
A BILL FOR AN ACT

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

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

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PART I

SECTION 1. The Hawaii Clean Energy Initiative set goals for energy efficiency; renewable and indigenous electricity production; energy delivery and improvements to the electrical grid; and diversification of energy sources for transportation to enable energy efficiency and renewable energy resources to meet seventy per cent of Hawaii's energy demand by 2030.

Hawaii's transportation systems are nearly completely dependent on petroleum-based fuels for their operation. The purpose of this Act is to begin the transformation of Hawaii's transportation sector from almost completely dependent on petroleum towards the use of efficient, stable, secure, renewable, non-petroleum energy sources through the establishment of:

- (1) Transportation energy infrastructure capable of supporting vehicles using alternative transportation energy sources, including electricity and biofuels;

- 1 (2) Incentives to accelerate transformation to non-
- 2 petroleum energy sources;
- 3 (3) Requirements for transportation energy
- 4 diversification; and
- 5 (4) Plans and analysis.

6 PART II

7 TRANSPORTATION ENERGY INFRASTRUCTURE

8 SECTION 2. Section 226-18, Hawaii Revised Statutes, is
9 amended to read as follows:

10 **"§226-18 Objectives and policies for facility systems--**
11 **energy.** (a) Planning for the State's facility systems with

12 regard to energy shall be directed toward the achievement of the
13 following objectives, giving due consideration to all:

- 14 (1) Dependable, efficient, and economical statewide energy
- 15 systems capable of supporting the needs of the people;
- 16 (2) Increased energy self-sufficiency where the ratio of
- 17 indigenous to imported energy use is increased;
- 18 (3) Greater energy security and diversification in the
- 19 face of threats to Hawaii's energy supplies and
- 20 systems; and
- 21 (4) Reduction, avoidance, or sequestration of greenhouse
- 22 gas emissions from energy supply and use.

1 (b) To achieve the energy objectives, it shall be the
2 policy of this State to ensure the short- and long-term
3 provision of adequate, reasonably priced, and dependable energy
4 services to accommodate demand.

5 (c) To further achieve the energy objectives, it shall be
6 the policy of this State to:

7 (1) Support research and development as well as promote
8 the use of renewable energy sources;

9 (2) Ensure that the combination of energy supplies and
10 energy-saving systems is sufficient to support the
11 demands of growth;

12 (3) Base decisions of least-cost supply-side and demand-
13 side energy resource options on a comparison of their
14 total costs and benefits when a least-cost is
15 determined by a reasonably comprehensive,
16 quantitative, and qualitative accounting of their
17 long-term, direct and indirect economic,
18 environmental, social, cultural, and public health
19 costs and benefits;

20 (4) Promote all cost-effective conservation of power and
21 fuel supplies through measures, including:

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- 1 (A) Development of cost-effective demand-side
2 management programs;
- 3 (B) Education; and
- 4 (C) Adoption of energy-efficient practices and
5 technologies;
- 6 (5) Ensure, to the extent that new supply-side resources
7 are needed, that the development or expansion of
8 energy systems uses the least-cost energy supply
9 option and maximizes efficient technologies;
- 10 (6) Support research, development, ~~and~~ demonstration,
11 and utilization of energy efficiency, load management,
12 and other demand-side management programs, practices,
13 and technologies;
- 14 (7) Promote alternate fuels and transportation energy
15 efficiency [~~by encouraging diversification of~~
16 ~~transportation modes and infrastructure~~];
- 17 (8) Support actions that reduce, avoid, or sequester
18 greenhouse gases in utility, transportation, and
19 industrial sector applications;
- 20 (9) Support actions that reduce, avoid, or sequester
21 Hawaii's greenhouse gas emissions through agriculture
22 and forestry initiatives; and

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1 (10) Provide priority handling and processing for all state
2 and county permits required for renewable energy
3 projects."

4 SECTION 3. Chapter 235, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§235- Electric vehicle charging; income tax credit.

8 (a) There shall be allowed to each taxpayer subject to the
9 taxes imposed by this chapter a tax credit for code compliant
10 electric vehicle charging infrastructure installed and placed in
11 service in the State that shall be deductible from the
12 taxpayer's net income tax liability. The tax credit may be
13 claimed for the taxable year in which the code compliant
14 electric vehicle charging system is placed in service in the
15 State.

16 (b) The amount of the credit shall be seventy per cent of
17 the cost of the electric vehicle charging system or \$500 per
18 electric vehicle charge point of the system, whichever is less.
19 The cost of the electric vehicle charging system includes all
20 costs to acquire, construct and install the electric vehicle
21 charging system that are required to be capitalized under
22 section 263 of the Internal Revenue Code to the electric vehicle

1 charging system. The cost of the electric vehicle charging
2 system does not include costs that are properly allocable to
3 land or to a building and its structural components, including,
4 but not limited to costs related to the acquisition of land on
5 which the electric vehicle charging system is located, expenses
6 for permits, legal fees, project management, or engineering to
7 the extent such expenses are related to the land.

8 (c) If a deduction is taken under section 179 of the
9 Internal Revenue Code, no tax credit shall be allowed for that
10 portion of the cost for which the deduction is taken.

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

18 (e) The costs used to compute this tax credit may not be
19 used to compute any other tax credit.

20 (f) For the purposes of this section:

1 "Electric vehicle charge point" means the part of the
2 electric vehicle charging system that delivers electricity from
3 a source outside an electric vehicle into one electric vehicle.

4 "Electric vehicle charging system" means a system that is
5 designed in compliance with Article 625 of the National
6 Electrical Code and delivers electricity from a source outside
7 an electric vehicle into one or more electric vehicles. An
8 electric vehicle charging system may include several charge
9 points simultaneously connecting several electric vehicles to
10 the system.

11 (g) The director of taxation shall prepare any forms that
12 may be necessary to claim a tax credit under this section. The
13 director may also require the taxpayer to furnish reasonable
14 information to ascertain the validity of the claim for credit
15 made under this section and may adopt rules necessary to
16 effectuate the purposes of this section pursuant to chapter 91.

17 (h) If the tax credit under this section exceeds the
18 taxpayer's income tax liability, the excess of the credit over
19 liability may be used as a credit against the taxpayer's income
20 tax liability in subsequent years until exhausted. Every claim,
21 including amended claims, for a tax credit under this section
22 shall be filed on or before the end of the twelfth month

1 following the close of the taxable year for which the credit may
2 be claimed. Failure to comply with the foregoing provision
3 shall constitute a waiver of the right to claim the credit.

4 (i) This tax credit applies to electric vehicle charging
5 systems placed in service after July 1, 2009 and before January
6 1, 2016."

7 SECTION 4. Chapter 235, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 **"§235- Alternative fuel refueling; income tax credit.**

11 (a) There shall be allowed to each taxpayer subject to the
12 taxes imposed by this chapter a tax credit for any alternative
13 fuel refueling infrastructure installed and placed in service in
14 the State that shall be deductible from the taxpayer's net
15 income tax liability. The tax credit may be claimed for the
16 taxable year in which the alternative fuel refueling
17 infrastructure is placed in service.

18 (b) The amount of the credit shall be thirty per cent of
19 the cost of the alternative fuel refueling infrastructure or
20 \$10,000, whichever is less. The cost of the alternative fuel
21 refueling infrastructure includes all costs to acquire,
22 construct and install the alternative fuel refueling

1 infrastructure that are required to be capitalized under section
2 263 of the Internal Revenue Code to the alternative fuel
3 refueling infrastructure. The cost of the alternative fuel
4 refueling infrastructure does not include costs that are
5 properly allocable to land or to a building and its structural
6 components, including, but not limited to costs related to the
7 acquisition of land on which the alternative fuel refueling
8 infrastructure is located, expenses for permits, legal fees,
9 project management, or engineering to the extent such expenses
10 are related to the land.

11 (c) If a deduction is taken under section 179 of the
12 Internal Revenue Code, no tax credit shall be allowed for that
13 portion of the cost for which the deduction is taken.

