NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

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DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
Thursday, March 29, 2012
9:00 AM
State Capitol, Senate Conference Room 211
in consideration of
HB2417, HD2, SD1
RELATING TO RENEWABLE ENERGY.

Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Department of Business, Economic Development, and Tourism (DBEDT) **opposes** HB2417, HD2, **SD1**, which removes the Renewable Energy Technology System Tax Credit cap and changes the incentive structure for utility scale systems to a ten year production credit. DBEDT **supports** the **HD2** version of this measure and requests that version be passed instead.

SD1 will increase costs to the State and create an undesirable immediate and sharp spike in short-term PV industry growth, overwhelming the utilities with intermittent power. Inability to effectively integrate this power could negatively affect the industry's long-term viability.

Using HSEA's recent estimates for residential and commercial PV installations under this proposed bill, the payback period for non-utility systems is less than 4 years, an overly generous incentive. Likewise, the utility scale production credit would have a payback period of less than 6 years for a proposed 10-year production credit. Please refer to Attachment A for details.

Thank you for your consideration of our comments in opposition. We respectfully request that the HD2 version of this bill be passed instead.

ATTACHMENT A

According to HSEA estimates, residential PV installations cost $5.50 per watt and commercial PV installations cost $3.75 per watt.

Non-Utility Scale

	MW	System Cost ($M)*	Federal Credit	Effective State Credit**	Actual Cost	MWh Generated ***	Electricity Price	Annual Electricity Savings ($M)	Payback Period (Years)
2012	55	$ 254.4	30%	32%	$ 97.9	88,703	$ 0.36	$ 31.9	**3.1**
2013	50	$ 231.3	30%	27%	$ 99.4	80,640	$ 0.37	$ 29.8	**3.3**
2014	50	$ 231.3	30%	23%	$ 109.8	80,640	$ 0.38	$ 30.6	**3.6**
2015	45	$ 208.1	30%	18%	$ 108.2	72,576	$ 0.39	$ 28.3	**3.8**

*1/2 Commercial Price; 1/2 Residential Price
**1/3 Refundable; 2/3 Nonrefundable
***18.4% Capacity Factor

According to HSEA's figures in the proposed measure, the cost of utility scale PV is $3.75 per watt.

Utility Scale

MW	Cost ($M)*	Federal Credit	Actual Cost ($M)	MWh Generated **	FIT Tier III Payment ($/kWh)	State Tax Credit ($/kWh)	Price Charged ($/kWh)	Annual Revenue ($M)	Payback Period (Years)
67	$ 251.3	30%	$ 175.9	108,057	0.24	0.08	0.32	$ 34.2	**5.1**

*Commercial Price
**18.4% Capacity Factor

FORESTCITY
HAWAII

<u>The Senate Committee on Ways and Means</u>

March 29, 2012; 9:00 a.m.
Conference Room 211

HB 2417, HD 2, SD 1
Testimony in Support

Chair Ige, Vice Chair Kidani and Members of the Committee, my name is Jon Wallenstrom and I am the President of Forest City Hawaii. Forest City Hawaii is principally engaged in the ownership, development, management and acquisition of commercial and residential real estate and land in Hawaii. It is currently involved in a partnership with the Hawaii Housing Finance and Development Corporation (HHFDC) to develop Kamakana Villages, a mixed-use community of 2,206 homes on the Big Island, of which more than 50% will affordably priced. It recently completed construction of the largest utility-scale solar photovoltaic farm on Oahu to date. A sister company, Hawaii Military Communities, built and manages 6,500 Navy and Marine family homes across 36 neighborhoods on Oahu and Kauai. Parent company, Forest City Enterprises, is an $11.5 billion NYSE-listed national real estate development company.

Forest City supports HB 2417, HD 2, SD 1. The current version of the bill gradually reduces the percentage of tax credits that may be claimed for solar electricity generating systems over the period of several years, and eliminates the cap amounts on the credits for solar energy systems. In this way, property owners will still be allowed to claim a tax credit per installed system, and the negative impact on the solar industry construction industry with the reduction in the credits are minimized. The solar industry which in 2010 contributed to 15% of statewide construction has been creating employment opportunities for our *ohana* during a period of economic downturn. Moreover, implementation of renewable energy alternatives, such as

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harnessing solar power, has been in keeping with the HCEI initiative to ensure long term energy and economic independence, reducing our dependence on fossil fuels importation.

Thank you for the opportunity to testify on this measure.

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March 27, 2012

To: Members of Senate WAM Committee

From: Marco Mangelsdorf, President, ProVision Solar

RE: HB 2417 SD1

I have been active in the renewable energy field since 1978, been working in the solar electric field full-time in Hawai'i since 2000 and founded the Hawai'i PV Coalition in 2005.

While I support the intent to change the current state renewable energy tax credit, **I oppose the current language in SD1 and support the language in the HD2 version**.

The intent of the state's renewable energy tax credit was NEVER to promote individual homeowners' ability to double, triple and even sextuple dip as far as getting so many separate $5,000 tax credits per residence. The advent of new inverter technologies and cheaper PV system costs have effectively allowed these multiple tax credits to proliferate over the past several years with the Department of Taxation drawn into the near impossible task of trying to come up with rulings and essentially play the Solar Police, trying to figure out which specific and unique site conditions allow for one versus two versus however many separate tax credits are allowable.

Enough already. We've seen a doubling of installed PV in Hawai'i from 2009 to 2010 and at least another doubling from 2010 to 2011. The PV industry has achieved an economy of scale and price reductions that has allowed PV to become more mainstream and affordable than ever before.

