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**Directors**

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TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

SB 11, RELATING TO RENEWABLE ENERGY

February 5, 2013

Chair Gabbard, Vice-Chair Ruderman, 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 SB 11 are to: (i) define solar energy property and wind energy property and classifies utility scale solar energy facility, competitively-big utility scale solar energy facility, and ordinary utility scale solar energy facility, (ii) establish a method for calculating tax credits for solar or wind energy property, and (iii) require department of business, economic development, and tourism to monitor and report tax credits claimed under section 235-12.5, Hawaii Revised Statutes.

HREA **supports the intent of measure** and offers the following comments:

- 1) Discussion during Senator Gabbard's Working Group ("GWG"). The discussion (during the four meetings of the GWG during the interim) centered on developing an appropriate and reasonable modification of the RETITC to close loopholes, and reduce the fiscal impact to the state while allowing industry to continue to thrive and grow in order to meet consumer demand and support our clean energy goals.
- 2) Assessment of this Measure. We believe this measure does NOT represent a "good take" on the tax treatments discussed in the GWG, given that we believe the fiscal impacts will be higher than the treatments proposed in SB 12 due to:
  - a) No project CAPs on the Investment Tax Credit ("ITC") for residential solar projects. Note: we believe the proposed CAPs in SB 12 are reasonable and appropriate.
  - b) Higher Production Tax Credits ("PTCs") utility-scale solar projects: 11.5 cents/kWh (PTC) and 8.0 cents/kWh (refundable PTC). Furthermore, we see no persuasive argument for why the refundable PTC should need to be discounted, especially since it will create an unfair advantage for local investors. Therefore, we recommend that the PTC, whether refundable or not, should be 8 cents/kWh, setting a level playing field for all projects..
  - c) No aggregate CAP on the Utility-Scale PTCs for solar projects. However, this is a subject is worth further discussion, as it will be easier now to project the fiscal impact of these larger projects, whereas SB 12 has aggregate CAPs.
- 3) Recommendations. We recommend that the committee **defer** this measure and **consider SB 12 as the vehicle** for continuing the RETITC discussion.

Mahalo for this opportunity to testify.



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
Tuesday, February 5, 2013 — 2:45 p.m. — Room 225

LATE

### Testimony in Support of SB 11, Relating to Renewable Energy

Chair Gabbard, Vice Chair Ruderman, and Members of the Committee:

My name is Jon Wallenstrom and I am the Senior Vice President of Forest City Hawaii. It has been Forest City's honor to be a member of the Hawaii business community. Over the past seven years our company has executed on a \$2 Billion project to redevelop Navy and Marine Corps housing, built the largest photovoltaic project on the island of Oahu, and started development of a large affordable housing project using solar energy in partnership with HHFDC on the Big Island. We are very proud of these accomplishments and would like to continue to work with the people of Hawaii to create a better built environment.

Forest City **strongly supports** SB 11, which will make much needed reforms to the Renewable Energy Technologies Income Tax Credit ("RETITC") that reduce the credit's cost to the State and makes it easier for the Department of Taxation to administer and for the public to understand, while maintaining the viability of the solar industry. In doing so, SB 11 allows solar energy to continue helping Hawai'i meet its ambitious renewable energy goals while retaining construction sector employment.

We believe SB 11 is the right approach for the following reasons:

- **Easy to Administer.** SB 11 follows the basic framework of federal law, and allows federal guidance to be applied to Hawai'i's credit, which is consistent with the State's general tax policy. The terms used in SB 11 also are drawn directly from the law's federal investment tax credit and production tax credit counterparts. This will remove ambiguities in the existing law and make it easier for the Department of Taxation to administer the credit.
- **Predictable Rampdown.** SB 11 ramps the tax credit down evenly and predictably until the investment tax credit levels off at 10% in 2018 and the production tax credit sunsets in 2019. This gradual and measured approach will minimize shocks to Hawaii's renewable energy industry and allow it to adjust to lower incentive levels. This allows the deployment of solar energy systems to continue at lower costs as both prices and incentive levels steadily decline. A more severe and immediate reduction in the level of the credit would likely cause the industry to contract, leading to layoffs, unemployment, and the flight of capital.
- **Maximizes Installation of Renewable Energy.** By preserving the viability of all segments of Hawai'i's solar industry—residential, commercial, and utility-scale—SB 11 will lead to a high level of renewable energy installation at a relatively low cost to the state. This will maximize the use of state tax dollars and keep Hawai'i on the path to achieving its clean energy goals.
- **Reduces Costs to State.** By creating a production tax credit for utility scale projects (which is optional for other projects) the State will be able to spread out its costs for these larger projects over a ten-year period. This will avoid a spike in tax credit expenditures over the next few years when these utility-scale projects come on line.

For these reasons, we support SB 11 and urge you to pass it as drafted. Thank you for the opportunity to provide this testimony.



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, February 5, 2013 — 2:45 p.m. — Room 225

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**Testimony in Support of SB 11, Relating to Renewable Energy**

Chair Gabbard, Vice Chair Ruderman, and Members of the Committee:

Hawaii Pacific Solar LLC (HPS) – Is a Hawaii Limited Liability Company and an established installer of photovoltaic solar energy systems. HPS holds a C13 electrical contractor license and specializes in the installation of commercial and utility grade systems for government, military and educational institutions.

In 2011 HPS was awarded a contract by the State of Hawaii Department of Education for installation of photovoltaic systems on 28 schools on Oahu totaling over 5.73 Megawatts. HPS was also awarded a contract to install solar photovoltaic systems on all schools on Kauai totaling an additional 3 megawatts.

Hawaii Pacific Solar **strongly supports** SB 11, which will make much needed reforms to the Renewable Energy Technologies Income Tax Credit (“RETITC”) that reduce the credit’s cost to the State and makes it easier for the Department of Taxation to administer and for the public to understand, while maintaining the viability of the solar industry. In doing so, SB 11 allows solar energy to continue helping Hawai’i meet its ambitious renewable energy goals while retaining construction sector employment.

Hawaii Pacific Solar believes SB 11 is the right approach for the following reasons:

- Easy to Administer. SB 11 follows the basic framework of federal law, and allows federal guidance to be applied to Hawai’i’s credit, which is consistent with the State’s general tax policy. The terms used in SB 11 also are drawn directly from the law’s federal investment tax credit and production tax credit counterparts. This will remove ambiguities in the existing law and make it easier for the Department of Taxation to administer the credit.
- Predictable Rampdown. SB 11 ramps the tax credit down evenly and predictably until the investment tax credit levels off at 10% in 2018 and the production tax credit sunsets in 2019. This gradual and measured approach will minimize shocks to Hawaii’s renewable energy industry and allow it to adjust to lower incentive levels. This allows the deployment of solar energy systems to continue at lower costs as both prices and

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incentive levels steadily decline. A more severe and immediate reduction in the level of the credit would likely cause the industry to contract, leading to layoffs, unemployment, and the flight of capital.

- Maximizes Installation of Renewable Energy. By preserving the viability of all segments of Hawai'i's solar industry—residential, commercial, and utility-scale—SB 11 will lead to a high level of renewable energy installation at a relatively low cost to the state. This will maximize the use of state tax dollars and keep Hawai'i on the path to achieving its clean energy goals.
- Reduces Costs to State. By creating a production tax credit for utility scale projects (which is optional for other projects) the State will be able to spread out its costs for these larger projects over a ten-year period. This will avoid a spike in tax credit expenditures over the next few years when these utility-scale projects come on line.

For these reasons, we support SB 11 and urge you to pass it as drafted. Thank you for the opportunity to provide this testimony.

Sincerely,

Robert Johnston  
President