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

21 (e) The costs used to compute this tax credit may not be
22 used to compute any other tax credit.

1 (f) Recapture provisions shall conform with the recapture
2 provisions applied to "alternative fuel refueling property"
3 credits described in section 30C of the Internal Revenue Code.

4 (g) For the purposes of this section:

5 "Alternative fuel refueling infrastructure" means equipment
6 for the storage and dispensing of alternative fuels for the
7 refueling of alternative fuel vehicles, and shall conform with
8 the definition of "alternative fuel refueling property"
9 contained in section 30C of the Internal Revenue Code.

10 (h) The director of taxation shall prepare any forms that
11 may be necessary to claim a tax credit under this section. The
12 director may also require the taxpayer to furnish reasonable
13 information to ascertain the validity of the claim for credit
14 made under this section and may adopt rules necessary to
15 effectuate the purposes of this section pursuant to chapter 91.

16 (i) If the tax credit under this section exceeds the
17 taxpayer's income tax liability, the excess of the credit over
18 liability may be used as a credit against the taxpayer's income
19 tax liability in subsequent years until exhausted. Every claim,
20 including amended claims, for a tax credit under this section
21 shall be filed on or before the end of the twelfth month
22 following the close of the taxable year for which the credit may

1 be claimed. Failure to comply with the foregoing provision
2 shall constitute a waiver of the right to claim the credit.

3 (j) This tax credit applies to alternative fuel refueling
4 infrastructure placed in service after July 1, 2009 and before
5 January 1, 2016."

6 SECTION 5. The Hawaii Revised Statutes is amended by
7 adding a new section to be appropriately designated and to read
8 as follows:

9 "§ - Designation of parking spaces for electric
10 vehicles. All commercial and public parking lots with at least
11 100 parking spaces shall designate at least one prime (near the
12 entrance) spot exclusively for electric vehicles. An additional
13 electric vehicle parking location shall be required for each
14 additional 100 parking spaces in the lot; the additional spaces
15 shall be located either near the building entrance or near
16 electrical service, at the discretion of the facility manager.
17 Such spaces shall be designated, clearly marked, and enforced by
18 December 31, 2010.

19 For the purposes of this section, "electric vehicle" means
20 an electric vehicle or neighborhood electric vehicle with an
21 electric vehicle ("EV") license plate."

1 SECTION 6. Chapter 291, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 **"§291- Parking spaces reserved for electric vehicles;**
5 **penalties.** (a) Beginning January 1, 2011, any person who parks
6 a non-electric vehicle in a space designated and marked as
7 reserved for electric vehicles shall receive a warning.

8 (b) Beginning July 1, 2011, any person who parks a non-
9 electric vehicle in a space designated and marked as reserved
10 for electric vehicles shall be guilty of a traffic infraction
11 under chapter 291D and shall be fined not less than \$50 nor more
12 than \$100 and pay any costs incurred by the court related to
13 assessing the fine.

14 (c) Any citation issued under this chapter may be mailed
15 to the violator pursuant to section 291C-165(b)."

16 SECTION 7. The Hawaii Revised Statutes is amended by
17 adding a new section to be appropriately designated and to read
18 as follows:

19 **"§ - Requirement for electric vehicle charging**
20 **capability.** Electric vehicle charging capability shall be
21 required on all new single family housing units constructed

1 after January 1, 2015. Charging capability shall follow
2 standards adopted by SAE International."

3 SECTION 8. Section 269-1, Hawaii Revised Statutes, is
4 amended by amending the definition of "public utility" to read
5 as follows:

6 "Public utility":

- 7 (1) Includes every person who may own, control,
8 operate, or manage as owner, lessee, trustee,
9 receiver, or otherwise, whether under a
10 franchise, charter, license, articles of
11 association, or otherwise, any plant or
12 equipment, or any part thereof, directly or
13 indirectly for public use, for the transportation
14 of passengers or freight, or the conveyance or
15 transmission of telecommunications messages, or
16 the furnishing of facilities for the transmission
17 of intelligence by electricity by land or water
18 or air within the State, or between points within
19 the State, or for the production, conveyance,
20 transmission, delivery, or furnishing of light,
21 power, heat, cold, water, gas, or oil, or for the

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1 storage or warehousing of goods, or the disposal
2 of sewage; provided that the term shall include:

3 (A) Any person insofar as that person owns or
4 operates a private sewer company or sewer
5 facility; and

6 (B) Any telecommunications carrier or
7 telecommunications common carrier;

8 (2) Shall not include:

9 (A) Any person insofar as that person owns or
10 operates an aerial transportation
11 enterprise;

12 (B) Persons owning or operating taxicabs, as
13 defined in this section;

14 (C) Common carriers transporting only freight on
15 the public highways, unless operating within
16 localities or along routes or between points
17 that the public utilities commission finds
18 to be inadequately serviced without
19 regulation under this chapter;

20 (D) Persons engaged in the business of
21 warehousing or storage unless the commission

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1 finds that regulation thereof is necessary
2 in the public interest;

3 (E) The business of any carrier by water to the
4 extent that the carrier enters into private
5 contracts for towage, salvage, hauling, or
6 carriage between points within the State and
7 the carriage is not pursuant to either an
8 established schedule or an undertaking to
9 perform carriage services on behalf of the
10 public generally;

11 (F) The business of any carrier by water,
12 substantially engaged in interstate or
13 foreign commerce, transporting passengers on
14 luxury cruises between points within the
15 State or on luxury round-trip cruises
16 returning to the point of departure;

17 (G) Any person who:
18 (i) Controls, operates, or manages plants
19 or facilities for the production,
20 transmission, or furnishing of power
21 primarily or entirely from non-fossil
22 fuel sources; [and]

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- 1 (ii) Provides, sells, or transmits all of
2 that power, except such power as is
3 used in its own internal operations,
4 directly to a public utility for
5 transmission to the public; and
6 (iii) Owns, controls, operates, or manages
7 plants or facilities primarily used to
8 charge or discharge a vehicle battery,
9 the purpose of which is to provide the
10 power for vehicle propulsion;
- 11 (H) A telecommunications provider only to the
12 extent determined by the commission pursuant
13 to section 269-16.9;
- 14 (I) Any person who controls, operates, or
15 manages plants or facilities developed
16 pursuant to chapter 167 for conveying,
17 distributing, and transmitting water for
18 irrigation and such other purposes that
19 shall be held for public use and purpose;
- 20 (J) Any person who owns, controls, operates, or
21 manages plants or facilities for the
22 reclamation of wastewater; provided that:

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- (i) The services of the facility shall be provided pursuant to a service contract between the person and a state or county agency and at least ten per cent of the wastewater processed is used directly by the State or county which has entered into the service contract;
- (ii) The primary function of the facility shall be the processing of secondary treated wastewater that has been produced by a municipal wastewater treatment facility that is owned by a state or county agency;
- (iii) The facility shall not make sales of water to residential customers;
- (iv) The facility may distribute and sell recycled or reclaimed water to entities not covered by a state or county service contract; provided that, in the absence of regulatory oversight and direct competition, the distribution and sale of recycled or reclaimed water

1 shall be voluntary and its pricing fair
2 and reasonable. For purposes of this
3 subparagraph, "recycled water" and
4 "reclaimed water" mean treated
5 wastewater that by design is intended
6 or used for a beneficial purpose; and
7 (v) The facility shall not be engaged,
8 either directly or indirectly, in the
9 processing of food wastes; and
10 (K) Any person who owns, controls, operates, or
11 manages any seawater air conditioning
12 district cooling project; provided that at
13 least fifty per cent of the energy required
14 for the seawater air conditioning district
15 cooling system is provided by a renewable
16 energy resource, such as cold, deep
17 seawater."

PART III

TRANSPORTATION ENERGY INCENTIVES

20 SECTION 9. Chapter 237, Hawaii Revised Statutes, is
21 amended by adding a new section to be appropriately designated
22 and to read as follows:

1 "§237- Exemption of sale or lease of certain vehicles.