The Department of Education is trying to figure out how to find enough money to pay for the school buses to take keiki to school and it's high time to make these tax credits more balanced and less of a hit on the General Fund with a considerable portion of those dollars going into the pocket of out-of-state developers due to the refundable option.

I recommend making the following changes:
1) Increase the residential credit cap per HD2.
2) Limit the tax credit PER TMK, not per system.
3) Have the new limitations go into effect as soon as possible, i.e., July 1, 2012.

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Tax credits were never designed to be a handout or lift up in perpetuity and it's time to both tighten up the language and reduce the hit on the general fund.

Hysterical claims of likely catastrophe notwithstanding, tightening up the language and limiting the tax credit per TMK will not cause the sky to fall on the state's PV industry. It will restore a balance and fairness to the renewable energy tax credit law.

Thank you.

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HAWAII PV COALITION

3/29/2012	**Senate Committee on Ways and Means**	**WAM**
9:00 AM		**HB2417 SD2**

TESTIMONY IN STRONG SUPPORT

Aloha Chair IOge and Vice-Chair Kidani and Members of the Committee:

The Hawaii PV Coalition (HIPVC) strongly supports SD1 of this measure because it represents a common sense way forward that leaves the State of Hawaii, consumers of solar energy, and the solar industry better off than the status quo. It does this by addressing challenges of the current system in a way that does not compromise construction activity/employment, resolves issues with the administrative efficiency of the credit, and lowers exposure of the General Fund to the credit. And, crucially, it does so in a predictable way that lowers the risks involved in investing in solar projects and hence the risk premium investors currently demand for investing in PV projects in Hawaii. Meanwhile, it gives homeowners, business owners, and investors clarity about the level of the credit they receive for particular systems.

Despite the rhetoric of 'multiple systems' and 'abuse' of the section 235-12.5 renewable credit, the Department of Taxation has a well-articulated system for determining the total value of tax incentives available for a specific project. This system has been in place since 2007 with the publishing of Tax Information Release 2007-02, and has been supported by various other TIR's and Letter Rulings steadily since that time, including as recently as February 2, 2012. As a result, for the entire period of viability of the PV industry in the State, there has never been ambiguity about the possibility of residential, commercial, and utility scale consumers/developers of solar energy projects - that have followed the DoTax guidance - having the possibility of more than one PV system on a particular PV project.

That said, there is clearly room for improvement with the existing credit and the solar industry welcomes such improvement. The two primary challenges are the administrative efficiency of the measure and the possible exposure of the General Fund to the credit. SD1 of this measure solves both of these problems. It does so in several ways:

1. It shifts much of the near term burden of the solar credit out over ten years instead of one by transforming the credit for utility scale systems into a production credit rather than an income tax credit.
2. It eliminates the issue of DoTax determining the number of systems on a given project by eliminating the cap, but then lowers the level of the credit.

With these two changes the State can accomplish its goals while maintaining the viability of the solar industry, which is doing so much to lower fossil fuel consumption and maintain construction employment statewide.

Thank you for the opportunity to testify on this measure.

Mark Duda
Government Affairs Committee Chair, Hawaii PV Coalition

About the Hawaii PV Coalition

The Hawaii PV Coalition was formed in 2005 to support the greater use and more rapid diffusion of solar electric applications across the state. Working with business owners, homeowners and local and national stakeholders in the PV industry, the Coalition has been active during the state legislative sessions supporting pro-PV and renewable energy bills and helping inform elected representatives about the benefits of Hawaii-based solar electric applications.

The Coalition has also taken a very active role in policy discussions to promote best practices for distributed generation and interconnection rules. The Hawaii PV Coalition is currently intervening in two open PUC dockets, the Reliability Standards Working Group (2011-0206) and Rule 14H (2010-0015).

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SENATE COMMITTEEE ON WAYS AND MEANS
TESTIMONY IN SUPPORT OF
HB 2417, SD 1 RELATING TO RENEWABLE ENERGY

Testimony of
Solar Energy Industries Association
Thursday, March 29, 2012 9:00 a.m.
Conference Room 211

Chair Ige and members of the Committee:

The Solar Energy Industries Association, SEIA, supports HB 2417 as it is currently drafted in the form of the SD 1. SEIA is the national trade association of the United States solar industry. Through advocacy and education SEIA and its 1,100 member companies work to make solar energy a mainstream and significant energy source by expanding markets, removing market barriers, strengthening the industry and educating the public on the benefits of solar energy. Many SEIA members are Hawaiʽi companies, or have a strong presence in Hawaiʽi, including Solar City, Sunrun, SunPower, REC Solar, and others.

SEIA previously opposed HB 2417 because as originally drafted the measure would have limited the availability of the Hawaiʻi Renewable Energy Technologies Income Tax Credit (the "RETITC"). The RETITC has enabled the growth of the renewable energy sector in Hawaiʻi, contributed to Hawaii's clean energy goals, and created thousands of local jobs.

SEIA supports the SD 1 version of HB 2417 because it believes these changes strengthen the RETITC structure and serve the long-term interests of the State, the public, and the industry by: (1) eliminating the artificial cap on the credit amount that was the source of perceived gaming; (2) reducing the credit gradually over time to protect the State's coffers while providing the industry and the public with certainty and visibility; and (3) by creating a separate tax credit structure for utility scale production which will spread incentives for large-scale projects out over a longer period of time. In short, these changes will address the legislature's concerns with the current credit structure while allowing the solar energy industry to continue to develop, strengthen Hawaii's economy, and help Hawaiʽi meet its clean energy goals.

Thank you for the opportunity to testify on this matter.

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