

**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
INTERIM DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
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Statement of
RICHARD C. LIM
Interim Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, February 1, 2011
8:00 AM
State Capitol, Conference Room 325

in consideration of
HB 566
RELATING TO TAXATION

Chair Morita, Vice Chair Coffman, and Members of the Committee

The Department of Business, Economic Development, and Tourism (DBEDT) defers to the Department of Taxation on matters relating to HB 566. We are unable to support this due to its potential impact on the priorities indicated in the Executive Biennium Budget.

However, we are concerned about curtailing the growth and proliferation of energy efficient and renewable technology installations at a time when these tax incentives are most needed.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

TESTIMONY OF THE DEPARTMENT OF TAXATION REGARDING HB 566 RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)

COMMITTEE: EEP

DATE: FEBRUARY 1, 2011

TIME: 8AM

POSITION: OPPOSED

This measure places a \$7 million aggregate cap on all claims of the Renewable Energy Technologies Income Tax Credit (Energy Credit), per year.

The Department of Taxation (Department) opposes this measure.

DRASTICALLY REDUCES THE CREDIT'S EFFECTIVENESS—This measure will substantially limit the attractiveness of the Energy Credit. Currently there is no aggregate cap on the Energy Credit, which means that every taxpayer can take advantage of it. This measure will likely drive away a substantial amount of investment because of the uncertainty a cap brings. Though a cap provides budget certainty for the State, if energy independence is the State's policy, this measure will greatly hamstring current efforts to accomplish energy goals because outside investors will not be ensured any credit after their multi-million dollar investment is made.

ADMINISTRATIVELY BURDENSOME—The Department generally opposes aggregate caps, especially in this measure's form. There is no legislative guidance on how the cap is to be administered. Is the cap based on who files first? Who installs their energy system first? Do taxpayers need to apply for the credit? Should the credit be spread evenly amongst all

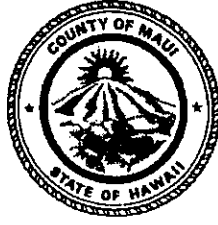
taxpayers? All of these issues arise when an aggregate cap is instituted. These issues become even more concerning when there are a substantial number of taxpayer claiming the credit, such as with the Energy Credit.

THE CAP REPRESENTS ABOUT HALF OF THE CREDIT—The Department points out that the \$7 million cap in this measure represents about half the credit payout each year. If the goal is to save half the costs, the cap is effectively cutting the percentage rate in half or eliminating half of all renewable energy projects.

THE CREDIT ALREADY HAS CAPS—The Department points out that the Energy Credit currently has caps already in place. The law provides for caps "per system," which means that taxpayers do not have limitless credit. The Department has administratively interpreted the installation of a system in a fair and reasonable manner with the best interest of the State in mind. Taxpayers are allowed more than one credit; provided that additional systems are installed.

REVENUE IMPACT—This measure will result in a revenue gain of approximately \$18.5 million per year beginning in FY 2012.

ALAN ARAKAWA
Mayor



TEENA RASMUSSEN
Economic Development Coordinator

COUNTY OF MAUI
OFFICE OF THE MAYOR
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

January 31, 2011

Office of Representative Kyle Yamashita
House District 12.
Hawaii State Capitol Room 422
ATTN: Tannya Kanei-Ibara

Re: HB 566 and 529

Tannya,

Thank you for speaking with me earlier today by phone. As I explained, the County of Maui has an annual electric bill that exceeds \$20 million.

We want to equip many of our buildings with rooftop solar panels. Current law allows private developers to install these systems at no cost to the county, and sell power for less than MECO charges.

Without the combination of federal and state tax credits that currently exists, we do not believe the county could afford to proceed with its plans for rooftop solar systems.

We oppose HB 566 and 529 as they would add cost and uncertainty to our effort to increase renewable energy use by the county.

Sincerely,


Doug McLeod
Energy Commissioner

DM:jw



Beachside Solar Technologies

A Division of Beachside Roofing LLC

House Committee On Energy & Environmental Protection
Rep. Hermina M. Morita, Chair
Rep. Denny Coffman, Vice Chair

Public Hearing: February 1, 2011
8:00AM, House Conference Room 325

Testimony Opposing HB566 Limits On Renewable Energy Tax Credits

Aloha,

My name is Timothy Murph, and I represent Beachside Solar Technologies, a Hawaii based solar electric system integrator. Respectfully, we submit this testimony as a statement of our opposition to HB566.

We see HB566 as a grave threat to an already fragile local industry. Our company depends on the Hawaii Energy Tax Credit on every commercial and residential solar electric project we perform. Residents and businesses already suffer greatly from rising utility costs due to increases in the price of imported foreign oil. The proposed lowering of the cap on the Hawaii Energy Tax Credit will make it much more difficult or impossible for many residents and businesses to invest in a renewable energy system.

Acquisition costs for a completed solar electric system with the reduced Hawaii Energy Tax Credit as proposed, would put solar electric technology out of the reach of most Hawaii residents and businesses. Due to the continued high cost of solar electric technology, and the diminished amount of available investment capital due to the financial crisis in our country and the world, HB566 would most likely doom any future large-scale development of solar electric systems in Hawaii. Passing of this bill would only cause further damage to our local economy, with the added burden that failed businesses cause.

Thank you for the opportunity to provide this testimony and feel free to contact me if I can be of further assistance or provide more detailed comment.

Very respectfully,

Timothy Murph
Vice President/GM

Reducing Global Carbon-One Roof At A Time

Corporate Office
1870-A Leleiona St
Lihue, Hawaii 96766
(P) 808-246-7820
(F) 808-246-9019

Oahu Office
91-522 Nukuawa St.
Kapolei, Hawaii 96707
(P) 808-682-5803
(F) 808-662-5407

Solar Division
91-522 Nukuawa St.
Kapolei, Hawaii 96707
(P) 808-841-0714
(F) 808-841-0715

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 30, 2011 10:32 PM
To: EEPtestimony
Cc: reachbrianbell@yahoo.com
Subject: Testimony for HB566 on 2/1/2011 8:00:00 AM

Testimony for EEP 2/1/2011 8:00:00 AM HB566

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: Brian Bell
Organization: Individual
Address: 4626 Sierra Dr Honolulu, HI
Phone: 808-227-7087
E-mail: reachbrianbell@yahoo.com
Submitted on: 1/30/2011

Comments:
Aloha Chair Morita and Members of the Committee:

I would like to submit my testimony in opposition of HB 566, which would place egregious limits on a fragile industry at an inopportune time.

This bill seeks to drastically limit the renewable energy state tax credits available to the burgeoning solar and wind industries, which could cripple our transition to a clean energy future. We need to stay the course with our current incentives so that solar and wind can reach grid parity. For solar, this could take another 5 - 10 years. This means it would be cheaper to put a solar system on your roof than to pay the electric company. We cannot afford turn our backs on the companies that are making our Hawaii Clean Energy Initiative dream a reality.

There is clearly a multiplier effect when granting these tax credits. The solar industry is one of the bright spots in our dismal economic times and creating jobs that come from the sun and cannot be shipped out of state.

Mahalo,

Brian Bell
4626 Sierra Dr
Honolulu, HI 96816
808-227-7087

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 31, 2011 8:55 AM
To: EEPtestimony
Cc: patbak1@hawaiiantel.net
Subject: Testimony for HB566 on 2/1/2011 8:00:00 AM

Testimony for EEP 2/1/2011 8:00:00 AM HB566

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: Byron W. Baker
Organization: Individual
Address: 1504 Kamehameiki Road Kula, Hawaii 96790
Phone: 808 876 0283
E-mail: patbak1@hawaiiantel.net
Submitted on: 1/31/2011

Comments:



TO: House Committee on Energy and Environmental Protection
Honorable Representative Hermina M. Morita, Chair
Honorable Representative Denny Coffman, Vice Chair

RE: Testimony Opposing HB 566 Relating To Taxation.

Testimony is 2 pages long.

HEARING: Tuesday, February 1, 8:00 a.m.

Madam Chair and members of the Committee:

I appreciate this committee's consideration of HB566, and welcome this opportunity submit testimony in opposition it in its current form.

My name is Larry Gilbert, and I am the Managing Partner and Chief Executive of Kairos Energy Capital LLC. Kairos Energy Capital is a Hawai'i merchant bank that focuses entirely on providing and arranging funding for renewable energy projects. We have become one of the leading experts in Hawai'i in solar project financing. Notable financing which we have completed include solar panels on all of the Neighbor Island airports for the State of Hawai'i Department of Transportation (one of the largest solar project financings done in Hawai'i) and the recent refinancing of the Hawi Wind Farm on the Big Island.

HB566 proposes a \$7 million per year cap on renewable energy tax credits, as a means to help resolve the State's current budget crisis. While the budget crisis is perhaps the largest and most important public issue before the Legislature this year, the steps taken to address it must be done responsibly and with attention to avoiding major unintended consequences.

The effect of HB566 in its current form is to serve layoff notices on virtually every one of the over 500 Hawaii men and women currently working in the solar industry, and to freeze every solar project currently in development or under consideration. While these words may seem alarmist, they are true.

