

Honolulu, Hawaii
February 15, 2013

RE: H.B. No. 497
H.D. 2

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

Sir:

Your Committee on Consumer Protection & Commerce, to which
was referred H.B. No. 497, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO RENEWABLE ENERGY,"

begs leave to report as follows:

The purpose of this measure is to adjust the renewable energy
technologies income tax credit by, among other things:

- (1) Providing that the tax credit shall be claimed on the
basis of renewable energy technology property rather
than renewable energy technology systems, including,
among others:
 - (A) Amendments to defined terms to effectuate the
intent of the measure; and
 - (B) The deletion of existing tax credit caps and their
calculations;
- (2) Establishing tax credits for solar energy property used
specifically for the purpose of heating water, including
a cap on the amount of credits allowed;
- (3) Providing for the calculation of tax credits by a
percentage of the basis of certain solar properties used
primarily to generate electricity;



- (4) Providing for taxpayer refunds of the renewable energy tax credit under certain circumstances, including situations in which the tax credit claimed exceeds the amount of income tax payment due from the taxpayer;
- (5) Allowing associations under chapters 514A, 514B, 421I, and 421J, Hawaii Revised Statutes, to claim the credit under the association's name or for property and facilities placed in service and located on common areas; and
- (6) Amending the reporting requirement of the renewable energy technologies tax credit to include the joint participation of both the department of taxation and the department of business, economic development, and tourism.

The Department of Business, Economic Development, and Tourism; Distributed Energy Partners; Forest City Hawaii; Hawaii PV Coalition; Mainstream Energy Corp.; Ulupono Initiative; Sierra Club Hawaii Chapter; Solar Power Systems International, LLC; RevoluSun; SunPower Corp.; The Pacific Resource Partnership; Blue Plant Foundation; and an individual testified in support of this measure. The Department of Taxation, AES Solar, Hawaii Renewable Energy Alliance, Hawaii Solar Energy Association, R&R Solar Supply, and an individual provided comments on this measure.

Your Committee has amended this measure by:

- (1) Providing rates for solar energy property, both competitively and not competitively bid, placed into service after December 31, 2012;
- (2) Inserting the contents of HB856 HD1 as a part II of this measure;
- (3) Amending part II by, among other things:
 - (A) Adding definitions for "department" and "green infrastructure special fund" under the proposed part in chapter 196, Hawaii Revised Statutes (HRS), and adding definitions for "green infrastructure bond fund" and "green infrastructure special fund" under the proposed part in chapter 269, HRS;



- (B) Providing procedures and processes for the Hawaii Green Infrastructure Authority's loaning of funds, including the requirement of an order from the PUC;
- (C) Providing specific uses for funds to be appropriated out of the Hawaii Green Infrastructure Special Fund;
- (D) Exempting all Hawaii Green Infrastructure Authority employees, including the Hawaii Green Infrastructure Authority Director, from chapter 76, HRS;
- (E) Requiring the Hawaii Green Infrastructure Authority to submit a report to the legislature regarding the authority's activities in administering the Hawaii Green Infrastructure Loan Program;
- (F) Clarifying the terms of the financing order provided under chapter 279, HRS, including, among other things:
 - (i) Specifying terms related to the maximum term of green infrastructure bonds proposed to be issued;
 - (ii) Providing procedures to be followed by the electric utilities in the event of non- or partial payment of green infrastructure fees; and
 - (iii) Requiring a financing order to detail the distribution of the total amount collected by the electric utilities for amounts billed to customers;
- (G) Permitting the PUC to require in a financing order, procedures to be followed in the event of a default of an electric utility to which green infrastructure fees are remitted;
- (H) Providing procedures for the creation of a lien on green infrastructure property in the favor of bondholders and financing parties;

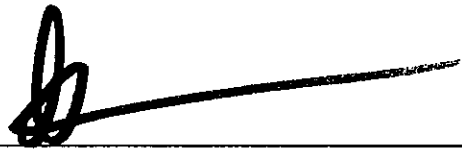


- (I) Providing protections for the electric utilities to ensure that reasonable costs incurred in the implementation of green infrastructure fees are returned to the utilities;
 - (J) Removing provisions relating to the creation of security interests over green infrastructure property, including the setting of lien priorities regarding green infrastructure fees and property and the rights of lien holders in foreclosure and bankruptcy;
 - (K) Clarifying that the treatment of green infrastructure bonds, fees, and property are exempt from taxes under chapters 237, 239, and 240, HRS, as well as the public utility fee under section 269-30, HRS;
 - (L) Establishing the Hawaii Green Infrastructure Bond Fund, into which all proceeds of the green infrastructure fees and any other proceeds of the green infrastructure property shall be paid, including provisions relating to annual audits, purpose, and administration;
 - (M) Specifying that the reporting requirement of the PUC regarding the green infrastructure loan program include information on financing orders issued, adjustments made to the public benefits fee, and repayments or credits provided to customers pursuant to the issuance of green infrastructure bonds; and
 - (N) Appropriating funds from the Hawaii Green Infrastructure Special Fund and the Hawaii Green Infrastructure Bond Fund to effectuate the intent of the measure; and
- (3) Making technical, nonsubstantive amendments for clarity, consistency, and style.



As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 497, H.D. 1, as amended herein, and recommends that it be referred to the Committee on Finance in the form attached hereto as H.B. No. 497, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



HSCR 963

State of Hawaii
House of Representatives
The Twenty-seventh Legislature

Record of Votes of the Committee on Consumer Protection & Commerce

Bill/Resolution No.: HB497 HD1	Committee Referral: EEP, CPC, FIN	Date: 02/11/13
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.		
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)		

CPC Members	Ayes	Ayes (WR)	Nays	Excused
1. McKELVEY, Angus L.K. (C)	✓			
2. KAWAKAMI, Derek S.K. (VC)	✓			
3. BELATTI, Della Au				✓
4. BROWER, Tom	✓			
5. CABANILLA, Rida T.R.	✓			
6. CACHOLA, Romy M.				✓
7. CARROLL, Mele	✓			
8. EVANS, Cindy	✓			
9. HAR, Sharon E.				✓
10. ITO, Ken				✓
11. LEE, Chris	✓			
12. TSUJI, Cliff	✓			
13. YAMANE, Ryan I.	✓			
14. MCDERMOTT, Bob		✓		
15. THIELEN, Cynthia				✓
TOTAL (15)	9	1	0	5

The recommendation is:
 Adopted
 Not Adopted
 If joint referral, _____ committee acronym(s) did not support recommendation.

Vice Chair's or designee's signature: _____