

Honolulu, Hawaii

March 2, 2012

RE: H.B. No. 2262  
H.D. 2

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Sixth State Legislature  
Regular Session of 2012  
State of Hawaii

Sir:

Your Committee on Finance, to which was referred H.B. No. 2262, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO ENERGY,"

begs leave to report as follows:

The purpose of this measure is to encourage development of Hawaii's renewable energy industry by, among other things:

- (1) Creating the renewable fuel feedstock tax credit;
- (2) Creating the renewable fuels facility tax credit from the ethanol facility income tax credit, with modification to apply it to facilities for the production of various specified types of renewable fuels, including ethanol; and
- (3) Reducing the aggregate amount of tax credits available under the renewable fuels facility tax credit.

Hawaiian Electric Company, Inc., Maui Electric Company, Ltd. and Hawaii Electric Light Company, Inc., submitted testimony in support of this measure. The Department of Business, Economic Development, and Tourism; Department of Taxation; The Gas Company; Hawaii Renewable Energy Alliance; Blue Planet Foundation; Pacific West Energy, LLC; and Tax Foundation of Hawaii submitted comments on this measure.



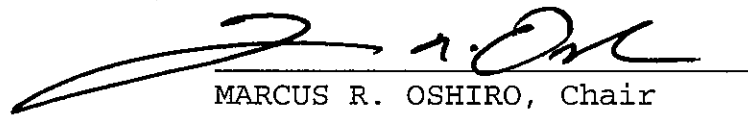
Your Committee has amended this measure by:

- (1) Deleting the provision that established the renewable energy fuel feedstock tax credit;
- (2) Changing the measurement unit for minimum required production capacity of qualifying renewable fuels production facilities from gallons to British thermal units (BTU) and making related amendments by:
  - (A) Specifying that the amount of the renewable fuels facility tax credit shall be thirty cents per 115,000 BTU of renewable fuel produced using the lower heating value for distribution in Hawaii; and
  - (B) Reducing the required minimum nameplate capacity of qualifying renewable fuels facilities to 28.750 billion BTU;
- (3) Amending the description of renewable fuel produced by qualifying renewable fuel production facilities by:
  - (A) Requiring that the fuel be produced from renewable feedstocks;
  - (B) Deleting requirements for specific fuel applications; and
  - (C) Excluding blends of gasoline with 85 percent or more of alcohol;
- (4) Increasing the maximum annual available tax credit to \$3,000,000 per taxpayer and \$12,000,000 in the aggregate;
- (5) Amending the definitions of "qualifying renewable fuel production" and "qualifying renewable fuels production facility" to include the fuel types that qualify for this tax credit within the latter definition;
- (6) Making conforming amendments; and
- (7) Inserting an effective date of July 1, 2030, to encourage further discussion of this issue.



As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2262, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 2262, H.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Finance,

  
MARCUS R. OSHIRO, Chair