The Hawaii renewable energy tax credit was a means for the State to partner with private capital by incentivizing homeowners, businesses and investors to put money into renewable energy projects which would otherwise be unprofitable or marginally profitable by providing them with tax relief. And "private capital" does not just mean banks, insurance companies and other investors—it includes homeowners and small businesses who are weighing decisions about whether or not to make a major investment to move toward renewable energy. When there is a threat that the rules of that relationship between the State's incentive and private capital's investment may suddenly change, the private capital instantly freezes until the threat is resolved one way or the other.

The effect of that capital freezing is that the projects – from individual homeowners considering solar hot water heaters to huge solar farms like the 20 megawatts in Mililani and the large Sopogy project in Kalaeloa – are stopped in their tracks. And once stopped, some of the projects will never be restarted. And with upcoming projects stopped, solar companies – which have been one of the few bright spots in a construction industry mired in the recession – must begin laying off workers and cutting costs.

These effects will happen very quickly. Unlike other construction projects, solar projects are built very quickly—a residential solar system may be installed in only one or two days, and even a large commercial project may only take a few weeks. So the mere fact that this bill is pending in its current form could result in layoffs beginning as early as March or April, and the entire industry being decimated by the time the Legislature adjourns.

There is a better way for this Committee, and the Legislature, to go about evaluating whether and how the renewable energy tax credit should be adjusted to respond to the realities of the State's budget crisis.

HB566 should be amended by this Committee to immediately convene a working group consisting of representatives of the Department of Taxation, the Department of Business and Economic Development, the solar industry, the wind industry and the financing industry to develop a proposal for adjustments to the Hawaii renewable energy tax credit which would help contribute to the resolution of the budget crisis while still keeping private capital engaged.

The working group can evaluate all the options, taking into consideration all of the ramifications, and propose a measured response that will keep the public-private partnership between the State and private capital a healthy relationship that will continue to help move Hawaii toward the vital goal of energy self-sufficiency.

Thank you for the opportunity to submit this testimony, and please feel free to contact me if I can be of further assistance.

Larry Gilbert
Managing Partner
Kairos Energy Capital LLC
55 Merchant Street, Suite 1560
Honolulu, HI 96813
Tel 808 457-1600
Email: LGilbert@kairosenergycapital.com

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Limitation on renewable energy technologies tax credit

BILL NUMBER: HB 566

INTRODUCED BY: Chong, M. Lee, B. Oshiro, Tokioka, Yamashita & 1 Democrat

BRIEF SUMMARY: Amends HRS section 235-12.5 to provide that the total maximum allowed renewable energy technologies tax credits shall not exceed \$7 million in any tax year; provided that any credit in excess of the annual aggregate limit shall be claimed against a taxpayer's income tax liability in subsequent years until exhausted.

EFFECTIVE DATE: Tax years beginning after December 31, 2010

STAFF COMMENTS: This measure acknowledges that tax credits are a drain on the state treasury and proposes a limit on the aggregate amount of renewable energy technologies tax credits that may be claimed to \$7 million per year. The purpose clause of the measure states that "due to the tight economic and fiscal conditions, measures must be taken to limit the State's tax credit liability and address the budget shortfall."

While the limitation proposed by this measure is commendable, without any recent data from the department of taxation regarding the amount of renewable energy technologies tax credits paid out, it is difficult, if not impossible, to determine whether the aggregate limit of \$7 million per year is realistic. If the limitation proposed by this measure is too high, then the proposed measure will not have any effect on the loss of precious state revenues due to this tax credit.

What this measure does underscore is that the unbridled offering of tax credits amounts to nothing more than the expenditure of public funds out the back door. Even as this measure is being introduced and discussed, other lawmakers continue to introduce measures proposing tax credits and exemptions for all kinds of activities, none of which have anything to do with relieving an excessive tax burden. Instead of perpetuating the anticipation of special interests that they can get a "tax break with a tax credit," lawmakers need to go back to the old-fashioned way of supporting specific programs and projects by appropriating public funds. The appropriation process allows for the careful scrutiny and evaluation of proposals to determine the worthiness of the investment of public dollars.

Digested 1/31/11

MERIDIAN 158, LLC
PO Box 1461
KAHULUI, HI 96733

January 31, 2011

Committee on Energy and Environmental Protection
House of Representatives
State of Hawaii

Subject: Testimony Opposing HB 566

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

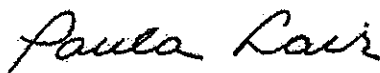
I wish to express my grave concerns regarding HB 566, which would place a \$7,000,000 annual aggregate cap on the renewable energy technologies income tax credit.

Today, there is a great deal of new and viable entrepreneurial activity in the renewable energy industry in Hawaii. After years of partnering with the local utilities and working with communities on siting and permitting issues, new technologies are finally being adopted and put in production in order to reduce our Islands' dependence on imported oil. However, these projects require financing and debt from local and mainland investors and banks. By capping the income tax credit, the financial projections of these projects become clouded and uncertain. We currently face a tough environment for project financing. ***Creating uncertainty with a tax cap will effectively end new investment in these projects.***

This in turn will stifle the growth of emerging Hawaii companies in the renewable energy sector. Companies that generate state revenue in terms of GET and income tax. Companies that create high paying jobs in construction, project management, operations, law and finance.

Renewable Energy is an industry where Hawaii will show leadership at a national level only by maintaining the momentum that is just being established. This momentum will only continue by keeping in place the tax incentives that were established previously. I urge you to stop this bill.

Sincerely,



Paula Lair

Owner, Meridian 158, LLC



Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803
808.538.6616 hawaii.chapter@sierraclub.org

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 1, 2011, 8:00 A.M.
(*Testimony is 2 pages long*)

TESTIMONY IN STRONG OPPOSITION TO HB 566

Aloha Chair Morita and Members of the Committee:

The Sierra Club of Hawai'i strongly opposes House Bill 566, which would cap the amount of renewable energy tax credit available to prospective consumers. This measure is a pennywise, pound-foolish step backward in the State's clean energy efforts. The lack of certainty in tax credit availability will cause a dangerous chilling effect in Hawai'i's burgeoning clean energy industry.

Tax credits for renewable energy devices are important policy tools to encourage investment in clean energy, reducing Hawai'i's dependence on unstable foreign oil and improving Hawai'i's environment.

Hawai'i depends on imported oil for nearly 90% of its energy needs. This dependence results in the outflow of the State's financial resources and creates a tenuous reliance on an unsustainable and unstable resource. Moreover, with the increased certainty of climate change as a result of fossil fuel usage and the emerging treaties on greenhouse gas emissions, as well as the global depletion of natural resources, encouragement of renewable energy sources is timely and strategic.

Hawai'i has been a leader in the inevitable renewable energy revolution—but continued success will take a continued commitment from the public policy makers. Tax credits for renewable energy is good policy for the following reasons:

- The tax credits are an investment for the State. As shown by the analysis of economist Tom Loudat, the tax credits leverage private investment that helps to sustain existing jobs and adds jobs as the net number of systems sold per year increases. The jobs are created primarily in the small business sector;

- Private utilities base their demand side management programs ultimately on shareholder return. This often conflicts with the energy and economic objectives of the State. If the State wishes to encourage sustainable, clean energy—which it should—then it must continue to encourage distributed generated power.
- The solar industry is exactly the “high-tech” that Hawai’i needs. But until a critical mass is reached for its demand, it must be supported by incentives. The industry cannot make long-term plans if it is unsure how to forecast demand for their systems in the long-term.

Hawai’i’s renewable energy tax credits have proven incredibly successful in helping to promote the use of solar and other renewable energies in the state. The number of photovoltaic systems installed in Hawai’i has consistently increased each year -- one of the few growth industries in an otherwise economically depressed time period. Hawai’i has one of the strongest solar industries in the country. Let’s not lose this resource.

Mahalo for the opportunity to testify.





February 1, 2011

HOUSE

Clifford Smith
Principal

8:00 A.M.

COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

S&B Energy, LLC and our staff strongly oppose the creation of an annual aggregate cap on the renewable energy technologies tax credit. Past legislative bodies established the credits, with overwhelming public support, as a critical component to encourage renewable energy deployment across the State. The renewable energy industry has benefited and many businesses and jobs have been created in this sector. It is actually one of the few bright spots in a very bleak economy.

The limitation proposed, through an aggregate cap, is a dramatic departure from the State's support and will severely, irrevocably weaken the industry. As one may surmise, all financial underwriting relies on the predictability and certainty of financial benefits being in place. In today's market, capital will flow to programs with attractive returns and with the most certainty. Already, Hawaii suffers significant uncertainty due to hurdles such as the high costs driven by transportation and construction, limited electricity buyers (off-takers) and significant permitting/entitlement risks. The proposed bill, HB566, is yet another hurdle that would be the final nail in the coffin for the industry here. Capital will flow to other states and programs with more predictability.

I urge the Committee to oppose this bill.

Sincerely & Respectfully,

A handwritten signature in black ink, appearing to read "Clifford Smith", written over a horizontal line.

