

LATE TESTIMONY



TESTIMONY IN OPPOSITION TO SB199

To: House Finance Committee

From: SolarCity

Hearing on April 4, 2011 at 2:00 p.m., Room 325

Aloha Chair Oshiro and Members of the Committee:

Thank you for the opportunity to provide testimony in strong opposition to SB199, proposed HD1, which would require reimbursement to the General Fund of the amount of the state Renewable Energy Technologies Income Tax Credit under section 235-12.5 claimed for certain systems installed on State property.

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 1,100 employees in Hawaii and other states.

SolarCity strongly opposes SB199, proposed HD1 because it would effectively prevent the state government itself from benefitting from solar projects that offer immediate savings with no capital investment, resulting in long-term reduction and stabilization of energy costs. The financing for these projects, which are creating green jobs in Hawaii, is critically dependent on the tax credit.

Even worse, the bill would compromise existing state agency projects by applying retroactively to state entities that recently entered into long-term contracts for solar power based on the understanding that they would receive the benefit of the tax credit in accordance with existing state law. This will undermine the trust of investors who have

gone to great efforts to secure funding for state projects, which is important for future investments in Hawaii.

SolarCity's projects include the installation of PV systems for the University of Hawaii and the Hawaii Department of Transportation. According to the broad language of SB199, proposed HD1, however, the University and DOT could be required to reimburse the value of their tax credits to the General Fund, which would upend the financing for these projects.

In short, this bill would derail job-creating projects and create regulatory uncertainty that will thwart other renewable energy projects across the islands. It would be an unfortunate departure from the State's strong sustained support for renewable energy, and any savings to the General Fund will be offset by the state government's loss of long-term energy cost savings from such projects.

Thank you for the opportunity to provide testimony in strong opposition to SB199, proposed HD1.

Mahalo,

Pete Cooper
Regional Director, Hawaii

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

**Working with the
states to develop
cost-effective PV
policies and
programs.**

TESTIMONY IN **STRONG OPPOSITION** TO SB 199, proposed HD1

To: House Committee on Finance

Hearing on April 4, 2011 at 2p.m. in Room 325

Submitted by: The Solar Alliance

Aloha Chair Oshiro and members of the Committee:

The Solar Alliance strongly opposes SB 199 because it compromises existing state agency projects, creates unacceptable uncertainty and risk for Hawaii's solar market, and closes off an important option for state agencies to adopt clean, stable electricity sources.

Moreover, it would impact leases and PPAs that directly benefit the State itself, saving money immediately and resulting in long-term reduction of energy costs for the State.

Solar investments for government buildings present a significant opportunity to reduce the State's own power costs and exposure to price. Hawaii's leadership in establishing and refining clean energy incentives over the last ten years has created conditions that insulate state agencies from fuel cost fluctuations and allow agencies to purchase clean energy at competitive rates. This stability provides long-term value to the state, which spent approximately \$165M on electricity in 2008, up \$60M from just three years prior.

For many state agencies, contracting with a third party to own and operate a renewable energy system is an attractive option because it delivers the benefits of renewable electricity - competitive, stable rates - without requiring the state to make a large capital purchase or take on on-going maintenance responsibilities for the system.

Most troubling, however, is the proposed HD1 retroactive language which would require state agencies, that have already made financial decisions based on the terms and conditions that existed when they entered into contracts for renewable energy, to surrender the value of the tax credit to the General Fund on June 2, 2011. Retroactive legislation is just bad public policy.

Ironically, the State should be rewarding these agencies that took a proactive approach to lowering their energy cost and, thus, lowering the cost to tax payers.

The proposed HD1 to SB 199 would set a dangerous precedent in Hawaii for retroactive changes to state tax credits that could impact investment in clean energy for all types of customers across the islands.

Therefore, The Solar Alliance strongly opposes the proposed HD1 to SB 199.

Thank you.

(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 the proposed HD 1 to SB 199.)

