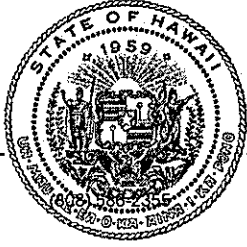


HB 2262, HD2



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813

Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
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Statement of
Mark B. Glick
Administrator, State Energy Office
Department of Business, Economic Development, and Tourism
before the
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
AND
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**

Tuesday, March 20, 2012
2:45am
State Capitol, Conference Room 225
in consideration of
HB2262 HD2
RELATING TO ENERGY.

Chairs Gabbard and Fukunaga, Vice Chairs English and Wakai, and Members of the
Committees.

The Department of Business, Economic Development, and Tourism (DBEDT) supports
the intent of HB2262 HD2, but has concerns about DBEDT's role in administering the proposed
renewable fuels facility tax credit program and the lack of administration resources provided by
this measure.

We note that many biofuels projects identified in the 2011 Biofuels Feasibility Study
Interim Report (Act 203, Final Report due December 2012), could be eligible for the expanded
facility tax credit proposed by HB2262 HD2, although at least one is currently under construction
without the benefit of a State renewable fuels facility tax credit.

DBEDT defers to the appropriate agency on the fiscal impacts of these tax credits and asks the Legislature to exercise caution in the creation of an unfunded mandate.

Thank you for the opportunity to offer these comments.

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Renewable fuel facility tax credits

BILL NUMBER: HB 2262, HD-2

INTRODUCED BY: House Committee on Finance

BRIEF SUMMARY: Amends HRS section 235-110.3 (d) to change the name of the ethanol facility tax credit to the renewable fuels facility tax credit including changing any reference to ethanol to renewable fuels. Stipulates that the credit shall not be claimed for more than five years.

The annual dollar amount of the credit shall be thirty cents per 115,000 BTUs of renewable fuels using the lower heating value produced for distribution in Hawaii; provided that the nameplate capacity of the facility is at least 28.750 BTUs or renewable fuels. Limits the amount of tax credit that may be claimed by a taxpayer to \$3 million per taxable year.

Stipulates that: (1) the claim for this credit shall not exceed one hundred percent of the total of all investments made by the taxpayer during the credit period; (2) the qualifying renewable fuels production facility operated at a level of production of at least 50% of its nameplate capacity on an annualized basis; and (3) a taxpayer that claims the credit under this section shall not claim any other tax credit under this chapter for the same taxable year.

Defines "qualifying renewable fuel production" to mean production of renewable fuels from renewable feedstocks; provided the renewable fuel is sold in the state. Defines "qualifying renewable fuels production facility" or as a facility located in Hawaii that produces from renewable feedstocks fuel grade renewable fuels for the production of: (1) methanol, ethanol, or other alcohols; (2) propane; (3) hydrogen; (4) biodiesel or renewable diesel; (5) biofuels derived from biological materials, including algae; or (6) renewable jet fuel, renewable gasoline, or liquid or gaseous fuels.

Repeals the provision limiting the qualifying renewable fuels facility tax credit to 40 million gallons per year.

EFFECTIVE DATE: July 1, 2030; applicable to tax years beginning after December 31, 2012

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to change the ethanol facility tax credit to a renewable fuels facility tax credit.

While it has been almost ten years since the credit for the construction of an ethanol plant in Hawaii was enacted and ground has not broken yet, it appears that there are other far more efficient biofuels which could be developed and, therefore, the existing credit, which is specific to ethanol, might not be available to assist in the development of these other types of fuels.

While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned in these past few months is that unbridled tax incentives, where there is no accountability or limits on how much in credits can be claimed, are indeed irresponsible as the cost of these credits goes far beyond what was ever contemplated. As an alternative, lawmakers should consider repealing this credit and look for other types of alternate energy to encourage through the appropriation of a specific number of taxpayer dollars. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would provide some accountability for the taxpayers' funds being utilized to support this effort.