Clifford Smith



Levin & Hu, LLP
Certified Public Accountants
77 Ho'okele Street, Suite 302
Kahului, Maui, Hawaii 96732-3516
808-270-1077 main line
808 270-1072 fax
www.levinhu.com

January 31, 2011

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Re: HB566

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee

Please quickly and with malice end this terrible bill for either of the reasons noted below:

- An aggregate cap is unworkable in any legislation. How is the Department of Taxation to allocate the applicability of this credit to taxpayers?
 - In advance: creating a huge paperwork hassle?
 - By who files first, giving priority to those who have the ability to file early?
 - By allocating credit to all those who file, forcing the Department of taxation to hold all refunds until the close of the following year when they can allocate the credit?
- The legislation also doesn't handle effectively the complex issue of what happens in subsequent years:
 - Does the \$7,000,000 limit still apply to carryovers?
 - If it does, who get's first use of the \$7,000,000: new taxpayers or the ones carrying forward from last year?
 - If it doesn't, then essentially this whole bill is just a one year delay of all benefits except for a select few.

This bill is an abomination. Although there is a difficult state shortage and you may have to consider some type of limits on energy credits this particular method is ludicrous. Like a recent episode of "American Idol" you should all just look at each other and simultaneously vote "no".

Aloha,

Douglas Levin, CPA
Managing Partner



The CPA. Never Underestimate The Value.®

February 1, 2011

HOUSE

Eric Perreca
President

8:00 A.M.

**COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION**

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

Scatec Solar North America, Inc. strongly opposes the creation of an annual aggregate cap on the renewable energy technologies tax credit (RETITC). The renewable energy industry is a young and expanding sector. The Federal and State governments have decided to incentivize the growth of this industry through tax credits. The industry cost structure, at this point, relies on the incentives to be predictable and reliable. Any changes, such as the cap proposed, would greatly reduce their impact and likely create such dramatic reduction in their value as to reprioritize capital flow to Hawaii.

In general, competition for capital flow exists among states. Hawaii has experienced significant interest and deployed dollars, because of the RETITC. The proposed cap would likely eliminate our continued interest and for us, cause pause in our commitments to deploy a large PV project in the State. We would be unable to meet the minimum of acceptable returns, as Hawaii has significant risks of entitlement and a higher cost structure, due to the Islands' isolation.

I strongly urge the Committee to oppose the bill.

Sincerely,


Eric Perreca

February 1, 2011
8:00 A.M.

HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

We have been in business for 33 years, specializing in Solar. It hasn't been easy but we are proud to say that we now have employed 75 people.

This bill is already having a chilling effect on our business. Solar customers simply won't sign contracts without tax credit. As a result, we are expecting revenues to essentially end once the word gets out that the legislature is going to retroactively end the tax credit. This will force our company to lay people off because we are not capitalized to sustain a period without revenues.

In closing, we are asking you to please not move this bill, which, will destroy an extremely promising industry, right as it is about to launch.

Sincerely,

Joanne Casayuran
Administrative Assistant
Haleakala Solar Inc

February 1, 2011
8:00 A.M. HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

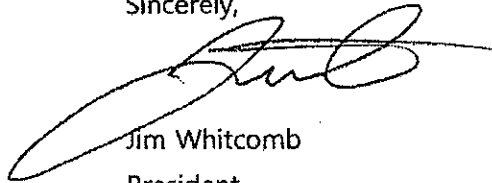
Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

We have been in business for 33 years, specializing in Solar. It hasn't been easy but we are proud to say that we now have employed 75 people.

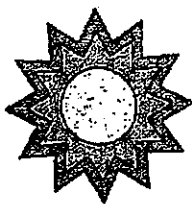
This bill is already having a chilling effect on our business. Solar customers simply won't sign contracts without tax credit. As a result, we are expecting revenues to essentially end once the word gets out that the legislature is going to retroactively end the tax credit. This will force our company to lay people off because we are not capitalized to sustain a period without revenues.

In closing, we are asking you to please not move this bill, which, will destroy an extremely promising industry, right as it is about to launch.

Sincerely,



Jim Whitcomb
President
Haleakala Solar Inc



INTER-ISLAND SOLAR SUPPLY

Serving Hawaii and the Pacific Islands Since 1975

761 Ahua St., Honolulu, HI 96819
 73-5569 Kauhola St., Kailua-Kona, HI 96740
 400 Ala Makani St. #103, Kahului, HI 96732

Tel: (808)523-0711 Fax: (808)536-5586
 Tel: (808)329-7890 Fax: (808)329-5753
 Tel: (808)871-1030 Fax: (808)873-7825

Testimony of Inter-Island Solar Supply
 In Regard To
 HB 566, Relating to Taxation
 Before The
 House Committee on Energy & Environmental Protection
 Tuesday, February 1, 2011

Chair Morita and Vice-Chair Coffman, my name is Richard Reed and I represent Inter-Island Solar Supply (IIS). IIS is strongly opposed to HB 566.

Hawaii ranks first in the United States in both solar water heating usage and delivered PV watts on a per capita basis. After a tough thirty-five year slog, Hawaii's renewable energy industry is now fast emerging as the fourth leg under our economic stool, after tourism, the military, and agriculture.

Our national leadership in the field of renewable energy did not come about overnight and it did not happen by accident. Rather, it has been made possible by a unique public-private partnership that has included the legislature, numerous administrations, regulators, our electric utilities, county governments, HEEP, the Hawaii Energy Policy Forum and other energy experts, and the renewable energy industry. The most important element, however, has been the consistency of our visionary public policy over the last three and a half tumultuous decades supporting the use of indigenous renewable energy resources to mitigate Hawaii's extreme dependence on polluting fossil fuels to generate electricity.

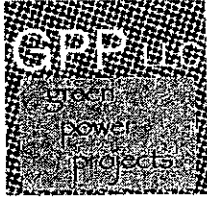
Just two short years ago oil reached a peak of \$147/bbl. Electric rates went through the roof - again. Hawaii's homeowners, business owners, and ratepayers all asked themselves how in hell did this happen? What can I do to ensure that this doesn't happen (to me) - again? Unfortunately, there is every reason to believe that it will happen again. Oil still hovers at \$92/bbl while much of the world economy remains in the tank. This fact alone requires that Hawaii must continue to make reasonable and prudent investments in renewable energy tax credits and incentives. It also means that Hawaii must cultivate and grow the indispensable renewable energy infrastructure without which we cannot begin to make a dent in our unsustainable dependence on polluting fossil fuels to generate electricity.

Chair, Vice-Chair and members of this committee, I submit that HB 566 has been the subject of very little serious thought. The \$7,000,000 cap is arbitrary. It does not begin to reflect the investment necessary to achieve the goals of Hawaii's RPS and EEPS statutes (70% renewables and energy efficiency by 2030). Remember, taxpayers - corporate and individual - must first choose to invest in renewables before a tax dollar is spent. If we lose faith we these necessary investors, all will be lost in the short-term.

HB 566 is also completely deficient in establishing a fiscal and/or economic justification for capping the credit at this or any other level. The bill cites no study, report, analysis or supporting document that indicates the fiscal and economic impact of these credits are negative rather than positive. In fact, a good deal of evidence exists supporting the proposition that Hawaii's renewable energy tax credits incent economic behavior and capital investment that simply does not occur in their absence, and that the substitution of indigenous renewable energy resources for imported oil and coal to generate electricity has positive, not negative, fiscal and economic impacts.

HB 566 will do far more harm to investors (taxpayers), the economy and the renewable energy industry than good. It deserves to be held. Indefinitely.

I appreciate the opportunity to submit this testimony on behalf of Inter-Island Solar Supply.



Green Power Projects LLC

Alan Lennard
P.O. Box 818
Haleiwa, HI 96712
T 808.447.9742 F 808.638.7760
alan.lennard@greenpowerprojects.com

February 1, 2011
8:00 A.M.

**HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION**

**Alan Lennard
Managing Director**

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

My name is Alan Lennard

I have been in renewable energy sales and development since 1975, our original marketing firm was started in 1986 in Hawai'i and Green Power Projects LLC has been in our registered business since 2007.

Our business relies on contractors, their subcontractors, engineers and substantial employed specialists and journeyman to perform renewable energy installation projects.

The mere existence of this proposed legislation has already created repercussions in the Hawai'i market.

The language of this bill includes the ultimate intimidation to current purchasers, retroactive.

Investors who require time to model and analyze renewable energy projects are becoming more cautious regarding Hawai'i based on this bill and it's obvious repercussions.

Residential and business customers who have heard about this have already experienced cold feet about transacting solar installations.

We are imploring your good sense NOT allow this bill to proceed. IT will impact a significant amount of employment and devastate one of the most important and promising industries in the state of Hawai'i

Thank you so very much for your consideration regarding this important issue.

Alan Lennard
Managing Director

RENEWABLE ENERGY FUTURES.
Www.greenpowerprojects.com

CALIFORNIA HAWAII NEW YORK

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

Officers

President
Warren S. Bollmeier II

Vice-President
John Crouch

Directors

Warren S. Bollmeier II
WSB-Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
SPSI, LLC

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

HB 566, RELATING TO TAXATION

February 1, 2011

Chair Morita, Vice-Chair Coffman and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 566 is to provide a \$7,000,000 annual aggregate cap on the renewable energy technologies income tax credit.

HREA **opposes** this measure; HREA **opposes the intent** of this measure, even with the “apparent” provision for carrying forward any unused credit to following years.