SUNPOWER

TESTIMONY IN **STRONG OPPOSITION** TO SB 199, proposed HD1

To: House Committee on Finance

Hearing on April 4, 2011 at 2p.m. in Room 325

Submitted by: SunPower

LATE TESTIMONY

Aloha Chair Oshiro and members of the Committee:

SunPower strongly opposes SB 199 because it creates unacceptable uncertainty and risk for Hawaii's solar market, even threatening existing projects, and would deprive state agencies of an important tool that can provide both immediate savings and a hedge against future fluctuations in the price of electricity through the procurement of clean, stable electricity sources.

Government buildings and facilities are among any state's largest power users, and in Hawaii, the State's exposure to electricity prices poses a significant risk. In California, public sector investments in solar energy systems will save up to \$1.3 billion, nearly \$1 billion for schools alone. Hawaii's leadership in establishing and refining clean energy incentives over the last ten years has created conditions that insulate state agencies from fuel cost fluctuations and allow agencies to purchase clean energy at competitive rates. This stability provides long-term value to the state, which spent approximately \$165M on electricity in 2008, up \$60M from just three years prior.

For many state agencies, financing options like 3rd party ownership and operation, or other variations that don't require the state to make a large capital purchase outright, deliver the benefits of renewable electricity - competitive, stable rates - over the life of the system. Closing off these options, or changing the economics by requiring upfront payments, would inhibit the market.

In addition, the proposed HD1 retroactive language would penalize agencies for making good decisions under a different set of economic conditions. Ironically, the State should be rewarding these agencies that took a proactive approach to lowering their energy cost and, thus, lowering the cost to tax payers. This proposed legislation would set a bad precedent in Hawaii and SunPower encourages your opposition to this bill.

Thank You,

HAWAII RENEWABLE ENERGY ALLIANCE

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TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON FINANCE

SB 199 SD2 PROPOSED HD1, RELATING TO RENEWABLE ENERGY

April 4, 2011

President
Warren S. Bollmeier II

Vice-President
John Crouch

Directors

Warren S. Bollmeier II
HRE Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
SPSI, LLC

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

Chair Oshiro, Vice-Chair Lee 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 SB 199 SD2 Proposed HD1 is to require, under certain conditions, the transfer to the general fund from a non-general fund of the amount of the renewable energy technology system tax credit claimed by a person.

HREA **supports SB 199** as originally introduced, and **opposes the Proposed HD1** for the following reasons

- (1) Language is Unclear. HREA does not understand what is meant by "non-general fund." It "non-general fund" is meant to be one or more "special funds," why are these special funds not identified?
- (2) Purpose of Non-General Funds. It appears that revenues from renewable energy projects acquired or hosted by state agencies have been deposited in one or more "non-general funds." However, the purpose of this "fund" or these "funds" is not clear. Note: in previous years' testimony, HREA has urged the legislature to allow state agencies to be more entrepreneurial by allowing the agencies to retain funds obtained via energy savings and to utilize said funds for the operation of the agency. If this is the actual purpose of the "non-general funds," we **support their continued use to that purpose.** That said, it would appear that this measure is not needed.
- (3) Additional Reason that this measure is not needed. If the purpose of this measure is solely to assist the legislature in balancing the budget, HREA argues that renewable projects acquired or hosted by state agencies already serve that purpose by saving energy and reducing operating costs.

In short, let's allow, in fact encourage, our state agencies to become more entrepreneurial.

Thank you for this opportunity to testify.

LATE TESTIMONY



LATE TESTIMONY

Hawaii Solar Energy Association
Serving Hawaii Since 1977

April 4, 2011

**HOUSE
COMMITTEE ON FINANCE**

Mark Duda

2:00 PM

SB 199 SD2 HD1

President

TESTIMONY IN OPPOSITION

Aloha Chair Oshiro, Vice Chair Lee, and Members of the Committee:

HSEA opposes this measure because of the presumed chilling effect it will have on the availability of land and rooftop resources for the renewable energy projects. As it stands, the state is in line to reap substantial benefits from such projects, both in terms of the traditional benefits of renewable energy projects in the state - namely, economic development and energy security - and in terms of the direct benefit of the lease revenues from properties that in most cases are currently unused.