2 (a) Beginning January 1, 2010, and expiring December 31, 2015,
3 there shall be exempted from the measure of the taxes imposed by
4 this chapter all of the gross proceeds arising from the sale or
5 lease of new or used light duty motor vehicles classified as
6 alternative fuel vehicles and fuel economy leader vehicles.

7 (b) As used in this section:

8 "Alternative fuel" means alcohol fuels; mixtures containing
9 eighty-five per cent or more by volume of alcohols with gasoline
10 or other fuels; natural gas; liquefied petroleum gas; hydrogen;
11 biodiesel; mixtures containing twenty per cent or more by volume
12 of biodiesel with diesel or other fuels; other fuels derived
13 from biological materials; and electricity provided by off-board
14 energy sources.

15 "Alternative fuel vehicle" means a vehicle capable of
16 operating on an alternative fuel.

17 "Fuel economy leader vehicle" means a vehicle that is
18 identified by the United States Environmental Protection Agency
19 as a "fuel economy leader" in its class and model year.

20 "Light duty motor vehicle" has the same meaning as
21 contained in 10 Code of Federal Regulations Part 490. It does
22 not include any vehicle incapable of traveling on highways or

1 any vehicle with a gross vehicle weight rating greater than
2 8,500 pounds."

3 SECTION 10. Section 238-9.5, Hawaii Revised Statutes, is
4 amended to read as follows:

5 **"§238-9.5 Motor vehicle importation; report by dealers;**
6 **proof of payment.** (a) Every dealer, as defined in section 437-
7 1.1, shall submit a report to the director, on or before the
8 last day of each calendar month, for all motor vehicles
9 delivered by the dealer in the prior month as a courtesy
10 delivery. The report shall contain the name and address of the
11 dealer making the courtesy delivery, name and address of the
12 seller of the vehicle, type of motor vehicle, the landed value
13 of the vehicle, the name and address of the purchaser or
14 importer, the date of importation, and other information
15 relevant to the courtesy delivery as requested by the director.

16 As used in this section, "courtesy delivery" means the
17 preparation for delivery and the delivery by a dealer of a motor
18 vehicle imported into the State by a person who purchased the
19 motor vehicle from an out-of-state motor vehicle manufacturer or
20 an out-of-state dealer and does not apply to motor vehicles sold
21 by the in-state dealer.

1 (b) The director of taxation shall prepare forms necessary
2 for individuals importing motor vehicles into the State to prove
3 payment of, or exemption from, [~~the~~] any use tax necessary to
4 register the motor vehicle."

5 SECTION 11. Section 286-41, Hawaii Revised Statutes, is
6 amended to read as follows:

7 **"§286-41 Application for registration; full faith and**
8 **credit to current certificates; this part not applicable to**
9 **certain equipment.** (a) Every owner of a motor vehicle which is
10 to be operated upon the public highways shall, for each vehicle
11 owned, except as herein otherwise provided, apply to the
12 director of finance of the county where the vehicle is to be
13 operated, for the registration thereof. If a vehicle is moved
14 to another county and is to be operated upon the public highways
15 of that county, the existing certificate of registration shall
16 be valid until its expiration date, at which time the owner
17 shall apply to the director of finance of the county in which
18 the vehicle is then located for the registration of the vehicle,
19 whether or not the owner is domiciled in the county or the
20 owner's principal place of business is in that county, except
21 that this provision shall not apply to vehicles which are

1 temporarily transferred to another county for a period of not
2 more than three months.

3 (b) Application for the registration of a vehicle shall be
4 made upon the appropriate form furnished by the director of
5 finance and shall contain the name, occupation, and address of
6 the owner and legal owner; and, if the applicant is a member of
7 the United States naval or military forces, the applicant shall
8 give the organization and station. All applications shall also
9 contain a description of the vehicle, including the name of the
10 maker, the type of fuel for the use of which it is adapted
11 (e.g., gasoline, diesel oil, liquefied petroleum gas), the
12 serial or motor number, and the date first sold by the
13 manufacturer or dealer, and such further description of the
14 vehicle as is called for in the form, and such other information
15 as may be required by the director of finance, to establish
16 legal ownership. A person applying for initial registration of
17 a neighborhood electric vehicle shall certify in writing that a
18 notice of the operational restrictions applying to the vehicle
19 as provided in section 291C-134 [are] is contained on a
20 permanent notice attached to or painted on the vehicle in a
21 location that is in clear view of the driver.

1 (c) If the vehicle to be registered is specially
2 constructed, reconstructed, or rebuilt; is a special interest
3 vehicle; or is an imported vehicle, this fact shall be stated in
4 the application and upon the registration of the special
5 interest motor vehicle and imported motor vehicle, which has
6 been registered until that time in any other state or county,
7 and the owner shall surrender to the director of finance the
8 certificates of registration or other evidence of such form of
9 registration as may be in the applicant's possession or control.
10 The director of finance shall grant full faith and credit to the
11 currently valid certificates of title and registration
12 describing the vehicle, the ownership thereof, and any liens
13 noted thereon, issued by any title state or county in which the
14 vehicle was last registered. The acceptance by the director of
15 finance of a certificate of title or of registration issued by
16 another state or county, as provided in this subsection, in the
17 absence of knowledge that the certificate is forged, fraudulent,
18 or void, shall be a sufficient determination of the genuineness
19 and regularity of the certificate and of the truth of the
20 recitals therein, and no liability shall be incurred by any
21 officer or employee of the director of finance by reason of so
22 accepting the certificate.

1 (d) The owner of every motor vehicle of the current,
2 previous, and subsequent year model bought out-of-state,
3 subsequently brought into the State, and subject to the use tax
4 under chapter 238 shall provide with the application for
5 registration proof of payment of the use tax pursuant to
6 requirements established by the department of taxation. No
7 registration certificate shall be issued without proof of
8 payment of the use tax[-] unless the vehicle is an alternative
9 fuel vehicle or fuel economy leader vehicle exempt from the use
10 tax as provided in chapter 238.

11 (e) Notwithstanding any other law to the contrary, the
12 director of finance of the county in which the application for
13 registration is sought shall not require proof of insurance as a
14 condition to satisfy the requirements of this part. This
15 subsection shall apply only to the initial registration of any
16 motor vehicle.

17 (f) The provisions of this part requiring the registration
18 of motor vehicles shall not apply to:

- 19 (1) Special mobile equipment;
20 (2) Implements of husbandry temporarily drawn, moved, or
21 otherwise propelled upon the public highways; and

1 (3) Aircraft servicing vehicles which are being used
2 exclusively on lands set aside to the department of
3 transportation for airport purposes.

4 (g) Beginning January 1, 2010, and expiring December 31,
5 2015, the state portion of the motor vehicle registration fee
6 and other fees, if any, assessed upon or associated with the
7 registration of an electric vehicle in this State, including any
8 state fees associated with the issuance of an electric vehicle
9 license plate, shall be waived. The counties may also waive
10 fees associated with registration of an electric vehicle."

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

14 "§ - Transportation energy transformation grant fund.

15 (a) There is established a special fund to be designated as the
16 transportation energy transformation grant fund. Moneys
17 transferred to the transportation energy transformation grant
18 fund may be expended by the director to carry out the director's
19 duties and obligations under this chapter. Disbursements from
20 the transportation energy transformation grant fund shall not be
21 subject to chapter 42F or 103D.

22 (b) As used in this chapter:

1 "Director" means the director of Business, Economic
2 Development, and Tourism.

3 "Electric vehicle" has the same meaning as contained in
4 Title 26, Section 30, of the Internal Revenue Code, for 'new
5 qualified plug-in electric drive motor vehicle,' and means a
6 motor vehicle, including a plug-in hybrid electric vehicle:

7 (1) Which draws propulsion using a traction battery with
8 at least 4 kilowatt hours of capacity;

9 (2) Which uses an off-board source of energy to recharge
10 such battery;

11 (3) The original use of which commences with the taxpayer;
12 and

13 (4) Which is acquired for use or lease by the taxpayer and
14 not for resale.