Finally, this proposal verifies what has been said all along about legislators latching onto the fad of the month without doing very serious research. While ethanol was the panacea of yesterday, lawmakers have learned that there are more down sides to the use of ethanol than there are pluses. Ethanol production demands more energy to produce than using a traditional petroleum product to produce the same amount of energy and the feedstock that is used to produce ethanol basically redirects demand for that feedstock away from traditional uses, causing those other products to substantially increase in price. Thus, such proposals should come under closer scrutiny instead of being left to interpretation by a taxpayer wanting to utilize the tax incentive to underwrite the cost of what would still be a questionable use of taxpayer dollars.

An appropriation of taxpayer dollars for such untried and unproven technologies would be far more accountable than the tax credit as such technologies would have undergone the scrutiny of lawmakers. Providing a tax incentive, such as the ethanol tax credit now being proposed to be the renewable fuels tax credit, is an indicator that lawmakers are unwilling to do the hard research and unwilling to impose strict discipline in the expenditure of hard-earned tax dollars. The tax incentive approach represents nothing more than a hope and a wish that some breakthrough will be made, no matter how inefficient it may be, that some alternative to fossil fuel will be found. In the mean time, those tax dollars will be wasted on some unproven folly. If this were an appropriation, taxpayers would then know who to hold accountable for the waste of those tax dollars. Such was the case of the Act 221 credits for high technology investments and research which proved to be a scam for many claimants of the credit. And, true, there have been some successes, but those materialized much like a crap shoot in Vegas. Much of the more than \$1 billion in Act 221 tax credits created few, if any, jobs or any real industry. Thus, the tax incentive approach represents an abdication of responsibility on the part of lawmakers to do the real homework necessary to make a well-researched and judicious decision in spending taxpayer dollars. Such is the case as evidenced by this proposed permutation of a tax credit for renewal fuels.

Digested 3/14/12



Directors

Jody Allione
AES-Solar

Joe Boivin
The Gas Company

Kelly King
Pacific Biodiesel

Matt Stone
Sopogy

Warren S. Bollmeier II
WSB-Hawaii

TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE
SENATE COMMITTEES ON ENERGY AND ENVIRONMENT AND
ECONOMIC DEVELOPMENT AND TECHNOLOGY

HB 2262 HD2, RELATING TO ENERGY

March 20, 2012

Chairs Gabbard and Fukunaga, Vice-Chairs English and Wakai, 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 purposes of HB 2262 HD2 are to: (i) amend the ethanol facility income tax credit to apply to various types of renewable fuel, with production and minimum required capacity to be measured in British thermal units; (ii) increase the maximum available amount of tax credit available to an individual facility to \$3,000,000, and (iii) decrease the minimum production required to claim the tax credit

HREA **supports** this measure and offers the following comments in support:

- 1) Feedstock Content and Fuel Types. There is no requirement that feedstocks be sourced locally, and we are concerned that this measure will primarily serve to encourage import of biofuel feedstocks. Also, we note propane, which is not renewable, is listed as a fuel type. We recommend that "propane" be replaced with "green gas."
- 2) Project and Aggregate Credit Cap. The measure allows recovery up to the total facility investment, which could be a concern. However, it is not likely that a facility could recover its total investment over the proposed 5-year production payment. For example, we estimate that an efficient facility could "potentially" recover about 50% of its investment in five years. However, the measure further limits the total project credit payment to \$3M/yr and a total aggregate to \$12M/yr.
- 3) Total State Investment – Potential Queuing Issue. With the aggregate cap of \$12M/yr, there could be 4 or more projects a year, depending on the project sizes, and thus there could be a queuing issue. In lieu of a queue, we recommend that the aggregate cap be increased based on demand of qualified biofuel production facilities. And regarding the qualified facilities, recommend that developers be allowed to register their projects any time prior to "production."