In this testimony, HSEA's primary goal is to point out the challenges that state agencies will face in complying with the requirement that they immediately refund to the General Fund the amount of any tax credits paid out to developers of renewable energy projects. Because the lease payments occur over time, they are much lower than the amount of the credit and therefore will not be available to state agencies in the year a project is placed in service. Rather, they will become available over time.

For this reason HSEA advocates that if the Committee sees fit to advance this measure it should first revise it to reflect this timing issue. That is, General Funds reimbursement should occur over the term of the lease, as the agency receives revenues, and not in a single upfront payment that will compromise the operations of the agency to the extent that they will surely avoid doing all such lease programs entirely.

In the context of the above, HSEA notes that the retroactive provisions of the bill are especially problematic because developers, as well as hosts, may have spend hundreds of thousands of dollars on projects that both sides fully expected to be able to move forward with in a manner that was economically viable given the budget realities faced by each. If agency heads are forced to pull the plug on these projects developers will be unduly harmed and the state's goals of increasing energy security and growing the economic development from the renewable sector will be undermined.

Finally, HSEA requests that the Committee clarify that situations in which the state agency saves money on its electricity consumption (via, for example, a lease or power purchase agreement with a third party power provider) are not covered by this measure. Potential ambiguity, though perhaps modest, comes from subsection (b)(2), which reads as follows:

(2) The state agency receives revenues from the lease of the real property, the energy generated by the system, or other arrangement with the person who has claimed the 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 financiers 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.

LATE TESTIMONY

WRITTEN STATEMENT OF

ANTHONY J. H. CHING, EXECUTIVE DIRECTOR
HAWAII COMMUNITY DEVELOPMENT AUTHORITY

BEFORE THE

HOUSE COMMITTEE ON FINANCE

MONDAY, APRIL 4, 2011

2:00 P.M.

State Capitol, Conference Room 308

S.B. 199, S.D. 2, H.D. 1 PROPOSED – RELATING TO RENEWABLE ENERGY.

Purpose: Requires a transfer from a non-general fund to the general fund to reimburse the amount claimed as a renewable energy technology system tax credit pursuant to Section 235-12.5, Hawaii Revised Statutes.

Position: The Hawaii Community Development Authority (HCDA) offers the following comments and requests clarification of certain provisions of this proposal.

Due to the current and projected fiscal constraints facing the State of Hawaii, the HCDA understands this proposal's intent to convert the renewable energy technology system tax credits to a revenue neutral proposition. Accordingly, the proposal requires that whenever an eligible person claims a refundable renewable energy credit [page 3, Section 2(c)(3)], the director of finance shall transfer to the general fund from the non-general fund within 5 days of the date that the comptroller transmits the refunded credit to the person.

Neil Abercrombie
Governor

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Chairperson

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HAWAII COMMUNITY
DEVELOPMENT AUTHORITY



KAKA'IKO
KALAELOA

Clarification is requested in the event that the non-general fund does not have a sufficient balance to transfer the entire refunded credit to the general fund, specifically as to:

- the schedule for ensuring that the non-general fund will reimburse the general fund for the total refunded credit to the person when the transfer amount exceeds the fund's available balance;
- the protocol for ensuring that the non-general fund will reimburse the general fund when more than one qualified person receives the refunded credit and that the transfer amount exceeds the fund's available balance; and
- the mechanism that will ensure that these transfers will not jeopardize the non-general fund's capacity to meet all other statutory [e.g., personnel fringe benefits ($\approx 41.13\%$), contractual obligations, recurring facility (office rent)/equipment (copying) rental, etc.] that draw on that fund.

This clarification will ensure that the revenue neutral result will be realized without impacting the ability of the non-general fund to support the programs that it was established to conduct.

Thank you for the opportunity to provide comments on this proposal.