15 "Fleet" means more than fifty light duty motor vehicles in
16 the state owned or operated by related entities.

17 "Integrated intelligently with the electrical grid" means
18 that the demand of the vehicle for electricity from the grid is
19 controlled to reduce the electrical demand on the grid during
20 peak demand times and maximize the use of renewable energy
21 sources or use of renewable energy potentially available off
22 peak that would otherwise be curtailed.

1 (c) The transportation energy transformation grant fund
2 may be used by the director to make transportation energy
3 transformation grants authorized under this chapter. The
4 transportation energy transformation grant fund shall also be
5 used by the director to pay for any administrative and
6 operational costs, including personnel costs and marketing
7 costs, associated with a transportation energy transformation
8 grant program. Any law to the contrary notwithstanding, the
9 director may use the moneys in the transportation energy
10 transformation grant fund to employ or retain, by contract or
11 otherwise, without regard to chapters 76 and 78, necessary
12 professional, expert, managerial, technical, and support
13 personnel to implement and carry out the purposes of this
14 article.

15 (d) Before June 30 of each calendar year, fifty per cent
16 of the grants shall be reserved for non fleet vehicles and no
17 more than ten per cent of the grants may be provided to any one
18 fleet.

19 (e) Subject to the availability of funds and the standards
20 in this chapter, grants for approved electric vehicles shall be
21 provided to purchasers of electric vehicles intended to be

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1 integrated intelligently with the electrical grid and licensed
2 for use on Hawaii's highways, as follows:

3 (1) Beginning January 1, 2010, and expiring December 31,
4 2010: up to \$4000 per vehicle; limited to the first
5 500 vehicles.

6 (2) Beginning January 1, 2011, and expiring December 31,
7 2011: up to \$3500 per vehicle; limited to the first
8 1000 vehicles.

9 (3) Beginning January 1, 2012, and expiring December 31,
10 2013: up to \$2500 per vehicle; limited to the first
11 2000 vehicles per year.

12 (4) Beginning January 1, 2014, and expiring December 31,
13 2015: up to \$2000 per vehicle; limited to the first
14 2500 vehicles per year.

15 (5) Beginning January 1, 2016, and expiring December 31,
16 2021: up to \$500 per vehicle; limited to the first
17 10000 vehicles per year.

18 (f) The description, specifications, guidelines, and
19 requirements for intelligent integration with the electrical
20 grid shall be further developed and determined by the director
21 by rule. The director may amend, narrow, or expand the

1 definitions, descriptions, specifications, and requirements of
2 intelligent integration.

3 (g) A grant may be made to an applicant only if the
4 applicant:

5 (1) Has met the descriptions, specifications, guidelines,
6 and requirements established by the director for the
7 grant program;

8 (2) Has filed a completed application form, as determined
9 solely by the director, together with all supporting
10 documentation required by the director;

11 (3) Has, in the case of a fleet, filed completed grant
12 applications together for all vehicles in the fleet;

13 (4) Has completed the purchase or lease, licensing, and
14 registration of the vehicle, prior to applying for the
15 grant;

16 (5) Has provided any other information deemed necessary by
17 the director; and

18 (6) Has met all additional requirements needed to
19 implement the grant program as determined by the
20 director.

21 (h) The director shall include information on the
22 transportation energy transformation grant fund and statistical

1 information on program participation in the department's annual
2 report to the governor and the legislature."

3 SECTION 13. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$3,750,000, or so
5 much thereof as may be necessary, for fiscal year 2009-2010, to
6 develop and implement the transportation energy transformation
7 grant fund. The sum appropriated shall be expended by the
8 department of Business, Economic Development, and Tourism. The
9 appropriation shall not lapse at the end of the fiscal period
10 for which the appropriation is made; provided that any
11 unexpended and unencumbered money as of June 30, 2012, shall
12 lapse as of that date.

13 SECTION 14. Section 235-110.3, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§235-110.3 ~~[Ethanol]~~ Biofuel facility tax credit.** (a)
16 Each year during the credit period, there shall be allowed to
17 each taxpayer subject to the taxes imposed by this chapter, [~~an~~
18 ~~ethanol~~] a biofuel facility tax credit that shall be applied to
19 the taxpayer's net income tax liability, if any, imposed by this
20 chapter for the taxable year in which the credit is properly
21 claimed.

1 For each qualified [~~ethanol~~] biofuel production facility,
2 the annual dollar amount of the [~~ethanol~~] biofuel facility tax
3 credit during the eight-year period shall be equal to thirty per
4 cent of its nameplate capacity if the nameplate capacity is
5 greater than five hundred thousand [~~but less than fifteen~~
6 ~~million~~] gallons. A taxpayer may claim this credit for the
7 first fifteen million gallons of capacity of each qualifying
8 [~~ethanol~~] biofuel facility; provided that:

9 (1) The claim for this credit by any taxpayer of a
10 qualifying [~~ethanol~~] biofuel production facility shall
11 not exceed one hundred per cent of the total of all
12 investments made by the taxpayer in the qualifying
13 [~~ethanol~~] biofuel production facility prior to and
14 during the credit period;

15 (2) The qualifying [~~ethanol~~] biofuel production facility
16 operated at a level of production of at least seventy-
17 five per cent of its nameplate capacity on an
18 annualized basis;

19 (3) The qualifying [~~ethanol~~] biofuel production facility
20 is in production on or before January 1, 2017; and

1 (4) No taxpayer that claims the credit under this section
2 shall claim any other tax credit under this chapter
3 for the same taxable year.

4 (b) As used in this section:

5 "Biofuel" means ethanol, biodiesel, diesel, jet fuel, or
6 other liquid fuel meeting the relevant fuel specifications of
7 ASTM International (formerly ASTM, the American Society for
8 Testing and Materials).

9 "Credit period" means a maximum period of eight years
10 beginning from the first taxable year in which the qualifying
11 [~~ethanol~~] biofuel production facility begins production even if
12 actual production is not at seventy-five per cent of nameplate
13 capacity.

14 "Investment" means a nonrefundable capital expenditure
15 related to the development and construction of any qualifying
16 [~~ethanol~~] biofuel production facility, including processing
17 equipment, waste treatment systems, pipelines, and liquid
18 storage tanks at the facility or remote locations, including
19 expansions or modifications. Capital expenditures shall be
20 those direct and certain indirect costs determined in accordance
21 with section 263A of the Internal Revenue Code, relating to
22 uniform capitalization costs, but shall not include expenses for

1 compensation paid to officers of the taxpayer, pension and other
2 related costs, rent for land, the costs of repairing and
3 maintaining the equipment or facilities, training of operating
4 personnel, utility costs during construction, property taxes,
5 costs relating to negotiation of commercial agreements not
6 related to development or construction, or service costs that
7 can be identified specifically with a service department or
8 function or that directly benefit or are incurred by reason of a
9 service department or function. For the purposes of determining
10 a capital expenditure under this section, the provisions of
11 section 263A of the Internal Revenue Code shall apply as it read
12 on March 1, 2004. For purposes of this section, investment
13 excludes land costs and includes any investment for which the
14 taxpayer is at risk, as that term is used in section 465 of the
15 Internal Revenue Code (with respect to deductions limited to
16 amount at risk).

17 "Nameplate capacity" means the qualifying [~~ethanol~~] biofuel
18 production facility's production design capacity, in gallons of
19 [~~motor fuel grade ethanol~~] biofuel per year.

20 "Net income tax liability" means net income tax liability
21 reduced by all other credits allowed under this chapter.

1 "Qualifying [~~ethanol~~] biofuel production" means [~~ethanol~~]
2 biofuel produced from renewable, organic feedstocks, or waste
3 materials, including municipal solid waste. All qualifying
4 production shall be fermented, distilled, gasified, or produced
5 by physical chemical conversion methods such as reformation and
6 catalytic conversion and dehydrated at the facility.