Mahalo for this opportunity to testify

PACIFIC WEST ENERGY LLC
1088 BISHOP STREET SUITE 1220
HONOLULU, HI 96813

March 19, 2012

Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
And Members of the Committee on Energy and Environment

Senator Carol Fukunaga, Chair
Senator Glenn Wakai, Vice-Chair
And Members of the Committee on Economic Development & Technology
Hawaii State Capitol

415 S. Beretania
Honolulu, HI 96813

Re: HB 2262 HD2 – Relating to Energy

Dear Chairs Gabbard and Fukunaga, and Vice Chairs English and Wakai, and Members of the Committees,

My name is William Maloney and I am the President and Chief Executive Officer of Pacific West Energy LLC and its affiliate, Pacific West Energy Kauai LLC, the developers of the integrated agriculture to green power and biofuel project on Kauai. I testify today in support of the intent of HB 2262 HD2, modifying the existing Ethanol Facility Investment Tax Credit to broaden its application to renewable fuels generally. However, I do note certain areas of concern with the proposed modifications.

For background, Pacific West Energy LLC continues to intend to construct a fuel ethanol production facility on Kauai, integrated with a renewable energy electricity cogeneration facility. The total project cost is currently estimated to be approximately \$140 million, with \$40 million of this representing the ethanol facility. We are in the land lease negotiations, negotiating contract farming agreements, have an air permit, and are in the process of engineering the facility at this time. We intend to produce fuel ethanol for the local Hawaiian motor fuel market and renewable electricity for supply to the Kauai Island Utility Cooperative (“KIUC”). To date, we have expended over \$10 million and several years of effort in reliance on the Hawaii Ethanol Facility Tax Credit.

I set forth below our major concerns and/or objections:

- 1) While we support extending the incentive to all biofuels, the current language would appear to not include certain biomass power facilities, those that would convert renewable feedstocks directly into electricity, by combustion and steam driven turbine generators, while it would include those facilities producing liquid or gaseous fuels, e.g., syngas, which would then drive gas turbines for electricity generation. By whatever technology is selected, the result is the same, the production of renewable energy. The intent of HB 2262 HD2 is clearly to provide an incentive for renewable energy production to help the State reduce its dependence on expensive imported petroleum. We are concerned that by not clearly including that direct biomass power to electricity production is included,

such producers will necessarily be placed at a competitive disadvantage to a biofuel producer or gasification technology to electricity producer, thereby “picking winners” and placing a direct biomass to electricity producer unable to compete to procure feedstocks from which to produce renewable energy. This may have the unintended effect of retarding the development of renewable energy production.

We suggest that “direct renewable electricity production from biomass” should be added under the definitions of “qualifying renewable fuel production”. We also suggest that in Section 1 all references to “fuel” and “fuels” be modified to “energy”, as well as many of the references in Section 2. This would have the effect of the leveling the playing field for all renewable energy production from renewable feedstocks, be it biofuels for transportation or electricity production.

- 2) The definitions include as qualifying production item #2) – Propane.

Propane by definition is produced from petroleum. It is not a renewable fuel. It should not be included. The language included in current definition #6 “Renewable jet fuel, renewable gasoline, or liquid or gaseous fuels” adequately covers any kind of gaseous fuel produced from renewable feedstocks.

We thank you for this opportunity to testify.

Sincerely,

By /s/ *William M. Maloney*
William Maloney
President & Chief Executive Office
Pacific West Energy LLC



**PACIFIC
BIODIESEL**

Pacific Biodiesel Technologies

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March 20, 2012

Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
COMMITTEE ON ENERGY and ENVIRONMENT

HEARING: Tuesday, March 20, 2012, 2:45 pm, Conference room 225

Re: In support of House Bill 2262 relating to the Biofuels

Testimony of Pacific Biodiesel, Inc., a Hawai'i-based renewable fuel company since 1996

Dear Chair Gabbard, Vice-Chair English and members of the Committee,

Pacific Biodiesel Technologies supports the passage of HB 2262 HD2 with changes to make it more comprehensive and workable. We believe HB 2262 is a vehicle for encouraging growth in the state biofuels industry, but needs some massaging. Our concerns include:

- list of fuels includes "propane", which is not renewable (The Gas Company suggests specifying "renewable gas" which we agree with)
- The requirement of notification before construction seems to eliminate PB, Hawaii's only and oldest biofuel producer. Since HB 2262 is designed as a production credit, not intending to create potential stranded assets, it should include all commercial producers. We suggest changing to read: "Prior to *production* at any new qualifying renewable fuels production facility ..."
- There is no language describing the consequences of too many producers applying for the credit. Will the amount of credit per producer be pro-rated? or will the State simply stop accepting additional producers into the program? (When the CCC Bioenergy Program was active, it operated with a cap and pro-rated all who applied for the credit.)

