



LATE

HOUSE COMMITTEE ON FINANCE

February 22, 2013, 3:00 P.M.

Room 308

(Testimony is 5 pages long)

TESTIMONY IN SUPPORT OF HB 497 HD2

Chair Luke, Vice Chairs Nishimoto and Johanson, and members of the Finance Committee:

The Blue Planet Foundation strongly supports HB 497 HD2, an omnibus clean energy incentive and financing measure which makes reasonable and prudent amendments to Hawaii's highly successful clean energy tax credit incentive and enables the Green Infrastructure Financing Program (Green Financing).

Part 1: Renewable Energy Tax Credit Amendments

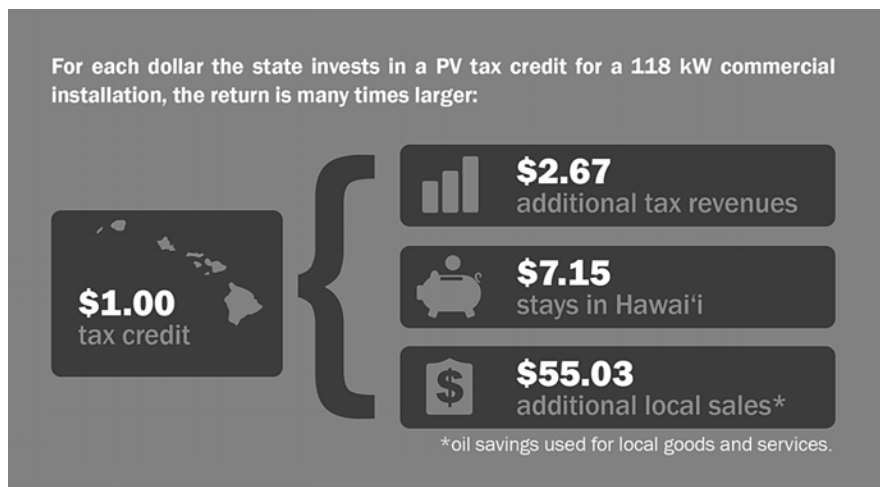
Solar energy is currently a bright spot in Hawaii's progress toward energy independence, and the solar tax credit has been extremely effective at making Hawai'i a leader in solar installations—creating local jobs and providing steady revenue from its business creation. Moreover, the installation of solar water heaters, photovoltaic systems, and wind systems helps to plug the leak of billions of dollars out of the islands' economy. Further, investments in this technology—and the companies and jobs that provide it—pays dividends back to the state in the form of income tax, general excise tax, and outside investment—among other forms.

Senate Bill 11 contains a number of elements which make it an attractive policy, for the state economy, the solar sector, and for achievement of Hawaii's aggressive clean energy goals. First, the measure follows the framework and definitions of the federal tax credit law, making it easier for the state to administer. Second, the proposed policy ratchets down the state renewable energy tax credit for photovoltaic in a fair and predictable manner, reducing job-jeopardizing volatility in the solar sector.

As currently drafted, this measure does not propose a tax incentive for solar electric projects above 1 megawatt. Blue Planet supports a Production Tax Credit (PTC) for these utility-scale

solar projects. A PTC would encourage the most efficient renewable energy installations while spreading out the cost of the credit over a longer period (likely 10-years).

Blue Planet has released a report in January, 2013, detailing the economic impacts of Hawai'i's renewable energy tax credit. The analysis, conducted by former University of Hawai'i economist Dr. Thomas Loudat is updated from last spring, peer-reviewed, and includes demographic information from building permits for O'ahu photovoltaic installations over the past 12 years. (Dr. Loudat's earlier analysis of renewable energy tax credits was presented in a report to the state legislature in 2002.)



The findings show that the existing tax incentive yields a clear, significant net fiscal benefit to the state. Every commercial PV tax credit dollar invested yields \$7.15 that stays in Hawai'i and \$55.03 in additional sales, which generates \$2.67 in new tax revenue. For a typical

118 kW commercial PV installation, the state gains 2.7 local jobs each year over the 30-year lifetime of the system.