7 "Qualifying [~~ethanol~~] biofuel production facility" or
8 "facility" means a facility located in Hawaii which produces
9 [~~motor~~] fuel grade [~~ethanol meeting the minimum specifications~~
10 ~~by the American Society of Testing and Materials standard D-~~
11 ~~4806, as amended.~~] biofuel.

12 (c) In the case of a taxable year in which the cumulative
13 claims for the credit by the taxpayer of a qualifying [~~ethanol~~]
14 biofuel production facility exceeds the cumulative investment
15 made in the qualifying [~~ethanol~~] biofuel production facility by
16 the taxpayer, only that portion that does not exceed the
17 cumulative investment shall be claimed and allowed.

18 (d) The department of business, economic development, and
19 tourism shall:

20 (1) Maintain records of the total amount of investment
21 made by each taxpayer in a facility;

22 (2) Verify the amount of the qualifying investment;

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1 (3) Total all qualifying and cumulative investments that
2 the department of business, economic development, and
3 tourism certifies; and

4 (4) Certify the total amount of the tax credit for each
5 taxable year and the cumulative amount of the tax
6 credit during the credit period.

7 Upon each determination, the department of business,
8 economic development, and tourism shall issue a certificate to
9 the taxpayer verifying the qualifying investment amounts, the
10 credit amount certified for each taxable year, and the
11 cumulative amount of the tax credit during the credit period.
12 The taxpayer shall file the certificate with the taxpayer's tax
13 return with the department of taxation. Notwithstanding the
14 department of business, economic development, and tourism's
15 certification authority under this section, the director of
16 taxation may audit and adjust certification to conform to the
17 facts.

18 If in any year, the annual amount of certified credits
19 reaches \$12,000,000 in the aggregate, the department of
20 business, economic development, and tourism shall immediately
21 discontinue certifying credits and notify the department of
22 taxation. In no instance shall the total amount of certified

1 credits exceed \$12,000,000 per year. Notwithstanding any other
2 law to the contrary, this information shall be available for
3 public inspection and dissemination under chapter 92F.

4 (e) If the credit under this section exceeds the
5 taxpayer's income tax liability, the excess of credit over
6 liability shall be refunded to the taxpayer; provided that no
7 refunds or payments on account of the tax credit allowed by this
8 section shall be made for amounts less than \$1. All claims for
9 a credit under this section must be properly filed on or before
10 the end of the twelfth month following the close of the taxable
11 year for which the credit may be claimed. Failure to comply
12 with the foregoing provision shall constitute a waiver of the
13 right to claim the credit.

14 (f) If a qualifying [~~ethanol~~] biofuel production facility
15 or an interest therein is acquired by a taxpayer prior to the
16 expiration of the credit period, the credit allowable under
17 subsection (a) for any period after such acquisition shall be
18 equal to the credit that would have been allowable under
19 subsection (a) to the prior taxpayer had the taxpayer not
20 disposed of the interest. If an interest is disposed of during
21 any year for which the credit is allowable under subsection (a),
22 the credit shall be allowable between the parties on the basis

1 of the number of days during the year the interest was held by
2 each taxpayer. In no case shall the credit allowed under
3 subsection (a) be allowed after the expiration of the credit
4 period.

5 ~~[(g) Once the total nameplate capacities of qualifying
6 ethanol production facilities built within the State reaches or
7 exceeds a level of forty million gallons per year, credits under
8 this section shall not be allowed for new ethanol production
9 facilities. If a new facility's production capacity would cause
10 the statewide ethanol production capacity to exceed forty
11 million gallons per year, only the ethanol production capacity
12 that does not exceed the statewide forty million gallon per year
13 level shall be eligible for the credit.]~~

14 ~~[(h)]~~ (g) Prior to construction of any new qualifying
15 ~~[ethanol]~~ biofuel production facility, the taxpayer shall
16 provide written notice of the taxpayer's intention to begin
17 construction of a qualifying ~~[ethanol]~~ biofuel production
18 facility. The information shall be provided to the department
19 of taxation and the department of business, economic
20 development, and tourism on forms provided by the department of
21 business, economic development, and tourism, and shall include
22 information on the taxpayer, facility location, facility

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1 production capacity, anticipated production start date, and the
2 taxpayer's contact information. Notwithstanding any other law
3 to the contrary, this information shall be available for public
4 inspection and dissemination under chapter 92F.

5 ~~[(i)]~~ (h) The taxpayer shall provide written notice to the
6 director of taxation and the director of business, economic
7 development, and tourism within thirty days following the start
8 of production. The notice shall include the production start
9 date and expected ~~[ethanol]~~ biofuel fuel production for the next
10 twenty-four months. Notwithstanding any other law to the
11 contrary, this information shall be available for public
12 inspection and dissemination under chapter 92F.

13 ~~[(j)]~~ (i) If a qualifying ~~[ethanol]~~ biofuel production
14 facility fails to achieve an average annual production of at
15 least seventy-five per cent of its nameplate capacity for two
16 consecutive years, the stated capacity of that facility may be
17 revised by the director of business, economic development, and
18 tourism to reflect actual production for the purposes of
19 determining ~~[statewide production capacity under subsection (g)~~
20 ~~and]~~ allowable credits for that facility under subsection (a).
21 Notwithstanding any other law to the contrary, this information

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1 shall be available for public inspection and dissemination under
2 chapter 92F.

3 ~~[(k)]~~ (j) Each calendar year during the credit period, the
4 taxpayer shall provide information to the director of business,
5 economic development, and tourism on the ~~[number of]~~ gallons ~~[of~~
6 ~~ethanol]~~ and type of biofuel produced and sold during the
7 previous calendar year, how much was sold in Hawaii versus
8 overseas, percentage of Hawaii-grown feedstocks and other
9 feedstocks used for ~~[ethanol]~~ biofuel production, the number of
10 employees of the facility, and the projected ~~[number of]~~ gallons
11 ~~[of ethanol]~~ and type of biofuel production for the succeeding
12 year.

13 ~~[(l)]~~ (k) In the case of a partnership, S corporation,
14 estate, or trust, the tax credit allowable is for every
15 qualifying ~~[ethanol]~~ biofuel production facility. The cost upon
16 which the tax credit is computed shall be determined at the
17 entity level. Distribution and share of credit shall be
18 determined pursuant to section 235-110.7(a).

19 ~~[(m)]~~ (l) Following each year in which a credit under this
20 section has been claimed, the director of business, economic
21 development, and tourism shall ~~[submit a written]~~ include in its
22 annual report to the governor and legislature ~~[regarding the~~

1 ~~production and sale of ethanol. The report shall include] the~~
2 following:

- 3 (1) The number, location, and nameplate capacities of
4 qualifying [~~ethanol~~] biofuel production facilities in
5 the State;
- 6 (2) The total number of gallons of [~~ethanol~~] biofuel
7 produced and sold during the previous year; and
- 8 (3) The projected number of gallons of [~~ethanol~~] biofuel
9 production for the succeeding year.

10 [~~(n)~~] (m) The director of taxation shall prepare forms
11 that may be necessary to claim a credit under this section.

12 Notwithstanding the department of business, economic
13 development, and tourism's certification authority under this
14 section, the director may audit and adjust certification to
15 conform to the facts. The director may also require the
16 taxpayer to furnish information to ascertain the validity of the
17 claim for credit made under this section and may adopt rules
18 necessary to effectuate the purposes of this section pursuant to
19 chapter 91."

20 SECTION 15. Section 251-2, Hawaii Revised Statutes, is
21 amended to read as follows:

1 "**§251-2 Rental motor vehicle and tour vehicle surcharge**
2 **tax.** (a) There is levied and shall be assessed and collected
3 each month a rental motor vehicle surcharge tax of \$2 a day,
4 except that for the period of September 1, 1999, to August 31,
5 2011, the tax shall be \$3 a day, or any portion of a day that a
6 rental motor vehicle is rented or leased. The rental motor
7 vehicle surcharge tax shall be levied upon the lessor; provided
8 that the tax shall not be levied on the lessor if:

9 (1) The lessor is renting the vehicle to replace a vehicle
10 of the lessee that is being repaired; and

11 (2) A record of the repair order for the vehicle is
12 retained either by the lessor for two years for
13 verification purposes or by a motor vehicle repair
14 dealer for two years as provided in section 437B-16.