- (1) The RETITC is a cost-effective incentive for encouraging private investment in wind and solar technologies in Hawaii. A total of over 100,000 small distributed, customer-sited wind, PV and solar hot water heater systems, are installed and operational in Hawaii, in large part due to the RETITC and its predecessor, the Energy Conservation Income Tax Credit. The RETITC leverages private investment in these distributed-renewable systems and a small number of larger wind and solar projects that are all helping us meet our RPS.
- (2) As we move forward to meet our more aggressive clean energy goals, the RETITC remains a vital link to our success, given our small, growing renewable energy business in Hawaii.
- (3) The RETITC helps the renewable industry green Hawaii. This means not only protecting our environment by reducing our use of imported fossil energy and greenhouse gas emissions, but also creating green jobs to green and sustain our economy and secure our energy sources and support our quality of life.

In short, HREA recommends continuation of the RETITC as it is replete with energy, environmental and economic benefits. We are just really starting to gain momentum, in large part, due to the REITC, and the renewable energy of the renewable industry itself. Capping the RETITC will be problematic: it will be a “deal killer,” jobs will be lost, more dollars will flow out of state to buy fossil fuel, and we will lose momentum as we seek to meet our clean energy objectives. Investors and developers will go somewhere else, and may not return, should the full RETITC return.

Thank you for this opportunity to testify.



February 1, 2011

HOUSE

Alexander Tiller

8:00 A.M.

COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION

CEO

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

I am writing on behalf of the almost 100 employees of Sunetric, the hundreds of individual subcontractors and businesses that support our organization, and the residences of Hawaii who have not had the opportunity to go solar yet. Sunetric is Hawaii's largest photovoltaic solar contractor; we build projects on all islands and we have been a participant in helping Hawaii reduce its dependence on foreign oil for over seven (7) years.

I wanted to let you know how devastating HB 566 would be to the industry that is positioned to help Hawaii reach its energy independence goals. If enacted, this bill would singlehandedly demolish our fragile new industry. In fact, the discussion of HB566 is already having a cooling effect on our business. Financing organizations are hesitant to even evaluate new projects in markets where incentives are in question. We are also finding that solar customers simply won't sign contracts due to concerns over the credit disappearing mid project. As a result, we are expecting revenues to essentially evaporate once the word gets out that the legislature is going to retroactively end the tax credit.

If this happens, Sunetric will be forced to lay off people since we are not capitalized to sustain a period without revenues.

I ask that you and your fellow legislators reject this bill, which would certainly destroy an extremely promising industry right as it is about to launch.

Sincerely,

Alexander Tiller, CEO, Sunetric



January 31, 2011

House of Representatives
Twenty-Sixth Legislature 2011
State of Hawaii

Attention: **Committee on Energy & Environmental Protection**
Representative Hermina Morita, Chair
Representative Denny Coffman, Vice Chair

Hearing: **February 1, 2011** **8:00 AM**

Re: STRONG OPPOSITION TO HB 566

Chair Morita, Vice Chair Coffman and Committee Members:

I am Miles Kubo, Chief Operating Officer and Principal of Energy Industries LLC, a Hawaii-based company that provides energy conservation and renewable energy services to business enterprises throughout Hawaii and the West Coast.

We employ more than 75 people, approximately 50 of whom live and work in Hawaii. We hope to continue our business and job growth in the Islands as the "clean tech" economy continues to expand.

We believe that capping the total of renewable credits at this time under HB 566 would severely impair an industry that Hawaii so desperately needs for its future.

Hawaii is already in an energy crisis and switching to distributed generation of renewable energy sources will be the best way to reduce our reliance of fossil fuels.

I encourage this committee to hold this bill.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Miles M. Kubo", written in a cursive style.

Miles M. Kubo
Executive Vice President/Chief Operating Officer



H.B. 566, Relating to Taxation

Comments to the House Committee on Energy & Environmental Protection

February 1, 2011

Aloha Representative Morita, Representative Coffman and Distinguished Members of the House Committee on Energy & Environmental Protection. My name is Kekoa Kaluhiwa and I am the Director of External Affairs for First Wind.

I humbly request that you **oppose** H.B. 566, Relating to Taxation, to the extent that the bill would provide a \$7,000,000 annual aggregate cap on the renewable energy technologies income tax credit.

In 2008, a significant milestone was achieved with the creation of the Hawaii Clean Energy Initiative (HCEI) which sets Hawaii's goal of achieving 70% clean energy by 2030. The objective is ambitious, but we believe that through the combined efforts of all our renewable energy sectors - wind, solar, bio-fuels, etc., and continued emphasis on energy efficiency, this goal can be achieved. However, we believe that the establishment of an aggregate cap would be detrimental to the goals of the HCEI.

State renewable energy tax credits have served as a major financial incentive for Hawaii homeowners and local businesses to invest in a clean energy future. For developers such as First Wind, the tax credit is a key incentive for our investing in Hawaii projects. As a utility scale wind energy producer, First Wind is currently in the final stages of constructing a 30 MW facility in Kahuku, Oahu that is expected to be in full operation in early 2011. We are also planning to expand our 30 MW facility on Maui by adding an additional 21 MW by the end of this year. With a combined total of 51 MW of wind energy projected to be added to Hawaii's renewable portfolio this year, we have and will continue to make major contributions to Hawaii's economy through city and state tax revenue from general excise, wage, and property taxes over the life of these projects.

According to the U.S. Department of Energy, Hawaii has some of the best wind resources in the entire world. Yet, it requires substantial investment to harness that energy for man's needs. Our Kahuku project will cost an estimated \$115,000,000 to construct, and very significant investments have been made in good faith with the renewable energy tax credits in place. To take them away via an aggregate cap just as we are about to deliver two operating wind energy projects this year creates a sense of unpredictability that is discouraging to investors. If HB566 is passed, our Kahuku project would lose \$6 million in anticipated renewable energy tax credits. We anticipate our Maui project would also lose \$7 million in anticipated credits.

While we disagree with the aggregate cap, we are also concerned that HB 566 does not clearly define the manner in which tax credit claims would be accepted and prioritized on an annual basis. Further clarification is needed to this end.

In closing, given the ambiguity of HB566 and detrimental effects it would have towards the goals set forth by the Hawaii Clean Energy Initiative, we kindly ask you to **oppose** this measure.

FORESTCITY

February 1, 2011

HOUSE

Jon Wallenstrom
Vice President

8:00 A.M.

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 566

WRITTEN TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

Forest City Sustainable Resources, LLC is focused on providing sustainable, clean energy in Hawaii. With this mission, we are well underway with large-scale projects that make use of vacant, unproductive land for solar renewable energy. The combined investment in Hawaii would total \$Millions in improvements, create or preserve "green" jobs in the solar industry, and help the state reach its stated goals under the Clean Energy initiative.

Forest City Sustainable Resources, LLC strongly opposes the creation of an annual aggregate cap on the renewable energy technologies tax credit (RETITC). The renewable energy industry relies on the credits to attract investors and financing. Any proposed cap would result in a dramatic reduction in their value and greatly hinder the industry's ability to source capital.

In general, the State government has incentivized job and revenue growth with a sufficient, but not excessive program. If a cap is placed on the credits, the financial benefits will be insufficient and result in Forest City re-examining several initiatives to spend money in Hawaii. Currently, Forest City is positioned to create over 20 man-years of construction, permanent jobs (through 20 year admin and O&M contracts) and generate significant reoccurring state revenue in general excise tax and income tax with just two renewable energy initiatives. This bill will pause and most likely eliminate these initiatives.

I strongly urge the Committee to oppose HB 566.

Sincerely,



Jon Wallenstrom



February 1, 2011
8:00 A.M.

HOUSE
COMITTEEE ON ENERGY &
ENVIRONMENTAL PROTECTION

MATIAS BESASSO
CO-OWNER

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

Rising Sun Solar Electric LLC has been in business for six years. Our company designs and installs photovoltaic systems for residential and commercial applications. We were in the Top 10 "50 Fastest Growing Companies" with Pacific Business News for the past three years and received SBA Person of the Year for Co-Owner, Bradley Albert and myself in 2010.

The road we've traveled has not been easy but we are proud to say that we employ 18 people.

HB566 is already having a huge impact on our business. Customers are calling with legitimate concerns and are unwilling to execute contracts unless they benefit from a renewable energy credit.

As a result, we expect a complete cessation of revenue as the word spreads that legislature is going to retroactively end the tax credit. Setting in place an annual aggregate cap of \$7,000,000 for renewable energy will be devastating to the future of Hawaii. As a result Rising Sun will be forced to lay off employees as it is not capitalized to sustain its business without revenue. Passing this Bill will completely eliminate any growth in this sector in 2011 and is counter policy to the promise of the newly adopted feed-in tariff

In closing, Rising Sun is asking you NOT to move on this bill as HB566 will destroy the renewable energy industry and will cripple Rising Sun Solar Electric.

Respectfully submitted,

RISING SUN SOLAR ELECTRIC LLC

A handwritten signature in black ink, appearing to read "Matias Besasso".

Matias Besasso, Co-Owner

MB/bb

810 Kokomo Road Ste 160 Haiku HI 96708
P 808 579 8287, F 808 575 9878
www.risingsunsolar.com

21st Century Technologies Hawai'i

5823 Kalaniana'ole Hwy
Honolulu, HI 96821
808.373.4559 (Office)
808.373.1740 (Fax)



February 1, 2011
8:00 A.M.

