments due refunded to the taxpayer, if:

7 (1) All of the taxpayer's income is exempt from taxation  
8 under section 235-7(a) (2) or (3); or

9 (2) The taxpayer's adjusted gross income is \$20,000 or  
10 less (or \$40,000 or less if filing a tax return as  
11 married filing jointly);

12 provided that tax credits properly claimed by a taxpayer who has  
13 no income tax liability shall be paid to the taxpayer; and

14 provided further that no refund on account of the tax credit  
15 allowed by this section shall be made for amounts less than \$1.

16 A husband and wife who do not file a joint tax return shall only  
17 be entitled to make this election to the extent that they would  
18 have been entitled to make the election had they filed a joint  
19 tax return.

20 The election required by this subsection shall be made in a  
21 manner prescribed by the director on the taxpayer's return for  
22 the taxable year in which the system is installed and placed in

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1 service. A separate election may be made for each separate  
2 system that generates a credit. An election once made is  
3 irrevocable.

4 (i) No taxpayer shall be allowed a credit under this  
5 section for a solar water heater system required by section 196-  
6 6.5 that is installed and placed in service on any newly  
7 constructed residence authorized by a building permit issued on  
8 or after January 1, 2010.

9 (j) This section shall apply to eligible renewable energy  
10 technology systems that are installed and placed in service on  
11 or after January 1, 2010."

12 Statutory material to be repealed is bracketed and  
13 stricken. New statutory material is underscored.

14 SECTION 11. This Act shall take effect upon its approval.

15  
16  
17

INTRODUCED BY:

Calvin K. Boy

BY REQUEST

JAN 26 2009

**Report Title:**

Hawaii Clean Energy Initiative; Energy Efficiency

**Description:**

Establishes energy efficiency initiatives necessary for and contributing to the transition of Hawaii's energy sector to 70 percent non-petroleum energy sources by 2030.



## JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO HAWAII'S CLEAN ENERGY INITIATIVE IN ENERGY EFFICIENCY.

PURPOSE: To align Hawaii's energy policy laws with the State's clean energy goals of achieving a 70 percent clean energy economy by 2030 implementing changes to transform Hawaii's energy system' encompassing changes to:

- (1) Energy Efficiency Portfolio Standard and Analysis;
- (2) Building Codes
- (3) Public Buildings
- (4) On-bill Financing for Energy Efficiency and Renewable Energy;
- (5) Tax Credits for Net Zero Energy Homes;
- (6) Renewable Energy and Energy Efficiency Tax Credit Provisions; and
- (7) Consumer Information.

MEANS: Amend sections: 107-28; 196, -6; 235,-12 Hawaii Revised Statutes.

JUSTIFICATION: A clean energy economy will reduce Hawaii's oil dependence and its consequent price volatility; and provide a measure of energy security. On January 28, 2008, the signing of a Memorandum of Understanding between the State of Hawaii and the U.S. Department of Energy launched HCEI. An initiative to utilize clean, renewable energy technologies, whereby Hawaii serves as an integrated model and demonstration test bed for the U.S. and other island communities. A national partnership to accelerate system transformation, whereby the following goals are achieved:

- (1) Achieve a 70 percent clean energy economy for Hawaii within a generation.

- (2) Increase Hawaii's energy security.
- (3) Contribute to greenhouse gas reduction.
- (4) Capture economic benefits of clean energy for all levels of society.
- (5) Foster and demonstrate innovation.
- (6) Build the workforce of the future.
- (7) Serve as a national model.

Impact on the public: The transformation to a clean energy economy will reduce the dependence and consequent price volatility of petroleum, and attain a measure of energy security for the public.

Impact on the department and other agencies: The activities, programs, and resources of the state energy office will be impacted by the requirements of supporting and implementing this bill. The state energy office's resource requirements are included in the biennium budget.

GENERAL FUND: \$1.55M for FY10

OTHER FUNDS: None

PPBS PROGRAM DESIGNATION: BED-120 SI

OTHER AFFECTED AGENCIES: Attorney General, Budget and Finance, Consumer Advocate, Public Utilities Commission, Taxation, Accounting and General Services, Land and Natural Resources

EFFECTIVE DATE: Upon approval.