15 (b) There is levied and shall be assessed and collected
16 each month a tour vehicle surcharge tax of:

17 (1) \$65 for each tour vehicle used or partially used
18 during the month that falls into the over twenty-five
19 passenger seat category; and

20 (2) \$15 for each tour vehicle used or partially used
21 during the month that falls into the eight to twenty-
22 five passenger seat category.

1 The tour vehicle surcharge tax shall be levied upon the
2 tour vehicle operator.

3 (c) For the period of January 1, 2010, through December
4 31, 2015, up to two hundred alternative fueled light duty motor
5 vehicles per rental car fleet shall be exempt from the rental
6 motor vehicle surcharge tax.

7 (d) For the purposes of this section:

8 "Alternative fuel" means alcohol fuels; mixtures containing
9 eighty-five per cent or more by volume of alcohols with gasoline
10 or other fuels; natural gas; liquefied petroleum gas; hydrogen;
11 biodiesel; mixtures containing twenty per cent or more by volume
12 of biodiesel with diesel or other fuels; other fuels derived
13 from biological materials; and electricity provided by off-board
14 energy sources.

15 "Alternative fuel vehicle" means a vehicle capable of
16 operating on an alternative fuel.

17 "Light duty motor vehicle" has the same meaning as
18 contained in 10 Code of Federal Regulations Part 490. It does
19 not include any vehicle incapable of traveling on highways or
20 any vehicle with a gross vehicle weight rating greater than
21 8,500 pounds.

1 "Related entities" has the same meaning as defined by
2 section 237-23.5.

3 "Rental car fleet" refers to all vehicles in the State
4 owned or operated by related entities."

5

6

PART IV

7

TRANSPORTATION ENERGY REQUIREMENTS

8

SECTION 16. Section 103D-412, Hawaii Revised Statutes, is

9

amended to read as follows:

10

"§103D-412 [~~Energy-efficient vehicles.~~] Light duty motor

11

vehicle requirements. (a) The procurement policy for all

12

agencies purchasing or leasing light duty motor vehicles shall

13

be to [~~obtain energy-efficient vehicles. All covered fleets are~~

14

~~directed to procure increasing percentages of energy-efficient~~

15

~~vehicles as part of their annual vehicle acquisition plans,~~

16

which shall be as follows:

17

~~(1) In the fiscal year beginning July 1, 2006, at least~~

18

~~twenty per cent of newly purchased light-duty vehicles~~

19

~~acquired by each covered fleet shall be energy-~~

20

~~efficient vehicles;~~

21

~~(2) In the fiscal year beginning July 1, 2007, at least~~

22

~~thirty per cent of newly purchased light-duty vehicles~~

1 ~~acquired by each covered fleet shall be energy-~~
2 ~~efficient vehicles;~~

3 ~~(3) In the fiscal year beginning July 1, 2008, at least~~
4 ~~forty per cent. of newly purchased light-duty vehicles~~
5 ~~acquired by each covered fleet shall be energy-~~
6 ~~efficient vehicles; and~~

7 ~~(4) For each subsequent fiscal year, the percentage of~~
8 ~~energy-efficient vehicles newly purchased shall be~~
9 ~~five percentage points higher than the previous year,~~
10 ~~until at least seventy-five per cent of each covered~~
11 ~~fleet's newly purchased, light-duty vehicles are~~
12 ~~energy-efficient vehicles.]~~

13 reduce dependence on petroleum for transportation energy.

14 Beginning January 1, 2010, all state and county entities shall,
15 when purchasing new vehicles, seek vehicles with reduced
16 dependence on petroleum-based fuels, in the following descending
17 order of priority:

18 (1) The agency shall first evaluate any available electric
19 or plug-in hybrid electric vehicle and, if it meets
20 the needs of the agency, such vehicle shall be
21 selected.

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1 (2) If an electric or plug-in hybrid electric vehicle that
2 meets the needs of the agency is not available, the
3 agency may select a hydrogen or fuel cell vehicle.

4 (3) If a hydrogen or fuel cell vehicle that meets the
5 needs of the agency is not available, the agency may
6 select an alternative fuel vehicle.

7 (4) If an alternative fuel vehicle that meets the needs of
8 the agency is not available, the agency may select a
9 hybrid electric vehicle.

10 (5) If a hybrid electric vehicle that meets the needs of
11 the agency is not available, the agency shall select a
12 vehicle that is identified by the United States
13 Environmental Protection Agency in its annual "Fuel
14 Economy Leaders" report as being among the top
15 performers for fuel economy in its class.

16 (b) For the purposes of this section:

17 "Agency" means a state agency, office, or department.

18 "Alternative fuel" ~~[has the same meaning as contained in 10~~
19 ~~Code of Federal Regulations Part 490]~~ means alcohol fuels;
20 mixtures containing eighty-five per cent or more by volume of
21 alcohols with gasoline or other fuels; natural gas; liquefied
22 petroleum gas; hydrogen; biodiesel; mixtures containing twenty

1 per cent or more by volume of biodiesel with diesel or other
2 fuels; other fuels derived from biological materials; and
3 electricity provided by off-board energy sources.

4 "Covered fleet" has the same meaning as contained in 10
5 Code of Federal Regulations Part 490 Subpart C.

6 [~~"Energy-efficient vehicle" means a vehicle that:~~

7 ~~(1) Is capable of using an alternative fuel;~~

8 ~~(2) Is powered primarily through the use of an electric~~
9 ~~battery or battery pack that stores energy produced by~~
10 ~~an electric motor through regenerative braking to~~
11 ~~assist in vehicle operation;~~

12 ~~(3) Is propelled by power derived from one or more cells~~
13 ~~converting chemical energy directly into electricity~~
14 ~~by combining oxygen with hydrogen fuel that is stored~~
15 ~~on board the vehicle in any form;~~

16 ~~(4) Draws propulsion energy from onboard sources of stored~~
17 ~~energy generated from an internal combustion or heat~~
18 ~~engine using combustible fuel and a rechargeable~~
19 ~~energy storage system; or~~

20 ~~(5) Is on the list of "Most Energy Efficient Vehicles" in~~
21 ~~its class or is in the top one-fifth of the most~~
22 ~~energy-efficient vehicles in its class available in~~

1 ~~Hawaii as shown by vehicle fuel efficiency lists,~~
2 ~~rankings, or reports maintained by the United States~~
3 ~~Environmental Protection Agency.]~~

4 "Excluded vehicles" has the same meaning as provided in 10
5 Code of Federal Regulations Section 490.3.

6 [~~Light-duty vehicle~~] "Light duty motor vehicle" has the
7 same meaning as contained in 10 Code of Federal Regulations Part
8 490. It does not include any vehicle incapable of traveling on
9 highways or any vehicle with a gross vehicle weight rating
10 greater than 8,500 pounds.

11 [~~(c) Agencies may offset energy-efficient vehicle purchase~~
12 ~~requirements by successfully demonstrating percentage~~
13 ~~improvements in overall light-duty vehicle fleet mileage~~
14 ~~economy. The offsets shall be measured against the fleet~~
15 ~~average miles per gallon of petroleum-based gasoline and diesel~~
16 ~~fuel, using the fiscal year beginning July 1, 2006, as a~~
17 ~~baseline, on a percentage-by-percentage basis.~~

18 ~~(d) Agencies that use biodiesel fuel may offset the~~
19 ~~vehicle purchase requirements of this section at the rate of one~~
20 ~~vehicle for each four hundred fifty gallons of neat biodiesel~~
21 ~~fuel used. Neat biodiesel fuel is one hundred per cent~~
22 ~~biodiesel (B100) by volume.]~~

1 ~~[(e)]~~ (c) Agencies may apply to the chief procurement
2 officer for exemptions from the requirements of this section to
3 the extent that the vehicles required by this section are not
4 available or do not meet the specific needs of the agency. Life
5 cycle vehicle and fuel costs may be included in the
6 determination of whether a particular vehicle meets the needs of
7 the agency. Estimates of future fuel prices shall be based on
8 projections from the United States Energy Information
9 Administration.