HOUSE COMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

I have been in the renewable energy solutions industry for 15 years and started my own company in 2004. I have overseen many installations of solar hot water and photovoltaic systems, energy audits, windmills, etc. for homeowners and businesses as well as the military.

I am also the Vice President of the Hawaii Solar Energy Association.

My company consists of 7 crew members including 2 electricians, 1 Master Electrician, 7 energy consultants, and 6 executive and administrative staff. I work with many other renewable energy companies to service the needs of our clients. There has been a tremendous amount of effort to bring renewable energy to where it is today - it has been a win-win situation for the homeowner or business owner, our industry and our 'aina.

I have been around our industry long enough to know that a bill like this will be the beginning of the end of our industry as we know it. This is a bill that has not been thought through thoroughly. It will kill the solar industry in Hawaii, setting us back decades in energy independence. It would do nothing but saddle our children with a future tax liability.

In closing, I am asking that this bill not be rejected as it will destroy an extremely promising industry right as it is about to really take off.

Respectfully submitted,

Myron Thompson
President



STATE OF HAWAII HOUSE OF REPRESENTATIVES

**COMMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION**

**Testimony of Axio Power
In Regard To
HB 566, Relating to Taxation
Before The
House Committee on Energy & Environmental Protection
Tuesday, February 1, 2011**

TESTIMONY IN STRONG OPPOSITION

Chair Morita, Vice Chair Coffman and Members of the Committee,

My name is Paul Curran, Senior Executive Vice President of Axio Power -- a utility-scale solar photovoltaic project development company. It has come to our attention that HB 566 proposes to place an annual aggregate cap of \$7 million on the State of Hawaii renewable energy technologies income tax credit. Axio Power is strongly opposed to H.B. 566. If this bill were to be passed, it would be severely detrimental to Axio Power and the entire utility-scale solar market in Hawaii. .

For the past two years, Axio Power has been developing the IC Sunshine project on land adjacent to the Tesoro refinery in Kapolei. Among other development activities we have been negotiating a power purchase agreement (PPA) with Hawaiian Electric Company ("HECO") for the project which would provide HECO and its ratepayers with up to 5 megawatts of clean and renewable power. The PPA was recently signed between Axio Power and HECO, which is a major milestone for Axio Power and the renewable energy market in Hawaii. Currently, there are no utility-scale solar developments on Oahu, so Axio Power's project will likely be the first. As we negotiated the PPA in good faith with HECO, we also continued various engineering and permitting studies. Our underwriting of these activities was based on the premise that an economic framework, including state tax credits would be available for the solar facility. These tax credits are a significant economic attribute of these projects from a financing perspective. If passed, H.B. 566 could very well end our project which we have worked hard to bring to the State of Hawaii. Without these tax incentives, it is unlikely that Axio Power, or any of our competitors, would be able to successfully finance a

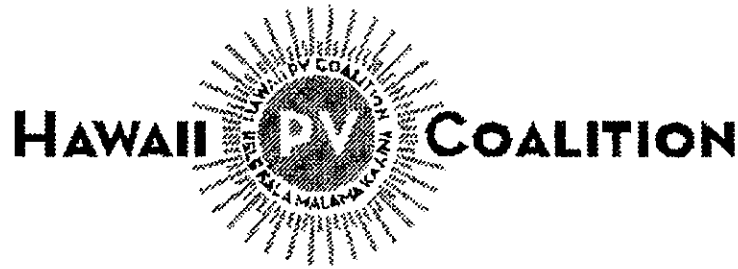
axiopower

project in Hawaii. H.B. 566, in so many words, would kill utility-scale solar development in Hawaii.

We hope that the House Committee would stipulate that if H.B. 566 were to be passed than it should do so under the important condition that any contracts signed and secured with HECO prior to the passing of this bill should realize the existing state tax credit benefit since projects before this bill was proposed had assumed and been negotiated with HECO under that existing economic framework.

The renewable energy industry will not be the only to suffer from H.B. 566 being passed. Our 5 megawatt project is poised to infuse the local economy with a significant amount of capital which will far exceed the state tax credit over the course of the project's life. The project specifically allocates funds to community services for programs set up to train and educate the local community on how to install solar power plants. A recent, national study shows that 13 installation job-years are created for each Megawatt power (MWp) of solar panels installed. That would be 65 job-years (13 job-years x 5MW) for our project. A recent third party model known as the JEDI (Jobs and Economic Development Impact) model developed by NREL (National Renewable Energy Laboratory) shows the our project would create 34 direct jobs related to construction and installation services.

Axio Power continues to show interest in the solar market in Hawaii and we have begun working on other projects in Hawaii on the premise that state legislation would remain consistent to the past few years. Solar companies like Axio Power thrive on consistent and reliable state legislation as an indicator of a "good renewable energy" market. Bills like H.B. 566, however, have had a chilling effect on the renewable energy industry in certain states. Please do not allow Hawaii to take a step back from achieving its own renewable energy goals and its renewable energy future by passing this bill. Thank you for the opportunity to submit testimony on behalf of Axio Power.



February 1, 2011
8:00 A.M.

HOUSE
COMITTEEE ON ENERGY &
ENVIRONMENTAL PROTECTION

BRADLEY ALBERT
PRESIDENT

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

The Hawaii PV Coalition was formed in 2005 and works with business owners, homeowners, and local and national stakeholders in the photovoltaic industry in support of the greater use and more rapid diffusion of solar electric applications across the State. The Coalition has been active during the past two state legislative sessions supporting pro-photovoltaic and renewable energy bills and educating representatives on the benefits of Hawaii-based solar electric applications. The Coalition has taken part in discussions with the Hawaii Public Utilities Commission and Hawaii Energy Forum in an effort to move the photovoltaic agenda forward.

The Hawaii PV Coalition is proud to say that the results of this education and lobbying have been positive as supportive legislation was passed and signed into law which included raising the state business and residential tax credit amounts for photovoltaics, adopting Renewable Energy Portfolio standards, increasing the size of PV and other renewable energy systems to qualify for net energy metering and giving the PUC the authority to establish a progressive state buy-down program to further accelerate the adoption of grid-connected energy systems.


HB566 is already having a negative impact on the State. Renewable energy businesses are receiving calls from customers with legitimate concerns. Those businesses have encountered difficulties entering into contracts with customers based on the fear that legislature is going to retroactively end the tax credit. As a result, photovoltaic installers and suppliers are expecting a decline in revenue as word spreads.

Setting in place an annual aggregate cap of \$7,000,000 for renewable energy will be detrimental to Hawaii's future. As a result businesses will be forced to lay off employees. In addition, passing this Bill will be in complete contrast to policy in favor of the newly adopted feed-in tariff

In closing, the Hawaii PV Coalition is asking you NOT to move on HB566.

Respectfully submitted,

HAWAII PV COALITION



Bradley Albert, President

The Sun At The Source Of Life
Mary Kawena Pukui

Post Office Box 81501, Haiku HI 96708

P 808 579 8288
F 808 575 9878

info@hawaiipvcoalition.org
www.hawaiipvcoalition.org

coffman3 - Sean

From: mailinglist@capitol.hawaii.gov
Sent: Monday, January 31, 2011 5:56 PM
To: EEPtestimony
Cc: grandsolar808@gmail.com
Subject: Testimony for HB566 on 2/1/2011 8:00:00 AM

Testimony for EEP 2/1/2011 8:00:00 AM HB566

Conference room: 325
Testifier position: oppose
Testifier will be present: No
Submitted by: John Grandinetti
Organization: Grand Solar, Inc.
Address: 4882-4 Kilauea ave.. HI
Phone: 808 7373536
E-mail: grandsolar808@gmail.com
Submitted on: 1/31/2011

Comments:

The solar industry will not survive if this bill is passed. Many jobs will disappear.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 1, 2011, 8:00 A.M.

(Testimony is 1 page long)

TESTIMONY IN OPPOSITION OF HB 566

January 31, 2011

The Honorable Hermina M. Morita, Chair
The Honorable Denny Coffman, Vice Chair
State Capitol, Room 325
Honolulu, Hawaii 96813

Dear Chair Morita, Vice Chair Coffman and Members of the Committee,

On behalf of Hoku Corporation (Nasdaq: HOKU) and Hoku Solar, Inc., our PV integration and project development subsidiary, I am writing to express my strong opposition to the proposed House Bill 566.

Hoku was founded in Hawaii in 2001 and currently employs 17 persons in the State. Over the past three years, Hoku Solar has installed more than 2,300 kilowatts of clean solar power in the islands, an effort which has involved our staff and more than sixteen Hawaii firms as subcontractors. This has created valuable, needed work in a badly hit sector of our economy.

In fact, solar power installations represent one of the few growth sectors in Hawaii's construction market in recent years. This is directly attributable to the state and federal incentives available for local customers who are seeking real solutions to move off of carbon-based power.

For these and other reasons, I strongly oppose HB566. Setting an aggregate cap of any size on Hawaii's renewable tax credit would create market uncertainty and prevent local customers from moving forward with any investment in clean, solar power. Besides the negative repercussions this would have on Hawaii's solar industry, a cap would curtail building momentum among Hawaii homeowners and businesses toward the adoption of clean energy, and it would negatively impact Hawaii's progress toward statewide renewable energy portfolio targets.

