

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

FREDERICK D. PABLO
INTERIM DIRECTOR OF TAXATION

RANDOLF L. M. BALDEMOR
DEPUTY DIRECTOR

HOUSE COMMITTEE ON FINANCE
TESTIMONY OF THE DEPARTMENT OF TAXATION
REGARDING SB 199 SD2, PROPOSED HD1
RELATING TO TAXATION

TESTIFIER: FREDERICK D. PABLO, INTERIM DIRECTOR OF
TAXATION (OR DESIGNEE)

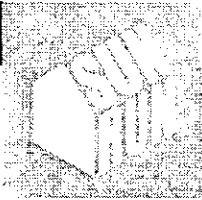
COMMITTEE: FIN

DATE: APRIL 4, 2011

TIME: 2:00 PM

POSITION: COMMENTS

The Department is unclear as to the intent of this bill or how the bill works. Therefore, the Department is unable to provide any specific comments on the language or a revenue impact.



TESTIMONY IN STRONG OPPOSITION TO SB 199

To: House Finance Committee
Hearing on April 4, 2011 at 2p.m. in Room 308

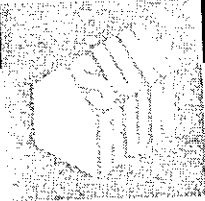
From: SunRun

Aloha Chair Oshiro and members of the Committee:

SunRun 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.

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. SunRun is the leading provider of this solar party service for homeowners in the U.S. Founded in 2007, SunRun currently serves more than 9,000 customers in 7 states, including Hawaii. SunRun places over \$1M of solar facilities into service every day and installs 2.5MW of capacity every month. In Hawaii, SunRun has partnerships with two local installation companies for residential solar and SunRun has also invested in the West Hawaii Civic Center's new solar facility.



In addition to the environmental benefits, the WHCC solar facility is projected to provide significant savings to the county through electricity cost savings over twenty years.

Like other county and state agencies that have entered into long-term contracts for clean solar power in the last 3 years, WHCC made decisions based on the understanding that it would receive the benefit of the Renewable Energy Technologies Income Tax Credit (RETITC) in accordance with existing state law.

According to the broad language of SB 199, the WHCC could be required to surrender the value of the tax credit to the General Fund on June 30, 2011. As a result, SB 199 could derail a project that is nearly completed on Hawaii and it will largely thwart new state agency renewable energy projects across the islands. By doing so, SB 199 will close off an important option for state agencies to manage and control rising energy costs and move away from foreign oil.

SB 199 is written to apply retroactively to state agencies that have already made financial decisions based on the terms and conditions that existed when they entered into contracts for renewable energy. As a result, in addition to harming state agencies that have taken advantage of state incentives to secure clean, stable, and competitive renewable electricity, 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.

SunRun thanks the Committee for the opportunity to provide testimony.



April 4, 2011

TO: Marcus Oshiro, Chairman, House Finance Committee
FR: Benjamin Higgins, Director of Government Affairs
RE: Senate Bill 199: Oppose

On behalf of Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc., I write to you today to express our strong opposition to Senate Bill 199, which requires, under certain conditions, the transfer to the general fund from a non-general fund of the amount of the Renewable Energy Technologies Income Tax Credit (RETITC) claimed. In short, this bill would have a significantly negative impact to public entities looking to manage long-term energy costs by deploying clean energy and set a dangerous precedent by making retroactive changes to current tax law.

Mainstream Energy is the parent company of REC Solar, an industry-leading solar provider specializing in grid-tied residential and commercial installations, and AEE Solar, one of the country's largest distributors of renewable energy systems and equipment. With a local presence in all major solar markets and more than 6,000 systems installed, REC Solar and AEE Solar are committed to lowering the cost of solar power through efficient processes, innovative products and outstanding customer service in Hawaii and throughout the nation.

Among the public-sector solar energy systems for which REC Solar is the primary contractor is the nearly-finished system atop the 85,000 square-foot West Hawaii Civic Center complex. When finished, this system will provide approximately one-third of the electricity demanded by this office building. Like other agencies that have entered into long-term contracts for clean solar power in recent years, the West Hawaii Civic Center made decisions based on the understanding that it would receive the benefit of the RETITC in accordance with existing state law.

According to the broad language of SB199, the West Hawaii Civic Center could be required to surrender the value of the tax credit to the General Fund on June 30, 2011. As a result, this bill could derail a project that is nearly completed on Hawaii and thwart other renewable energy projects across the islands. By doing so, SB199 will close off an important option for state agencies to manage rising energy costs and move away from foreign oil.

SB199 is written to apply retroactively to agencies that have already made financial decisions based on the terms and conditions that existed when they entered into contracts for renewable energy. As a result, in addition to harming these agencies that have taken advantage of state incentives to secure clean, stable, and competitive renewable electricity, 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.

For all of these reasons, Mainstream Energy Corp., REC Solar, Inc., and AEE Solar, Inc. encourage your opposition to this bill. Thank you for your consideration, and should you or your staff have any questions regarding these matters, please do not hesitate to contact me at (916) 281-8699.



TESTIMONY **OPPOSING** SB 199

To: House Finance Committee
Hearing on April 4, 2011 at 2p.m. in Room 308

Aloha Chair Oshiro and members of the Committee:

SunEdison strongly opposes SB 199 because it effectively eliminates an opportunity for state agencies to mitigate the impact of volatile fossil fuel-based electricity on its budgets, and more generally increases costs to the citizens of Hawaii.

SB 199 would require a state agency to effectively "pay back" any state tax credit used by it or a third party to develop solar electric generation facilities for the benefit of that agency. The use of solar electric generation in virtually any application, but especially an application whose current energy bills are ultimately paid for by the constituents (e.g. taxpayers) of the state, provides long term benefits to those constituents.

Hawaii is largely dependent on non-indigenous fuel source for the generation of its electricity, with the majority being oil-based. As oil soars past \$100/bbl once again, we are reminded of the volatile nature of that commodity and the need to mitigate those costs. Solar generation provides a clean source of electricity generation that is flexible and can be scaled to closely match the consumption of facilities upon which it is built. Moreover, the equipment is designed to continue to provide electricity for 25 years or more with very little maintenance.

We urge the members of the Finance Committee to reject SB199, and support the development of solar electric resources in Hawaii. Thank you for your time.

Sincerely,

Rick Gilliam
Vice President, Government Affairs
SunEdison
1515 Wazee St, Ste 380
Denver, CO 80202
303-550-3686
rgilliam@sunedison.com