

Honolulu, Hawaii

MAR 01 2013

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

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Seventh State Legislature  
Regular Session of 2013  
State of Hawaii

Madam:

Your Committee on Ways and Means, to which was referred S.B. No. 17, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to levy the environmental response, energy, and food security tax on liquid, gaseous, and solid fossil fuels.

More specifically, this measure:

- (1) Defines "fossil fuel" and amends the definition of "distributor" in section 243-1, Hawaii Revised Statutes;
- (2) Amends section 243-3.5, Hawaii Revised Statutes, to levy the environmental response, energy, and food security tax on liquid, gaseous, and fossil fuels;
- (3) Amends the allocations of the environmental response, energy, and food tax collected to the environmental response revolving fund, energy security special fund, energy systems development special fund, and agricultural development and food security special fund;
- (4) Deletes the repeal date of the portion of Act 253, Session Laws of Hawaii 2007, as amended, that established chapter 304A, part IV, subpart N, Hawaii Revised Statutes, relating to the Hawaii Natural Energy



Institute, and section 304A-2169, Hawaii Revised Statutes, relating to the energy systems development special fund; and

- (5) Makes appropriations out of the:
- (A) Energy security special fund;
  - (B) Agricultural development and food security special fund; and
  - (C) Environmental response special fund.

Your Committee received written comments in support of this measure from the Department of Agriculture; Department of Business, Economic Development, and Tourism; Hawaii Natural Energy Institute at the University of Hawaii at Manoa; The Nature Conservancy; and one concerned individual.

Your Committee received written comments in opposition to this measure from AES Hawaii and Hawai'iGas.

Your Committee received written comments on this measure from the Department of Taxation, the Tax Foundation of Hawaii, and Alexander & Baldwin, Inc.

Your Committee finds that this measure will ensure that all fossil fuels are appropriately taxed and assist in improving the energy and food security of the State.

Your Committee has amended this measure by:

- (1) Amending the definition of "fossil fuels" to include fuels created from processing the substances listed in the current definition;
- (2) Providing that the tax shall apply to coal used to fulfill any power purchase agreement extended, modified, or renewed after September 1, 2016, rather than June 30, 2013;
- (3) Providing that the tax shall not apply to a public utility until the conclusion of the public utility's next rate case;



- (4) 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;
- (5) Changing the amounts of the allocations to the environmental response revolving fund, energy security special fund, energy systems development special fund, and agricultural development and food security special fund to unspecified amounts;
- (6) Deleting all appropriations;
- (7) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (8) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 17, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 17, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,



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DAVID Y. IGE, Chair



The Senate  
 Twenty-Seventh Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:* SB 17, SD1	Committee Referral: ENF, WAM	Date: 2-27-13		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
IGE, David Y. (C)	✓			
KIDANI, Michelle N. (VC)	✓			
CHUN OAKLAND, Suzanne	✓			
DELA CRUZ, Donovan M.	✓			
ENGLISH, J. Kalani	✓			
ESPERO, Will	✓			
KAHELE, Gilbert	✓			
KEITH-AGARAN, Gilbert S.C.				✓
KOUCHI, Ronald D.	✓			
RUDERMAN, Russell E.	✓			
THIELEN, Laura H.		✓		
TOKUDA, Jill N.	✓			
SLOM, Sam			✓	
<b>TOTAL</b>	10	1	1	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">Michelle N. Kidani</div>				
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\*Only one measure per Record of Votes