Pacific Biodiesel owns and operates two biodiesel plants in Hawai'i, with a third one in construction, employs about 40 residents in this state and is currently developing a new, state-of-the-art, zero waste biodiesel facility on the Big Island. HB 1033, with the suggested improvements, will allow us to reach full capacity for the Big Island biodiesel plant quicker, and will also help our company to begin develop plans for our next advanced Hawai'i biodiesel refinery, which will likely be located on Oahu, bringing more jobs, local revenue and energy security to the State.

Sincerely,

Kelly T. King

Ms. Kelly King
Vice President
Pacific Biodiesel, Inc.
ktk@biodiesel.com
(808) 283-1954

HB 2262 HD2

RELATING TO ENERGY

**JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY, LLC**

March 20, 2012

Chairs Gabbard and Fukunaga and Members of the Senate Committees on Energy and Environment and Economic Development and Technology:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy in support of HB 2262 HD2, "Relating to Energy."

SUMMARY

Hawaii BioEnergy, LLC ("HBE") supports HB 2262 HD2, which amends the ethanol facility income tax credit to apply to various types of renewable fuel, with production and minimum required capacity to be measured in British Thermal Units. The proposed measure would help to reduce production costs and improve the competitiveness of bioenergy enterprises in Hawaii. While HBE supports HB 2262 HD2 broadly, the company believes that the measure could be further amended to attract greater investment into upstream feedstock production and to provide longer-term support to help offset the costs and reduce the associated risk of advanced bioenergy technologies. Specifically, HBE respectfully submits that HB 2262 HD2 should be amended to:

1) Require facilities utilize at least 75% local feedstock, if available, in order claim the full amount of the credit; such an amendment would help to attract greater upstream investment into the agricultural and nascent biomass sectors and help to secure the off-take market for local producers. HBE recognizes that testimony has been submitted to other committees expressing concern over local feedstock provisions and potential conflicts with the U.S. Constitution's Interstate Commerce Clause. However, four other U.S. states, including

Montana, Missouri, Louisiana, and Wyoming have passed similar biofuels incentives that require the use of local feedstock in order to be eligible for the incentive. These bills have been passed and successfully implemented without encountering conflicts with the Interstate Commerce Clause or being legally challenged; and

2) Increase the credit period from five (5) years to eight (8) years, the period presently contained in HRS §235-110.3.

HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii. HBE and its partners would like to use significant portions of our land to address Hawaii's existing and growing energy needs.

Understanding the urgency of these needs and anticipating growing demand, HBE has dedicated the last several years to feedstock trials, extensive technology evaluation and detail financial modeling of various production pathways in an effort to ensure HBE's ultimate production is as productive, efficient and sustainable as possible. HBE's own research, development and demonstration (RD&D) efforts have been accelerated by funding from the US government's Defense Advanced Research Projects Agency (DARPA), Office of Naval Research, as well as a Congressional Appropriation administered through the Air Force Research Laboratory. Collectively, this analysis has enabled HBE to clearly understand the production potential and challenges associated with Hawaii's unique natural resource base, geography, climate, market and infrastructure.

While Hawaii holds tremendous potential to produce a range of advanced, high-density biofuels from locally produced feedstocks and innovative next generation technologies, the industry is still in its infancy and faces a myriad of cost and development challenges. Many of these challenges are attributed to the fact that Hawaii's agricultural and otherwise productive

lands are relatively small, non-contiguous parcels with varying microclimates and other conditions which limit scale and increase operational costs. Such limitations and cost impacts are particularly pronounced in Hawaii where the cost of doing business is already disproportionately high relative to the mainland. Providing a renewable fuel feedstock tax credit would help to offset a portion of the upfront costs associated biomass production, help to put underutilized or marginalized land into value-added production, and help to revitalize the agricultural sector.

