

Honolulu, Hawaii

Feb 11, 2010

RE: H.B. No. 2237

H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Fifth State Legislature  
Regular Session of 2010  
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 2237 entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE FUELS,"

begs leave to report as follows:

The purpose of this measure is to expand the existing ethanol facility tax credit to include other liquid biofuels and to enable larger facilities to be eligible for the tax incentive.

Specifically, this measure:

- (1) Changes the ethanol facility tax credit to the biofuel facility tax credit;
- (2) Deletes the maximum limit on a qualified ethanol production facility's nameplate capacity of fifteen million gallons and, instead, allows the credit for the first fifteen million gallons of capacity of each qualifying biofuel production facility;
- (3) Requires the qualifying biofuel production facility to be located within the State and to use agricultural feedstock for at least seventy-five per cent of production output;
- (4) Defines the terms "agricultural feedstock" and "biofuel";



- (5) Amends the definition of:
- (A) "Investment" to include direct capital expenditures in agricultural infrastructure;
  - (B) "Qualifying ethanol production" by replacing "ethanol" with "biofuel" and limiting feedstock to agricultural feedstock; and
  - (C) "Qualifying ethanol production facility" by replacing "ethanol" with "biofuel" and expanding the grade of fuel produced by the facility from motor fuel grade ethanol to fuel grade biofuel meeting the relevant ASTM specifications for the particular fuel; and
- (6) Deletes the provision prohibiting credits for new ethanol production facilities once the total nameplate capacities of qualifying ethanol production facilities built within the State reach or exceed forty million gallons per year and replaces that provision with:
- (A) \$12,000,000 in annual credits for ethanol production facilities representing forty million gallons of annual capacity; and
  - (B) A combined maximum of \$12,000,000 of annual credits representing forty million gallons of annual capacity for other biofuels.

Your Committee received testimony in support of this measure from the Department of Taxation, Alexander & Baldwin, Inc., and Hawaiian Commercial & Sugar Co. Hawaii Bioenergy, Blue Planet Foundation, and Hawaiian Electric Company, Inc., and its subsidiary utilities submitted testimony in support and suggested amendments. The Department of Business, Economic Development, and Tourism and RealGreen Power, Inc. expressed concerns and suggested amendments. The Department of Agriculture and the Tax Foundation of Hawaii offered comments.

Your Committee has taken into consideration the various amendments suggested by testifiers and has amended this measure to:

- (1) Change the dollar amount of the credit from thirty per cent of a facility's nameplate capacity to thirty cents



per gallon of the nameplate capacity for the first fifteen million gallons;

- (2) Delete the restriction limiting a claim for credit for investments made in the qualifying biofuel production facility to only those made during the credit period;
- (3) Amend the definitions of "biofuel" and "qualifying biofuel production facility" to include fuel that meets specifications for electrical generation;
- (4) Amend the definition of "qualifying biofuel production" to add transesterified, pyrolyzed, or other biochemical or thermochemical conversion methods to the methods required for qualified production and to delete methods "such as reformation and catalytic conversion and dehydrated at the facility";
- (5) Retain the provision prohibiting credits for new biofuel production facilities once the total nameplate capacities of qualifying biofuel production facilities built within the State reach or exceed forty million gallons per year and to delete the provisions allowing:
  - (A) \$12,000,000 in annual credits for ethanol production facilities representing forty million gallons of annual capacity; and
  - (B) A combined maximum of \$12,000,000 of annual credits representing forty million gallons of annual capacity for other biofuels; and
- (6) Make technical nonsubstantive amendments throughout the measure for purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2237, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2237, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Energy &  
Environmental Protection,

*Hermina Morita*

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HERMINA MORITA, Chair



State of Hawaii  
House of Representatives  
The Twenty-fifth Legislature

HSCR 269-10

**Record of Votes of the Committee on Energy & Environmental Protection**

Bill/Resolution No.: <b>HB2237</b>	Committee Referral: <b>EEP, FIN</b>	Date: <b>2-9-2010 DC</b> <del>2-4-10</del>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. MORITA, Hermina M. (C)	✓			
2. COFFMAN, Denny (VC)	✓			
3. CABANILLA, Rida	✓			
4. CHANG, Jerry L.				✓
5. CHONG, Pono				✓
6. HAR, Sharon E.	✓			
7. HERKES, Robert N.				✓
8. ITO, Ken	✓			
9. LEE, Chris	✓			
10. LUKE, Sylvia				✓
11. SAGUM, Roland D., III				✓
12. CHING, Corinne W.L.	✓			
13. THIELEN, Cynthia	✓			
<b>TOTAL (13)</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>5</b>
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u><i>Denny Coffman</i></u>				
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