10 ~~[(f)]~~ (d) Vehicles acquired from another state agency and
11 excluded vehicles are exempt from the requirements of this
12 section.

13 ~~[(g)]~~ (e) Nothing in this section is intended to interfere
14 with ~~[an agency's]~~ the ability of a covered fleet to comply with
15 ~~[federally-imposed]~~ the vehicle purchase mandates ~~[such as~~
16 ~~these]~~ required by 10 Code of Federal Regulations Part 490
17 Subpart C."

18 SECTION 17. Section 196-9(c), Hawaii Revised Statutes, is
19 amended to read as follows:

20 "(c) With regard to motor vehicles and transportation
21 fuel, each agency shall:

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- 1 (1) Comply with Title 10, Code of Federal Regulations,
2 Part 490, Subpart C, "Mandatory State Fleet Program",
3 if applicable;
- 4 (2) Comply with all applicable state laws regarding
5 vehicle purchases;
- 6 (3) Once federal and state vehicle purchase mandates have
7 been satisfied, purchase the most fuel-efficient
8 vehicles that meet the needs of their programs;
9 provided that life cycle cost-benefit analysis of
10 vehicle purchases shall include projected fuel costs;
- 11 (4) Purchase alternative fuels and ethanol blended
12 gasoline when available;
- 13 (5) [~~Evaluate a purchase preference for~~] Purchase
14 biodiesel blends, [~~as applicable to agencies with~~
15 ~~diesel fuel purchases;~~] in accordance with chapter
16 103D;
- 17 (6) Promote efficient operation of vehicles;
- 18 (7) Use the most appropriate minimum octane fuel;
19 [~~provided that~~] vehicles shall use 87-octane fuel
20 unless the owner's manual for the vehicle states
21 otherwise or the engine experiences knocking or
22 pinging;

- 1 (8) [~~Beginning with fiscal year 2005-2006 as the baseline,~~
2 ~~collect~~] Collect and maintain, for [~~the life of~~] each
3 vehicle acquired, the following data:
- 4 (A) Vehicle acquisition cost;
 - 5 (B) United States Environmental Protection Agency
6 rated fuel economy;
 - 7 (C) Vehicle fuel configuration, such as gasoline,
8 diesel, flex-fuel gasoline/E85, and dedicated
9 propane;
 - 10 (D) Actual in-use vehicle mileage;
 - 11 (E) Actual in-use vehicle fuel consumption; and
 - 12 (F) Actual in-use annual average vehicle fuel
13 economy[~~;~~ and].
- 14 (9) [~~Beginning with fiscal year 2005-2006 as the baseline~~
15 ~~with respect to each~~] Each agency that operates a
16 fleet of thirty or more vehicles[~~7~~] shall collect and
17 maintain, in addition to the data in paragraph (8),
18 the following:
- 19 (A) Information on the vehicles in the fleet,
20 including vehicle year, make, model, gross
21 vehicle weight rating, and vehicle fuel
22 configuration;

- 1 (B) Fleet fuel usage, by fuel;
- 2 (C) Fleet mileage; and
- 3 (D) Overall annual average fleet fuel economy and
- 4 average miles per gallon of gasoline and diesel."

5 SECTION 18. Section 103D-1012, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "[~~f~~]**\$103D-1012**[~~f~~] **Biofuel preference.** (a)

8 Notwithstanding any other law to the contrary, contracts for the
9 purchase of diesel fuel or boiler fuel shall be awarded to the
10 lowest responsible and responsive bidders, with preference given
11 to bids for biofuels or blends of biofuel and petroleum fuel.

12 (b) When purchasing fuel for use in diesel engines, the
13 preference shall be [~~five cents~~] twenty per cent per gallon of
14 one hundred per cent [~~biodiesel~~] biomass-based diesel. For
15 blends containing both [~~biodiesel~~] biomass-based diesel and
16 petroleum-based diesel, the preference shall be applied only to
17 the [~~biodiesel~~] biomass-based diesel portion of the blend.

18 (c) When purchasing fuel for use in boilers, the
19 preference shall be [~~five cents~~] twenty per cent per gallon of
20 one hundred per cent biofuel. For blends containing both
21 biofuel and petroleum-based boiler fuel, the preference shall be
22 applied only to the biofuel portion of the blend.

1 (d) As used in this section, "biodiesel" means a vegetable
2 oil-based fuel that meets ASTM International standard D6751,
3 "Standard Specification for Biodiesel (B100) Fuel Blend Stock
4 for Distillate Fuels", as amended.

5 (e) As used in this section, "biofuel" means fuel from
6 non-petroleum plant or animal based sources that can be used for
7 the generation of heat or power.

8 (f) As used in this section, "biomass-based diesel" means
9 biodiesel or diesel fuel substitute produced in Hawaii from
10 biomass, provided that the fuel is registered with the
11 Environmental Protection Agency for use in on-road engines and
12 meets ASTM International fuel specifications for use in diesel
13 engines.

14 (g) Beginning January 1, 2012, all state-owned diesel
15 vehicles and equipment are required to be fueled with blends of
16 biomass-based diesel, subject to the availability of the fuel,
17 and so long as the price is no greater than twenty per cent more
18 per gallon than the price of conventional diesel."

19 SECTION 19. Chapter 196, Hawaii Revised Statutes, is
20 amended by adding a new section to be appropriately designated
21 and to read as follows:

1 "§196- Alternative fuel vehicle requirement for private
2 fleets. (a) Beginning January 1, 2015, each fleet operator
3 controlling more than fifty light duty motor vehicles in the
4 State shall, when replacing its light duty motor vehicles or
5 expanding its fleet, acquire increasing percentages of vehicles
6 capable of operating on non-petroleum energy sources, including
7 electric vehicles, flexible fuel vehicles, or other alternative
8 fuel vehicles.

9 (b) At least four per cent of all new light duty motor
10 vehicles acquired by a fleet operator in the State during
11 calendar year 2015 shall be alternative fuel vehicles. This
12 percentage shall increase by four per cent per year, reaching
13 sixty-four per cent in the calendar year 2030.

14 (c) For the purposes of this section:

15 "Acquire" means to take into possession or control, whether
16 by lease, purchase, or other arrangement.

17 "Alternative fuel" means alcohol fuels; mixtures containing
18 eighty-five per cent or more by volume of alcohols with gasoline
19 or other fuels; natural gas; liquefied petroleum gas; hydrogen;
20 biodiesel; mixtures containing twenty per cent or more by volume
21 of biodiesel with diesel or other fuels; other fuels derived

1 from biological materials; and electricity provided by off-board
2 energy sources.

3 "Alternative fuel vehicle" means a vehicle capable of
4 operating on an alternative fuel.

5 "Electric vehicle" means a vehicle powered by electricity.
6 It does not include a neighborhood electric vehicle or any
7 vehicle that is not designed to obtain electricity from sources
8 outside the vehicle.

9 "Fleet operator" means an entity controlling more than
10 fifty light duty motor vehicles for use in a business
11 enterprise, including vehicle rental, but does not include
12 vehicles held for retail sale.

13 "Light duty motor vehicle" has the same meaning as
14 contained in 10 Code of Federal Regulations Part 490. It does
15 not include any vehicle incapable of traveling on highways or
16 any vehicle with a gross vehicle weight rating greater than
17 8,500 pounds.

18 (d) A fleet operator and its affiliates may aggregate
19 their vehicle purchases.

20 (e) Fleet operators acquiring vehicles earlier than the
21 program start date or in excess of the number of vehicles
22 required will be able to accumulate alternative fuel vehicle

1 credits, which may be traded, sold, or banked for later use in
2 meeting vehicle acquisition requirements.