Modifying HB 2262 HD2 and HRS §235-110.3 to incorporate a 75% local feedstock provision would help to expand investment in and development of dedicated renewable energy feedstocks while helping to secure the off-take market for producers of these new products. HBE recognizes that there has been some concern expressed by the Hawaii Attorney General's office that such a provision may conflict with the US Constitution's Interstate Commerce Clause. However, HBE would like to point out that several other states have passed and implemented legislation fostering in-state biofuels feedstock production without encountering Interstate Commerce issues. Specifically, Montana, Missouri, Louisiana and Wyoming have implemented per gallon tax and grant incentives that require facilities to use specified levels of feedstocks produced within the state in order to be eligible for the incentive. HBE contacted state bioenergy coordinators in each of these states and none have encountered Interstate Commerce issues nor has the matter been legally challenged.

HB 2262 HD2 and other, related measures before this legislature which provide both upstream and downstream support bioenergy producers are key to attracting investment, minimizing risk, and jumpstarting production. Expanding the Ethanol Facility Credit would help to attract a wider range of investors and help offset the technology and capital risks inherent in the establishment of a new industry. These credits are of particular importance to companies such as HBE that intend to utilize advanced, next generation feedstocks and conversion technologies which are more efficient and have the potential to produce high density, drop-in

fuels, but carry substantially higher capital costs than first generation biofuels. Basing the credit on British Thermal Units helps to achieve that goal. Extending the credit from five (5) to eight (8) years would further this objective as well as help attract investment capable of creating local jobs, stimulating the economy, and broadening the tax base.

CONCLUDING REMARKS

HBE is moving forward with advanced, bio-based energy projects from locally grown feedstocks that will help provide a local, renewable source of energy for Hawaii. HBE believes that HB 2262 HD2 will help to accelerate and expand Hawaii's bio-based renewable energy economy and help to reinvigorate the state's agricultural sector more broadly. Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for HB 2262 HD2 with the proposed amendments.

Thank you for the opportunity to testify.

h₂technologies

Testimony
Presented Before the
Senate Committee on Energy and Environmental
The Honorable Mike Gabbard, Chair
The Honorable J. Kalani English, Vice Chair, and Members
&
Senate Committee on Economic Development and Technology
The Honorable Carol Fukunaga, Chair
The Honorable Glenn Wakai, Vice Chair and Members

DATE: Tuesday March 20, 2012
TIME: 2:45 p.m.
PLACE: Conference Room 225
State Capitol
415 South Beretania Street

Presented by: Guy Toyama, President & CEO of H2 Technologies, Inc.

IN SUPPORT OF HB2262 (with revision)

I am Guy Toyama, President and CEO of H2 Technologies, Inc. A Hawaii Headquartered corporation developing hydrogen production and infrastructure for renewable transportation fuels, grid stability and energy storage.

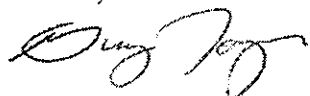
The State of Hawaii's Renewable Hydrogen Program [Section 196-10, HRS] calls for the development of a hydrogen economy in Hawaii and specifically calls for a hydrogen infrastructure, including hydrogen production, storage and dispensing capabilities. Currently there are several hydrogen infrastructure projects underway in Hawaii -- hydrogen fueling stations at three military bases on Oahu, and on the island of Hawaii, a fueling station at Hawaii Volcanoes National Park, a geothermal-to-hydrogen project, and a fuel cell electric bus to be operated by the County of Hawaii Mass transportation Agency. General Motors has identified Hawaii for the rollout of its hydrogen fuel cell electric vehicles and is working with Hawaii partners as part of the Hawaii Hydrogen Initiative (H2I) to introduce at least 25 hydrogen fueling stations on Oahu over the next 10 years.

This bill allows for an expansion of the ethanol facilities investment tax credit to allow both biofuels and fuels made from renewable energy resources to be competitive with the subsidized costs of fossil fuels. **This bill supports HRS 196-10 by helping to create the incentives to advance renewable hydrogen production in the State of Hawaii.**

However, the spirit and intent of this bill is to foster the growth of a local feedstock industry and the low requirement of a 10% local feedstock defeats this purpose. In my humble opinion, the feedstock should be sourced from a local resource as a "majority" or at least 51%.

