

STAND. COM. REP. NO. 1183

Honolulu, Hawaii

March 22, 2013

RE: S.B. No. 17
S.D. 2
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 17, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to levy the environmental response, energy, and food security tax (tax) on liquid, gaseous, and solid fossil fuels by:

- (1) Defining "fossil fuel" to include gaseous, liquid, and solid fuels;
- (2) Amending the definition of "distributor" to include persons who import fossil fuel into the State and use it to generate electricity to sell to an electric utility;
- (3) Providing that the tax shall not apply to coal utilized by an independent power producer that provides firm capacity power to a public utility whereby the annual heat input from non-fossil fuels of the firm capacity power generated by the independent power producer exceeds the annual heat input from fossil fuels;
- (4) Specifying that the tax applies to coal used to fulfill any power purchase agreement extended, modified, or renewed after September 1, 2016;

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- (5) Specifying that the tax does not apply to a public utility until the conclusion of the public utility's next rate case; and
- (6) Specifying that the tax shall be \$0.12 per thousand cubic feet of gaseous fuel and \$4 per short ton of coal.

This measure also:

- (1) Amends the allocation of the tax for deposit into the Environmental Response Revolving Fund, Energy Security Special Fund, Energy Systems Development Special Fund, and Agricultural Development and Food Security Special Fund, by leaving the allocation amounts unspecified; and
- (2) Removes the June 30, 2013 repeal of the Energy Systems Development Special Fund and the periodic evaluation and plan of action requirements of that fund.

The Department of Business, Economic Development, and Tourism; Department of Land and Natural Resources; Department of Agriculture; Department of Health; Hawaii Invasive Species Council; AES Hawaii, Inc.; Alexander & Baldwin, Inc.; Ulupono Initiative; Hawaii Energy Policy Forum of the College of Social Sciences at the University of Hawaii at Manoa; Hawaii Green Growth Initiative; Hawaii Natural Energy Institute at the University of Hawaii at Manoa; Hawaii Solar Energy Association; The Nature Conservancy; and an individual provided testimony in support of this measure. HAWAIIIGAS and a few individuals provided testimony in opposition to this measure. The Department of Taxation; Life of the Land; Blue Planet Foundation; Tax Foundation of Hawaii; and Sierra Club, Hawaii Chapter provided comments on this measure.

Your Committee has amended this measure by:

- (1) Deleting all provisions related to the proposed application of the environmental response, energy, and food security tax to liquid, gaseous, and solid fossil fuels;
- (2) Extending to June 30, 2015, the repeal date of the Energy Systems Development Special Fund and related provisions; and

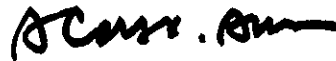


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- (3) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 17, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 17, S.D. 2, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



CHRIS LEE, Chair