I ask you to consider **not** moving this bill forward. To do so would place a promising industry at grave risk, just as it is poised to lead our State into a future based on clean, renewable, distributed power.

Please feel free to contact me directly should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Paul". The signature is stylized and somewhat cursive.

Scott Paul
Chief Executive Officer



Northern
POWER SYSTEMS

WWW.NORTHERNPOWER.COM

29 Pitman Road, Barre, Vermont 05641 USA :: TOLL FREE 877 90 NORTH :: TEL 802 461 2955 :: FAX 802 461 2996

February 1, 2011

HOUSE

8:00 A.M.

COMITTEEE ON ENERGY & ENVIRONMENTAL
PROTECTION

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

Northern Power Systems is a world leader in engineering and manufacturing community wind energy technology. As an emerging technology our industry needs strong, stable, and conducive incentive policy, as do all energy generation technologies. In the face of difficult budgeting decisions, we understand that The State needs to look at all line items to assure effective spending and saving. Reducing the cap on a tax credit that supports industry growth as well as the renewable portfolio standards and energy independence goals set forth by the state of Hawaii will most certainly be counterproductive.

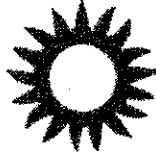
It is our recommendation to maintain current tax credit limits as a minimum to keep the renewable energy industry growing, and support more living wage jobs. This will in-turn feedback into the general fund and bolster Hawaii's economic future.

Regards,

Gregory Price
Regional Director, West
Northern Power Systems
29 Pitman Road
Barre, VT 05641
(503) 407-9617 Cell
gprice@northernpower.com
www.northernpower.com

Direct.

TESTIMONY SUBMITTED BY



**ISLAND PACIFIC
ENERGY**

Joseph Saturnia

President

Island Pacific Energy LLC

(808) 377-4570

joseph.saturnia@islandpacificenergy.com

www.islandpacificenergy.com

COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Hermina M. Morita, Chair

Rep. Denny Coffman, Vice Chair

Rep. Rida T.R. Cabanilla

Rep. Mele Carroll

Rep. Jerry L. Chang

Rep. Pono Chong

Rep. Sharon E. Har

Rep. Robert N. Herkes

Rep. Ken Ito

Rep. Mark M. Nakashima

Rep. Gil Riviere

Rep. Cynthia Thielen

HB 566

RELATING TO TAXATION

February 1, 2011 8:00AM

State Capitol

House Conference Room 325

415 South Beretania Street

Honolulu, HI 96813

Opposition to HB 566– RELATING TO TAXATION

Executive Summary

My name is Joseph Saturnia and I am President of Island Pacific Energy, a Hawai'i based developer, owner operator of photovoltaic renewable energy facilities. I am testifying on behalf of Island Pacific Energy in opposition to HB 566 - RELATING TO TAXATION. We oppose this bill as it will effectively halt new development of solar energy in Hawai'i, jeopardize achieving our State's goal of 70% renewable energy by 2030 and have a pronounced negative effect on an industry that is one of the few areas of our economy that is providing growth and stability.

Tax Credits as an Incentive

Tax credits and other incentives are necessary in order to encourage the development of solar and other types of renewable energy. Tax credits help bring down the high cost of solar and make investments in renewable energy economically attractive. Without the help of tax credits, the cost of solar power would be too high and the resulting payback on investment too long or worse, non-existent. The State of Hawai'i understands the need for tax credit incentives for solar energy and offers a tax credit of 35% of the cost of a solar energy system.

Limiting Tax Credits Creates Uncertainty

Limiting the total amount of tax credits will have a chilling effect on the effectiveness of the incentive. Homeowners, business and developers use both the amount of tax credits and the timing of the tax credits to decide whether or not to invest in solar energy systems. Placing a statewide cap on the amount of tax credits that will be paid for solar energy system introduces a unacceptable level of uncertainty in the transaction. A delay in receiving the expected tax credits will have a significant negative effect on the return on investment on a solar system. This potential for delay makes it impossible to determining if a satisfactory rate of return can be achieved. This uncertainty will cause developers not to invest in solar energy systems. The result will be a significant reduction in the number of solar energy systems and brings into question the potential to achieving the State's goal of 70% renewable energy by 2030.

Conclusion

The uncertainty of placing a limit on the State tax credit for solar energy will effectively halt new development of solar energy in Hawai'i, jeopardize achieving our State's goal of 70% renewable energy by 2030 and have a pronounced negative effect on an industry that is one of the few areas of our economy that is providing growth and stability. Mahalo for the opportunity to testify.

Joseph Saturnia
President
Island Pacific Energy LLC
(808) 377-4570
joseph.saturnia@islandpacificenergy.com
www.islandpacificenergy.com

About Island Pacific Energy

Island Pacific Energy is Hawai'i's Renewable Electric Company™. The solar energy systems owned and operated by Island Pacific Energy provide over 1,000,000kWh of clean renewable energy for the people of Hawai'i each year. In recognition of our achievements to make renewable energy more accessible to the people of Hawai'i, Island Pacific Energy received the Governor's Award for Innovation. For more information, please visit <http://www.islandpacificenergy.com>.



TESTIMONY IN STRONG OPPOSITION TO HB 566

House Committee on Energy and Environmental Protection

February 1, 2011 at 8AM in Room 325

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee:

RevoluSun LLC strongly opposes HB566. Our firm recognizes and acknowledges that the State is experiencing a budget shortfall, however, the capping of tax credits for renewable energy technologies will not result in cost savings to the State. For every dollar that the State will pay out in tax credits for renewable energy technologies the State will receive more dollars in revenues. This does not even take into account the jobs that will be created by additional construction and the increase of "green" visitors to the State who want to support locations that utilize green technologies. Moreover, Hawaii's strong reliance on fossil fuels results in billions of dollars being exported out of state for the purchase of fossil fuels from foreign sources which jeopardizes Hawaii's energy security.

One of the primary beneficiaries of the Renewable Energy Technologies Income Tax Credit ("RETITC") is the State. The State spent approximately \$165 million on power in 2008 up \$60 million since 2005 despite a modest reduction in energy use over that period. Within two years, deploying solar systems at state facilities will save approximately \$25-40 million annually at today's power rates for at least the next 20 years, without any capital investment from the state.

Additionally, the 235-12.5 credit allows renewable energy finance companies to offer immediate and long term savings to the State with no capital investment required, thus resulting in long term cost reduction performance over 20 years for the State

It is important to note, that unlike some other tax credits, the under RETITC, no tax credit is received until the renewable energy project is complete. In other words, no tax credit is paid out by the State until the renewable energy project is up and running and resulting in the use of less fossil fuels by the State.

From the perspective of the industry, \$7 Million annual aggregate cap on 235-12.5 is akin to having no credit at all. In both cases, it means the end of the solar market in the State. Since the introduction of this bill, many of the financial investors at a pause, rethinking whether to stay, or enter, the Hawaii market. Some of the Hawaii based companies are considering contingency plans including laying off the majority of their workforce.

Thank you for the opportunity to provide testimony in strong opposition to HB566.

Sincerely,

Josh Powell, Principal and RME



Hawaii Solar Energy Association
Serving Hawaii Since 1977

February 1, 2011
8:00AM

HOUSE
COMMITTEE ON ENERGY AND
ENVIRONMENTAL PROTECTION
HB 566

Mark Duda
President

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman, and Members of the Committee:

HSEA strongly opposes this measure. The reason for our opposition could not be more straightforward, if HB566 passes, the solar water heating, solar PV, concentrating solar, and wind industries in the state will rapidly collapse.

The reason for this potential collapse is also simple. Without a certain level of subsidy, these technologies are not yet able to compete with the highly subsidized energy from fossil fuels. Relative to the existing scale of the solar and wind industries, the proposed \$7 million/year cap is not meaningful, and sales will therefore cease.

Of course, if the subsidy playing field were to be leveled between renewable and fossil energy sources, then renewables would successfully compete with fossil energy sources in the marketplace. But these technologies have a 100-year history of subsidization that will take many decades to unravel, despite their many negative impacts on the human race.

The main point I want to make today, however, is that this bill is already damaging the solar and wind industries to the point where locally based companies will soon have trouble surviving, and will absolutely not survive without aggressive reductions in operating costs, including complete, or near-complete layoffs.

The first step in this process is already underway, namely the recoiling of the energy finance community from doing business in Hawaii amid uncertainty regarding the availability of the credit. These firms are the source of funds for all third-party financed projects - including the feed-in tariff; the State of Hawaii's projects awarded for the Department of Education; Kauai Community College; UH Maui; the four Oahu Community Colleges; and several DAGS sites; as well as projects under way for the County of Maui and County of Hawaii; as well as the Department of Defense, both alone and with its partners Actus Lend Lease and Forest City. This seizing up of the energy capital markets also affects financed residential PV systems, which are lowering the cost of energy for moderate-income families.

The next step, also under way, will be the refusal of residential and commercial clients of the solar and wind industries to sign contracts with HSEA's members companies and others, for installation of renewable energy systems. In fact, I had my first call on this

yesterday afternoon from a concerned would-be PV customer who had heard through his accountant that the 235-12.5 credit was under threat and that, to his astonishment, could be revoked retroactively. He will certainly be the first of many callers this week as news of the HB566 hits the newspapers and we will simply stop selling systems.