According to the state Department of Business, Economic Development, and Tourism (DBEDT), solar accounts for 15% of all construction expenditures in Hawai'i. The solar industry employs more than 2,000 people locally.

Any stimulation in solar installations also brings federal dollars (from the 30% federal renewable energy tax credit) into our local economy. These dollars have a full multiplier effect equivalent to tourist dollars coming to Hawai'i.

Blue Planet's analysis shows that the use of solar is increasing more rapidly in less wealthy neighborhoods. An examination of O'ahu residential PV permits from the past decade indicates that while overall number of installations are located in zip codes that have higher median incomes, the rate at which PV installations occurred in 2012 versus 2002-2011 was significantly higher in lower median income areas. For example, Wai'anae (with a median household income of \$55,836) saw a 300% increase in PV permits in 2012 compared with the previous decade combined (173 total permits between 2002 and 2011; 521 permits in 2012 alone). Hawai'i's solar tax credit—coupled with new third party-owned PV programs—have enabled a broadening

range of O'ahu homeowners to escape the burden of high energy costs and benefit from a clean energy solution.

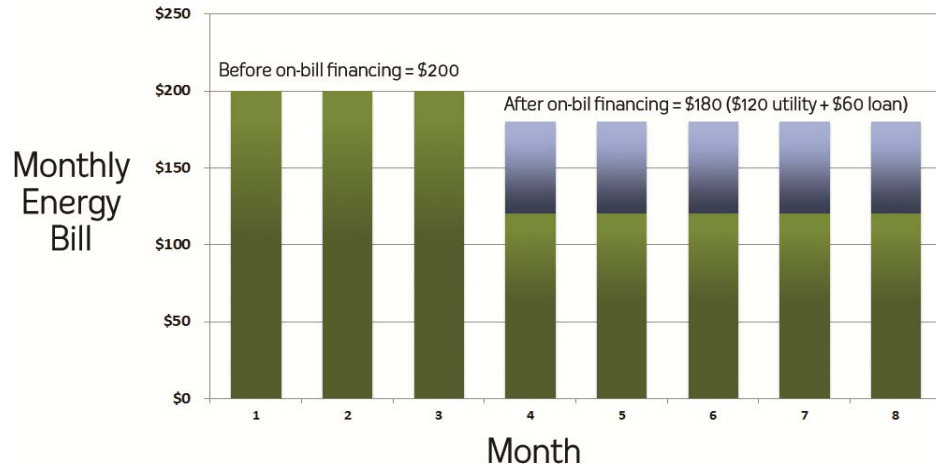
Hawai'i's renewable energy tax credit is a catalyst in driving positive economic growth through solar. When we shift our energy dollars away from foreign oil and to local clean energy sources, those dollars circulate in Hawai'i's economy to the benefit of everyone. Ultimately, the tax credit is a smart investment in a better, cleaner tomorrow, a future we value beyond dollars and cents.

Part 2: Green Financing Program

Fossil fuel prices have all of us looking for solutions to reduce the increasing burden of energy bills. With every shipment of fossil fuels that arrives at our shores, more of our limited dollars are leaving the state instead of paying down our mortgages, or educating our keiki, or investing in our future. Thankfully, hope has arrived in the form of "on-bill financing," approved by the legislature in 2011, and currently the subject of a Public Utilities Commission ("PUC") docket.

In that docket, the PUC engaged a professional consultant to examine the viability of on-bill financing for Hawai'i, and to specify elements of a successful on-bill financing program. The consultant ultimately concluded that "an on-bill finance program will be effective for Hawaii."

Implemented properly, on-bill financing can make energy efficiency, clean energy, and demand response more accessible for residents and businesses; this will reduce our energy bills and accelerate progress toward Hawai'i's energy independence.



On-bill financing overcomes the biggest hurdle to energy efficiency and clean energy: the up-front cost. By eliminating the initial cost and enabling ratepayers to pay off the investment directly from energy savings over time, adoption of efficiency and clean energy will accelerate. This will directly benefit participating ratepayers, via lower energy bills. To achieve this, the on-bill program must identify appropriate sources of capital for the program.