3 (f) Fleet operators shall file annual reports with the
4 energy resources coordinator. Reports shall be for each calendar
5 year, and shall conform to the format, content, and reporting
6 requirements specified by the energy resources coordinator.
7 Reports shall be filed by June 30 following the close of the
8 calendar year of the report.

9 (g) Fleet operators may apply to the energy resources
10 coordinator for exemptions from the requirements of this section
11 to the extent that the vehicles required by this section are not
12 available or do not meet the specific needs of the fleet. To be
13 eligible for an exemption, a fleet operator must be able to
14 demonstrate having made a good faith effort to comply with the
15 requirements.

16 (h) Any fleet operator or any other person violating the
17 requirements of this section may be subject to a fine of up to
18 \$1,000 per nonconforming vehicle and up to \$50 per day per
19 annual report.

20 (i) The energy resources coordinator, in accordance with
21 chapter 91, shall adopt rules for the administration and
22 enforcement of this section."

PART V

TRANSPORTATION ENERGY PLANS AND STUDIES

SECTION 20. The department of accounting and general services shall develop an implementation plan for installation of electric vehicle charging stations at State-owned parking facilities.

SECTION 21. Section 286-172, Hawaii Revised Statutes, is amended by amending subsection (a) to read as follows:

"(a) Subject to authorization granted by the chief justice with respect to the traffic records of the violations bureaus of the district courts and of the circuit courts, the director of transportation shall furnish information contained in the statewide traffic records system in response to:

(1) Any request from a state, a political subdivision of a state, or a federal department or agency, or any other authorized person pursuant to rules adopted by the director of transportation under chapter 91;

(2) Any request from a person having a legitimate reason, as determined by the director, as provided under the rules adopted by the director under paragraph (1), to obtain the information for verification of vehicle

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1 ownership, traffic safety programs, or for research or
2 statistical reports; [~~or~~]

3 (3) Any request from the energy resources coordinator, to
4 track the number and type of vehicles in use and the
5 effectiveness of efforts to increase the efficiency
6 and diversify the fuel needs of Hawaii's
7 transportation sector; or

8 [~~(3)~~] (4) Any request from a person required or authorized
9 by law to give written notice by mail to owners of
10 vehicles."

11 SECTION 22. Section 92F-19, Hawaii Revised Statutes, is
12 amended to read as follows:

13 **"§92F-19 Limitations on disclosure of government records**
14 **to other agencies.** (a) No agency may disclose or authorize
15 disclosure of government records to any other agency unless the
16 disclosure is:

17 (1) Necessary for the performance of the requesting
18 agency's duties and functions and is also:

19 (A) Compatible with the purpose for which the
20 information was collected or obtained; or

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- 1 (B) Consistent with the conditions or reasonable
2 expectations of use and disclosure under which
3 the information was provided;
- 4 (2) To the state archives for the purposes of historical
5 preservation, administrative maintenance, or
6 destruction;
- 7 (3) To another agency, another state, or the federal
8 government, or foreign law enforcement agency or
9 authority, if the disclosure is:
- 10 (A) For the purpose of a civil or criminal law
11 enforcement activity authorized by law; and
- 12 (B) Pursuant to:
- 13 (i) A written agreement or written request, or
14 (ii) A verbal request, made under exigent
15 circumstances, by an officer or employee of
16 the requesting agency whose identity has
17 been verified, provided that such request is
18 promptly confirmed in writing;
- 19 (4) To a criminal law enforcement agency of this State,
20 another state, or the federal government, or a foreign
21 criminal law enforcement agency or authority, if the
22 information is limited to an individual's name and

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- 1 other identifying particulars, including present and
2 past places of employment;
- 3 (5) To a foreign government pursuant to an executive
4 agreement, compact, treaty, or statute;
- 5 (6) To the legislature, or a county council, or any
6 committee or subcommittee thereof;
- 7 (7) Pursuant to an order of a court of competent
8 jurisdiction;
- 9 (8) To authorized officials of another agency, another
10 state, or the federal government for the purpose of
11 auditing or monitoring an agency program that receives
12 federal, state, or county funding;
- 13 (9) To the offices of the legislative auditor, the
14 legislative reference bureau, or the ombudsman of this
15 State for the performance of their respective
16 functions;
- 17 (10) To the department of human resources development,
18 county personnel agencies, or line agency personnel
19 offices for the performance of their respective duties
20 and functions, including employee recruitment and
21 examination, classification and compensation reviews,
22 the administration and auditing of personnel

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1 transactions, the administration of training and
2 safety, workers' compensation, and employee benefits
3 and assistance programs, and for labor relations
4 purposes;

5 (11) To the department of business, economic development,
6 and tourism for the performance of their statutory
7 responsibilities; or

8 [~~(11)~~] (12) Otherwise subject to disclosure under this
9 chapter.

10 (b) An agency receiving government records pursuant to
11 subsection (a) shall be subject to the same restrictions on
12 disclosure of the records as the originating agency."

13 SECTION 23. Section 226-17, Hawaii Revised Statutes, is
14 amended by amending subsection (b) to read as follows:

15 "(b) To achieve the transportation objectives, it shall be
16 the policy of this State to:

17 (1) Design, program, and develop a multi-modal system in
18 conformance with desired growth and physical
19 development as stated in this chapter;

20 (2) Coordinate state, county, federal, and private
21 transportation activities and programs toward the
22 achievement of statewide objectives;

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- 1 (3) Encourage a reasonable distribution of financial
2 responsibilities for transportation among
3 participating governmental and private parties;
- 4 (4) Provide for improved accessibility to shipping,
5 docking, and storage facilities;
- 6 (5) Promote a reasonable level and variety of mass
7 transportation services that adequately meet statewide
8 and community needs;
- 9 (6) Encourage transportation systems that serve to
10 accommodate present and future development needs of
11 communities;
- 12 (7) Encourage a variety of carriers to offer increased
13 opportunities and advantages to interisland movement
14 of people and goods;
- 15 (8) Increase the capacities of airport and harbor systems
16 and support facilities to effectively accommodate
17 transshipment and storage needs;
- 18 (9) Encourage the development of transportation systems
19 and programs which would assist statewide economic
20 growth and diversification;

Report Title:

Hawaii Clean Energy Initiative; Transportation

Description:

Establishes transportation energy initiatives necessary for the transition of Hawaii's transportation energy sector from almost completely dependent on petroleum towards the use of efficient, stable, secure, renewable, 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 TRANSPORTATION ENERGY.

PURPOSE: To begin the transformation of Hawaii's transportation sector from almost completely dependent on petroleum towards the use of efficient, stable, secure, renewable, non-petroleum energy sources through the establishment of:

- (1) Transportation energy infrastructure capable of supporting vehicles using alternative transportation energy sources, including electricity and biofuels;
- (2) Incentives to accelerate transformation to non-petroleum energy sources;
- (3) Requirements for transportation energy diversification; and
- (4) Plans and analysis.

MEANS: Add new sections and amend sections: 92F-19; 103D-412, -1012; 196, -9; 226-17, -18; 235, -110.3; 237; 238-9.5; 251-2; 269-1; 286-41, -172; 291; 437-28; Hawaii Revised Statutes.

JUSTIFICATION: A clean energy economy will reduce Hawaii's oil dependence and its consequent price volatility; provide a measure of energy security; and provide economic diversification. On January 28, 2008, the signing of a Memorandum of Understanding between the State of Hawaii and the U.S. Department of Energy launched the Hawaii Clean Energy Initiative. The objectives of the initiative are to:

- (1) Transform Hawaii's energy sector so that energy efficiency and renewable energy will provide at least 70 percent of Hawaii's energy needs by 2030.

- (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.

Hawaii's transformation will also serve as an integrated model and demonstration test bed for the U.S. and other island communities, attracting demonstration, research, development, and innovation to Hawaii.

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

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: \$1.67M 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, Transportation, Accounting and General Services, Land and Natural Resources

EFFECTIVE DATE: Upon approval.