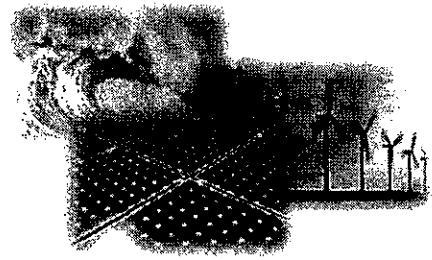
In order to mitigate these effects during the legislative session, I am asking the Committee please not to move this bill. Barring that, I ask that you adjust the date to July 1, 2011 to avoid destruction of the growing solar and nascent wind industries while the legislature deliberates about the 235-12.5 credit.

Thank you for the opportunity to testify on this measure.

Mark Duda
President, Hawaii Solar Energy Association

About Hawaii Solar Energy Association

Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 1, 2011, 8:00 A.M.

Room 325

(Testimony is 2 pages long)

TESTIMONY IN OPPOSITION TO HB 566

Chair Morita and members of the Committee:

The Blue Planet Foundation strongly opposes HB 566, a measure to arbitrarily cap the aggregate annual amount of tax credits available for renewable energy investors in Hawai'i.

The enactment of such a policy has the potential to substantially damage to the solar and wind industries in Hawai'i and deliver a major setback to the state's clean energy efforts.

While Blue Planet appreciates the need to minimize the impact on the state budget during these challenging fiscal times, cutting the clean energy tax credits today would be pennywise and pound foolish. The solar tax credit has been extremely effective at making Hawai'i a leader in solar water heating installations—creating local jobs and providing steady revenue from its business creation. Moreover, the installation of solar water heaters, photovoltaic systems, and wind systems helps to plug the leak of billions of dollars out of the islands' economy. Further, investments in this technology—and the companies and jobs that provide it—pays dividends back to the state in the form of income tax, general excise tax, and outside investment—among other forms.

A reduction or disruption in these tax incentives could cripple the solar and wind industries in Hawai'i.

Please hold HB 566.

Thank you for the opportunity to testify.

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org

55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org



February 1, 2011

HOUSE

Luigi Resta
Chief Sales
Officer

8:00 A.M.

**COMITTEE ON ENERGY &
ENVIRONMENTAL PROTECTION**

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

Scatec Solar North America, Inc. strongly opposes the creation of an annual aggregate cap on the renewable energy technologies tax credit (RETITC). The renewable energy industry is a young and expanding sector. The Federal and State governments have decided to incentivize the growth of this industry through tax credits. The industry cost structure, at this point, relies on the incentives to be predictable and reliable. Any changes, such as the cap proposed, would greatly reduce their impact and likely create such dramatic reduction in their value as to reprioritize capital flow to Hawaii.

In general, competition for capital flow exists among states. Hawaii has experienced significant interest and deployed dollars, because of the RETITC. The proposed cap would likely eliminate our continued interest and for us, cause pause in our commitments to deploy a large PV project in the State. We would be unable to meet the minimum of acceptable returns, as Hawaii has significant risks of entitlement and a higher cost structure, due to the Islands' isolation.

I strongly urge the Committee to oppose the bill.

Sincerely,

A handwritten signature in black ink that reads "Luigi Resta". The signature is written in a cursive, flowing style.

Luigi Resta

Applied Materials

Borrego Solar

BP Solar

Community Energy

Element Power

First Solar

enXco

Kyocera

Mainstream Energy

Mitsubishi Electric

Oerlikon Solar

Petra Solar

Q-Cells

Sanyo

Schott Solar

Sharp Solar

SolarCity

Solaria

Solar Power Partners

Solyndra

SunRun

SolarWorld

SPG Solar

SunEdison

SunPower

Suntech

Tioga Energy

Trinity Solar

Unirac

Uni-Solar

TESTIMONY IN **STRONG OPPOSITION** TO HB 566

To: House Committee on Energy and Environmental Protection

Hearing on February 1, 2011 at 8a.m. in Room 325

Submitted by: The Solar Alliance

Aloha Chair Morita and members of the Committee:

The Solar Alliance is a state-focused association of thirty solar manufacturers, integrators, and financiers specifically working with state administrators, legislators, and utilities to establish cost-effective solar policies and programs. Our experience in Hawaii includes, but is not limited to, (i) being an intervenor in the Public Utilities Commission's ("PUC") Feed-in Tariffs Investigation; (ii) having a member be an intervenor in the Commission's Intra-Governmental Wheeling Docket; (iii) having a member serve on the Generating Committee of the Hawaii Clean Energy Initiative; (iv) and having a member serve on the Hawaii Energy Policy Forum since it convened in 2003. Solar Alliance members have invested millions of dollars in solar installations of all types in Hawaii and were prepared to continue to do so until it reviewed HB566.

The Solar Alliance strongly opposes HB566 because it creates devastating uncertainty that will derail Hawaii's burgeoning solar market. HB 566 calls for a \$7M annual cap on the Renewable Energy Technologies Income Tax Credit ("RETITC") effective in the current tax year. **The cap will have a negative impact on the market and related economic development** in the following ways:

First, should HB 566 become law, local solar businesses will struggle, discontinue hiring, and will likely lay off the majority of their workforces.

Second, Hawaii will lose material investment and economic development opportunities because financial institutions will deploy capital elsewhere; e.g. in states for which investors and lenders perceive an acceptable level of risk.

Third, Hawaii's homeowners, commercial business owners, schools and government buildings will be forced to maintain their dependence on historically volatile and polluting fossil fuels for electricity as the availability of affordable solar energy systems decreases.

Fourth, Hawaii's existing solar investments cannot tolerate the limitations and risks presented in HB 566. The bill does not specify how the \$7M cap would be applied across the wide spectrum of solar projects currently underway in Hawaii. These projects vary considerably in size and are allowing homeowners, commercial business owners, schools, and government buildings throughout the islands to reduce their dependence on fossil fuels. Some of these solar projects would not have been commenced if continuation of the existing RETITC was uncertain.

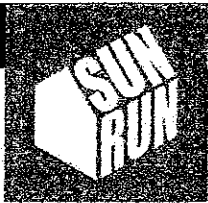
The RETITC also benefits the State, which spent approximately \$165M on electricity in 2008, up \$60M from 2005. Solar investments for government buildings present a significant opportunity to reduce the State's own power costs and exposure to price.

Finally, HB 566 calls for a significant, retroactive reduction in the RETITC that the financial community will perceive as an introduction of sovereign risk. By applying the tax credit cap retroactively to January 1, 2011, the bill presents project developers that will have deployed capital in 2011 with substantial unexpected losses. Perhaps more damaging, HB 566 will immediately thwart Hawaii's rapidly expanding solar industry.

The Solar Alliance acknowledges the difficult budget situation facing the State, however, Developers cannot secure financing for new clean energy projects in Hawaii under the uncertain market conditions that HB 566 would create.

The Solar Alliance urges the Committee to consider the comprehensive damaging impact of HB 566 and to not pass the bill out of Committee.

Thank you for the opportunity to provide testimony.



TESTIMONY IN STRONG OPPOSITION TO HB 566

To: House Committee on Energy and Environmental Protection
Hearing on February 1, 2011 at 8a.m. in Room 325

From: SunRun

Aloha Chair Morita and members of the Committee:

SunRun believes that every homeowner should have access to clean, affordable energy. As the leading home solar services provider in the U.S., SunRun owns and operates more home solar systems than any other company and allows customers to adopt solar for little to no money up-front. Founded in 2007, SunRun currently serves more than 8,000 customers in 7 states and places \$1M of solar facilities into service every day.

SunRun began offering solar power service to Hawaiian homeowners in 2010, following the State's 2009 passage of Act 154, which allowed the Renewable Energy Technologies Income Tax Credit to be treated as refundable. Since entering Hawaii, SunRun has partnered with two local installation companies, Sunetric and RevoluSun. While SunRun is relatively new to the market, already we see how Hawaii's strong, growing demand for home solar is translating into new, local green jobs.

"SunRun is already spurring economic growth in Hawaii, and we just launched here in September. Last month alone, Sunetric hired 45 people. Nearly half of those hires will focus on SunRun installations, and Sunetric doesn't see this trend changing. In order to keep up with the demand for solar energy in our islands, we'll continue to work with SunRun to offer Hawaii workers an abundance of new green job opportunities."

-Alex Tiller, CEO, Sunetric

SunRun is currently and actively investing in a government project. In 2011, SunRun expects to sell and install solar on hundreds of Hawaiian homeowner rooftops.

For all of the reasons articulated by The Solar Alliance, SunRun strongly opposes HB 566. This bill creates unacceptable uncertainty and risk for Hawaii's solar market. If passed, it would present an insurmountable challenge to SunRun's willingness and ability to continue investing in the Hawaiian home solar market.

SunRun thanks the Committee for the opportunity to provide testimony.

SUNPOWER

Room # 325 8:00 AM February 01, 2011
HB 566 RELATING TO TAXATION

House Committee on Energy & Environmental Protection

Chair Morita, Vice-Chair Coffman and Committee Members:

Introduction: My name is Riley Saito Senior Manager, Hawaii Projects, for SunPower Systems Corporation. SunPower is a dedicated supporter and participant of the renewable energy initiatives and has been for over thirteen years.