Green Financing can be one such source of capital, and offers several critical benefits:

- (1) It can be an “anchor” funding source, ensuring program feasibility irrespective of the scope or magnitude of private funding sources that wish to participate in the on-bill program;
- (2) It can ensure that the on-bill program includes equitable financing options for all residents, including residents who are otherwise unable to access traditional sources of private capital for energy improvements, such as renters and low-income households;
- (3) It can unlock large-scale private capital markets, pushing down the cost of capital, and making energy efficiency and clean energy even more cost effective for ratepayers;
- (4) Green Financing bonds do not become a state liability; thus, the on-bill program catalyzes private investment in our energy infrastructure;
- (5) It does not raise costs for energy ratepayers; the Green Financing fee established by HB 856 can simply utilize a portion of the existing Public Benefits Fee,¹ and bond repayments will be made by the program participants (i.e. the ratepayers whose energy bills will be reduced by energy improvements).

House Bill 497 HD2 is necessary to establish the mechanisms and safeguards necessary to make these benefits achievable for Hawai‘i’s ratepayers. Blue Planet respectfully asks that this committee forward HB 497 HD2, to help lower the cost of energy for residents statewide while helping Hawai‘i achieve its clean energy goals.

Blue Planet requests one amendment to HB 497 HD1:

As currently drafted, § 269A defines “electric utilities” to mean “all electric utilities subject to collecting and remitting the public benefit fee pursuant to section 269-121, at the time the financing order becomes final.” Currently, Kaua‘i’s utility does not collect and remit the public benefit fee – thus this language may preclude the participation of Kaua‘i’s ratepayers in on-bill financing.

Blue Planet believes that it is important to make on-bill financing, and its funding mechanisms, accessible to Kaua‘i’s residents and business. In the on-bill financing docket, we have requested that the PUC establish a deadline for Kaua‘i’s utility to submit an on-bill financing program to the PUC for approval, or that Kauai be incorporated into the larger on-bill program. By amending the language in § 269A, the PUC will be afforded the flexibility to determine

¹ During the technical session established by the PUC in the on-bill financing docket, the current Public Benefits Fee administrator indicated that a portion of existing PBF program funds could indeed be used for the purpose of securing financing via mechanisms like the one proposed in HB 497 HD2, with enabling legislation such as that proposed by HB 497 HD2.

how/whether Kaua'i will be included in the on-bill program. We propose the following revised definition of "electric utility" in § 269A:

"Electric utilities" means all electric utilities subject to collecting and remitting the public benefit fee pursuant to section 269-121, at the time the financing order becomes final, and any other electric utility designated in the financing order.

We also respectfully request that this measure be amended to include an effective date of "upon approval."

Please forward HB 497 HD2 with these proposed amendments.

Thank you for this opportunity to testify.



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Aloha Chair Luke and Members of the Committee:

The Sierra Club of Hawai'i, with over 10,000 members and supporters, **supports** HB 497, HD2. This measure would advance the State's clean energy efforts by continuing our renewable energy tax credit and establish a green energy financing program.

This measure sets up a schedule to wean down the tax credit over time and as the solar industry becomes more and more able to compete with oil on a cost basis. It maintains an important policy tool intended to encourage investment in clean energy, reduce Hawai'i's dependence on unstable foreign oil, and improve Hawai'i's environment.

This measure also creates a pay-as-you-save program that could lead to the development of a stronger renewable energy market, wean Hawai'i off of fossil fuels, and put more money into the pocket of Hawai'i residents. It makes renewable energy and energy efficiency available to a broader spectrum of consumers, allowing them to save money on their electric bill.

Hawai'i has been a leader in the inevitable renewable energy revolution—but continued success will take a continued commitment from the public policy makers. This measure shows that commitment, but also sets up a long-term path of success for the solar industry.

Mahalo for the opportunity to testify.