For the foregoing reasons, H2 Technologies supports passage of HB2262, with a request to the committee that the feedstock requirement be a local majority or at least 51%. Thank you for the opportunity to testify.

Mahalo,



Guy Toyama
President & CEO
H2 Technologies, Inc.
73-4460 Queen Kaahumanu Hwy #131
Kailua-Kona, HI 96740

Subject: Testimony in Support of HB 2262 HD2, suggested amendments

Hearing: Senate ENE/EDT, Room: State Capitol 225
Date/Time: March 20, 2012, 2:45 PM

Testifier position: Support
Testifier will be present: No
Submitted by: Ulrich Bonne, Kailua-Kona, HI 96740; 808-324-0108
Organization: Individual
E-mail: ulrichbonne@msn.com
Submitted on: 3/19/2012
Comments:

HB 2262 H.D.2 contains, in my opinion, many good and laudable improvements over the H.D.1 version:

- The output of the renewable fuel production facility to qualify for the tax credit was lowered to 28.750 billion Btu/year or 250,000 energy equivalent gallons of gasoline per year (GGE/y), down from 1,000,000 GGE/y in the HD1 version
- The aggregate tax credit was increased for individual facilities from 1.5 to 3 million \$/year and for State-wide the total cap was increased from 10.5 to 12 million \$/year
- The Section "Renewable fuel feedstock tax credit" was stricken from HB 2262

However, I believe that: (1 & 2) HB 2262 would be more readable and easier to understand by non-technical folks if some prevalence to Gallons of Gasoline (energy) Equivalents (GGE) were used besides only Btu, (3) HB 2262 should keep ways to incentivise Hawaiian or U.S.-sourced feedstocks, and (4) HB 2262 could be easier to administer and monitor if the provisions about 50% of nameplate capacity were replaced by simply lowering the minimum amount of renewable fuel produced annually from 250,000 to 125,000 or 100,000 GGE/y.

Therefore, in support of HB2262, I'd like to offer these amendments for your consideration:

1. On p. 4, expand the definition of "Nameplate capacity" to read:
"Nameplate capacity" means the qualifying renewable fuels production facility's production design capacity, in British thermal units per year (Btu/y) of fuel grade renewable fuels or in units of Gallons of Gasoline (energy) Equivalents per year (GGE/y), whereby 1 GGE/y is taken to be equivalent to 115,000 Btu/y, using the lower heating value"
2. Throughout HB 2262, continue to use the more convenient unit of GGE of renewable fuel produced per year rather than only British thermal units per year (Btu/y).
Rationale: Makes HB 2262 more readable and understandable
3. On p. 3: To the provisions # 1-3 add: 4. To qualify for 100% of the tax credit, the renewable fuels production facility shall use 100% feedstock grown, recycled or generated in the U.S. rather than U.S. imports. Rationale: Encourage production of the feedstock in Hawaii or at least in the U.S. to achieve energy self-sufficiency, and generate jobs, w/o violating laws against restriction of inter-state commerce, as reportedly implemented in Montana, Missouri, Louisiana and Wyoming (FIN Testimony on HB 2262 HD1 by HBE on 2/28/2012).
4. To streamline and simplify administration and verification of HB 2662, require that the qualifying output of a renewable fuel production facility be at least 100,000 GGE/y rather than 50% of 250,000 GGE/y: On p. 2 Line 17 and p. 3 Line 9 replace references to "50 % of nameplate capacity" with "minimum qualifying output of 100,000 GGE/y;" and on p. 10 Line 9 delete Section (i) in its entirety. Rationale: This simplifies implementation, enforcement and verification of HB 2262, w/o changing the intent of qualifying only facilities that meet minimum production output and awarding tax credits up to a maximum of 3,000,000 \$ per year (i.e. 10,000,000 GGE/y) per facility

Respectfully submitted, Ulrich Bonne. Kailua-Kona, 19 March 2012, www.AlohaFuels.pbworks.com