- Charter member of the Hawaii Energy Policy Forum,
- Steering Committee -Hawaii Clean Energy Initiative, Hawaii
- Energy Generation Working Group -Hawaii Clean Energy Initiative, Hawaii
- The Solar Alliance – Hawaii Representative Energy related PUC dockets.

Financial partner and leadership roles in the tourism industry, cultural preservation, agricultural promotion, educational development, and other community activities. We are focused to work with the energy partners in Hawai'i to reduce importation of fossil fuels, improve the quality of life for Hawai'i future generations.

Mahalo in advance, for accepting comments in strong opposition to HB 566.

SunPower Corporation strongly opposes the proposed language changes in Section 235-12.5. This is a obvious lack of commitment, while many in the leaders in the legislative, administrative, and departmental agencies "speak in support of a renewable future" and in the previous, (years) testimonies the solar industry has been able to present it's economic and environmental benefit to the legislature.

Yet again we have a flip-flopping back and forth in legislation. First providing a tax credit, (in which the industry took 30% credit reduction to), allowing the industry, asset/land owners, (including DNLR/DHHL/DOEA/DOE/UH Systems), other developers, and financial investors, (public/private) to partner with the State of Hawaii regarding it's energy concerns. It has been moving forward in pursuit renewable energy projects in Hawaii.

The mere recognition of HB566, via this hearing, is a signal to the PV industry and the out of state financial partners, that the legislative body of Hawaii is not interested or incapable of grasping the economic benefits of the PV industry. The policy in place results in economic, environmental, security, and social, benefits. That is why the tax credits are in place. This was enacted, following many years of research and effort. This bill is a short term in mind set to the future of Hawaii capping economic stimulus without regard for the long term, visionary impact of Hawaii's future.

Mahalo,

Riley Saito
Senior Manager, Hawaii Projects
SunPower



February 1, 2011
8:00 A.M.

HOUSE
COMITTEE ON ENERGY & ENVIRONMENTAL
PROTECTION

JERZY POPRAWA
MEMBER

HB 566

TESTIMONY IN STRONG OPPOSITION

Aloha Chair Morita, Vice Chair Coffman and Members of the Committee,

We have been in business for 9 years, specializing in photovoltaic solar energy solutions.

It hasn't been easy but we are proud to say that we now employ 35 people including subcontractors.

This bill is already having a chilling effect on our business because customers simply will not sign contracts without the credit being available to them.

As a result, we are expecting revenues to essentially end once the word gets out that the legislature is going to retroactively end the tax credit.

The ending of the tax credit will force us to lay people off because we are not capitalized to sustain a period without any revenues.

Therefore, we are asking you to please not move this bill. Doing so will not only destroy an extremely promising industry right as it is about to launch, but will put many people out of work.

Very truly yours,

Jerzy Poprawa

Jerzy Poprawa
Member

Islandwide Solar, LLC

74-5543 Kaiwi Street, Suite E-105

Kailua Kona, HI 96740

Ph 808.334.1779 ~ Fax 808.334.1785

www.islandwidesolar.com



TESTIMONY IN OPPOSITION TO HB 566

To: House Committee on Energy and Environmental Protection

From: SolarCity

Hearing on February 1, 2011 at 8:00 a.m., Room 325

Chair Morita and Members of the Committee:

Thank you for the opportunity to provide testimony regarding HB 566.

SolarCity is a full service provider of photovoltaic (PV) solar power systems for homeowners, businesses, not-for-profit organizations, and government entities. SolarCity provides integrated PV solar system design, financing, installation, leasing, maintenance, and monitoring services, and is the nation's leading solar service provider, with more than 1,000 employees and more than \$700 million in project financing to date.

As you may know, many residents, businesses and government entities in Hawaii are either unwilling or unable to purchase and operate individual solar energy systems for a variety of reasons. As a third-party PV owner/operator, SolarCity fills that void by monetizing federal and state tax credits and providing cost-effective financing. This enables customers to avoid much of the difficulty associated with developing and installing solar systems.

Pursuant to contracts already signed, SolarCity is scheduled to launch the installation of PV systems on numerous residential and commercial rooftops in Hawaii this month. These solar projects will create hundreds of green jobs in Hawaii. The financing for these projects was modeled on - and is critically dependent on - the existing state Renewable Energy Technologies Income Tax Credit.

HB 566 would jeopardize SolarCity's Hawaii projects by capping the tax credit at \$7 million aggregate annually, beginning with the 2011 tax year. SolarCity strongly opposes HB 566 because drastically limiting the tax credit in this way would change the rules in the middle of the game, creating unacceptable regulatory uncertainty that will upend the financing for SolarCity's projects and lead the company to terminate its significant investments in Hawaii.



Like other businesses, SolarCity assumes a basic level of regulatory certainty when it enters a market, including that tax laws established to attract investment will not be changed retroactively. In reliance on the continued existence of the tax credit in the 2011 tax year, SolarCity invested significant time and resources to negotiate and enter into contracts to design, finance, install, maintain and monitor rooftop-mounted solar systems in Hawaii and undertook investments necessary to implement these projects. Among other things, SolarCity has relocated employees to Hawaii, leased a commercial warehouse in Mililani, Oahu, and has begun hiring in Oahu.

SolarCity's projects include the installation of PV systems on thousands of residential housing units on various islands, including at Hickam Air Force Base and at Island Palm Communities, which is the U.S. Department of Defense's largest military family housing privatization project. SolarCity also will be installing PV systems for the Maui Arts & Cultural Center, the University of Hawaii, and the Hawaii Department of Transportation.

Economic models from the National Renewable Energy Laboratory suggest that direct installation of these PV systems will result in more than 220 local job-years during the construction period in the form of construction and installation direct labor and related services. (One FTE working one year constitutes one job-year of labor.) An additional 475 job-years would be supported upstream of installation in manufacturing and related industries, and induced employment related to the increased local economic activity would be more than 220 job-years.

In the solar industry, most of our jobs are "boots on the roof" – necessarily local positions that cannot be outsourced and that are not dependent on the location of manufacturing. SolarCity already is hiring in Hawaii, with open positions for significant numbers of PV installers, permitting and inspection coordinators, and warehouse employees.

Contracts for SolarCity's Hawaii projects would not have been executed without the existence of the tax credit. Because the financing for these projects is dependent on the tax credit, and the contracts include escape clauses for changes in applicable law, SolarCity's Hawaii projects will be subject to cancellation without continuation of the existing tax credit.

The introduction of HB 566 has forced SolarCity to reconsider its planned expansion in the state. If this bill is enacted, the message to the company and the finance community will be clear – this and all future incentives to the solar



industry offered by the State of Hawaii are uncertain and unreliable. Such a result would be a sharp and unfortunate departure from the state's strong sustained support for renewable energy.

Passage of HB 566 also would be unwise public policy because the tax credit puts projects that otherwise would not exist "over the top," leading to increased availability of solar systems to residents, businesses, and government entities of Hawaii at lower cost. The tax credit allows SolarCity to offer immediate savings to customers, including the state government itself, with no capital investment, resulting in long-term reduction of energy costs.

SolarCity understands that the Legislature faces a challenging budget situation. If Hawaii is to continue to be a leader in the clean energy space, however, any reduction in the tax credit must be made prospectively only, and after a date certain with sufficient notice so that SolarCity and other affected businesses can make investment decisions in a productive way.

Thank you for the opportunity to provide testimony in opposition to HB 566. SolarCity would be pleased to provide the Chair with further details on the projects mentioned above.

Very truly yours,

/ s /

Sanjay Ranchod
Director of Government Affairs



TO: Representative Hermina M. Morita
 Chair, House Committee on Energy and Environmental Protection
 Hawaii State Capitol, Room 314
 Via Email: ENETestimony@Capitol.hawaii.gov

FROM: Tim Wong
 Vice President, Head of Strategy
 Sopogy, Inc.

DATE: February 1, 2011

RE: **H.B. 566 – Relating to Taxation: Tuesday, February 1, 2011 at 8:00 a.m., Room 325**

Dear Chair Morita, Vice Chair Coffman and Members of the Committee on Energy and Environmental Protection:

My name is Tim Wong and I represent Sopogy, Inc. (“Sopogy”). Sopogy is a pioneer in Micro-Scaled Concentrating Solar Power or “MicroCSP” technologies. Our purpose is to bring renewable solar energy technologies to Hawai‘i and its people for the betterment of our environment, independence from volatile imported fossil fuels, and energy stability.

Sopogy **opposes** H.B. 566, which limits the annual aggregate cap on the renewable energy technologies income tax credits to \$7,000,000. We believe this bill will significantly limit the ability of renewable energy technology companies to finance their projects in the state of Hawai‘i, which in turn will prolong our state’s dependency upon fossil fuel.

The tax credit cap proposed in H.B. 566 would hinder the progress Hawai‘i has made in promoting and supporting the adoption of renewable energy technologies. Without the assurance of a state-level tax incentive, many residential and commercial property owners may defer the installation of solar energy systems—or other types of renewable energy systems—on their properties. For these reasons, we ask that you reconsider this measure and respectfully ask that it be held.

Thank you for this opportunity to present testimony on this bill.



