

STAND. COM. REP. NO. 453

Honolulu, Hawaii
Feb 18, 2011

RE: H.B. No. 788
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committees on Economic Revitalization & Business and Energy & Environmental Protection, to which was referred H.B. No. 788 entitled:

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

beg leave to report as follows:

The purpose of this bill is to improve incentives for the use of alternative energy by, among other things:

- (1) Renaming the existing Ethanol Facility Tax Credit as the Biofuel Facility Tax Credit (Biofuel Tax Credit) and expanding the scope of the Biofuel Tax Credit to include biodiesel, diesel, jet fuel, or other liquid fuels that meet certain specifications;
- (2) Inserting a definition for "agricultural feedstock" and requiring that a qualifying biofuel production facility use agricultural feedstock for at least 75 percent of its production output as a condition for claiming the Biofuel Tax Credit;
- (3) Enabling qualifying biofuel production facilities with larger nameplate capacities to be eligible for the Biofuel Tax Credit; and
- (4) Making the annual dollar amount of the Biofuel Tax Credit equal to 30 cents per gallon of a qualifying

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biofuel production facility's nameplate capacity, up to the first 15,000,000 gallons of capacity.

The Department of Business, Economic Development, and Tourism; Pacific West Energy LLC; Hawaii Bioenergy, LLC; Hawaiian Electric Company; Maui Electric Company; and Hawaii Electric Light Company supported this bill. Pacific Biodiesel, Inc., and Hawaii Renewable Energy Alliance supported the intent of this bill. The Department of Taxation and Tax Foundation of Hawaii submitted comments.

Upon further consideration and in light of testimony submitted on this matter, your Committees have amended this measure by:

- (1) Changing the name of the Biofuel Tax Credit to the Bioenergy Production Facility Tax Credit (Bioenergy Tax Credit), and clarifying its scope to specifically include electricity generation from agricultural feedstock;
- (2) Changing references to "biofuel production facility" and qualifying biofuel production facility" to "bioenergy production facility" and "qualifying bioenergy production facility", respectively;
- (3) Making the Bioenergy Tax Credit applicable from January 1, 2014;
- (4) Changing the annual dollar amount of the Bioenergy Tax Credit by making it equal to:
 - (A) 30 percent of a qualifying biofuel production facility's annual nameplate capacity; or
 - (B) For an electricity generating facility, three cents per kilowatt hour of the facility's annual nameplate capacity if the facility's annual nameplate capacity is greater than 5,000,000 kilowatt hours;
- (5) Prohibiting a taxpayer from claiming the Bioenergy Tax Credit based on both biofuel production capacity and electricity generating capacity for the same facility;
- (6) Clarifying the definition of "agricultural feedstock";



- (7) Including a definition for "bioenergy";
- (8) Amending the definitions of "investment" and "nameplate capacity" to account for the inclusion of electricity generation in the Bioenergy Tax Credit;
- (9) Repealing existing provisions establishing a threshold of 40,000,000 gallons in total nameplate capacity per year of ethanol production facilities built in the State, over which no tax credits shall be allowed to be claimed;
- (10) Requiring DBEDT to include in its annual report on the Bioenergy Tax Credit the total number of employees employed by each facility, including those employed in agricultural operations, and statistical information regarding biofuel and electricity production and sales and Hawaii-grown and other feedstock used for bioenergy production; and
- (11) Making technical, nonsubstantive amendments for style, clarity, and consistency.

As affirmed by the records of votes of the members of your Committees on Economic Revitalization & Business and Energy & Environmental Protection that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 788, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 788, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Revitalization & Business and
Energy & Environmental
Protection,

Denny Coffman Vice Chair

for
HERMINA MORITA, Chair



ANGUS L.K. MCKELVEY, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

UTSCR 453

Record of Votes of the Committee on Economic Revitalization & Business

Bill/Resolution No.: HB 788	Committee Referral: ERB/EEP, FIN	Date: 2/15/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
ERB Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	/			
2. CHOY, Isaac W. (VC)	/			
3. AWANA, Karen L.	/			
4. BROWER, Tom				✓
5. EVANS, Cindy	/			
6. HASHEM, Mark J.	/			
7. NISHIMOTO, Scott Y.	/			
8. TOKIOKA, James Kunane				✓
9. TSUJI, Clift	/			
10. MARUMOTO, Barbara C.	/			
11. PINE, Kymberly Marcos	/			
TOTAL (11)	9	0	0	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small style="margin-left: 100px;">committee acronym(s)</small>				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				

