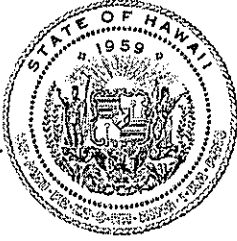


HB 2060, HD2

Measure Title: RELATING TO TAXATION.

Report Title: Income Tax Credit; Renewable Fuels

Description: Establishes a renewable fuels production tax credit. Specifies that the right to claim the credit will be lost if certain information is not reported to the Department of Taxation and Department of Business, Economic Development, and Tourism. Repeals the ethanol facility tax credit. Effective for taxable years beginning after December 31, 2014, until December 31, 2025. Effective on January 20, 2050. (HB2060 HD2)



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Richard C. Lim
Director

Department of Business, Economic Development, and Tourism
before the

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Tuesday, March 11, 2014

2:45 p.m.

State Capitol, Conference Room 225

in consideration of
HB 2060, HD 2,
RELATING TO TAXATION.

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

The Department of Business, Economic Development and Tourism (DBEDT) has concerns about HB 2060, HD 2, which would establish a renewable fuels production tax credit.

If it is the intent of the Legislature to adopt a renewable fuels production tax credit, DBEDT is concerned that the financial (approximately \$100,000) and human resources (.5 full time equivalent) required to administer the duties of this bill are not included in its current budget. Further, DBEDT prefers the approach taken in Act 270 (13) for the Research Activities Tax Credit.

In addition, we defer to the Department of Taxation on the fiscal impact of the bill and while we defer to the Attorney General on the legal aspects, we are concerned that the definition of "renewable fuels" in the bill appears to be in conflict with the commerce clause of the US Constitution.

Thank you for the opportunity to offer these comments.

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Mike Gabbard, Chair
and Members of the Senate Committee on Energy and Environment

Date: Tuesday, March 11, 2014
Time: 2:45 P.M.
Place: Conference Room 225, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.B. 2060, H.D. 2, Relating to Taxation

The Department of Taxation (Department) appreciates the intent of H.B. 2060, H.D. 2, and provides the following information and comments for your consideration.

H.B. 2060, H.D. 2, repeals the existing income tax credit for ethanol facilities and adds a new tax credit for the production of renewable fuels. The tax credit would be equal to an unspecified amount per one hundred fifteen thousand British thermal units of fuel produced, and would be capped at an unspecified amount per taxpayer. The tax credit would be certified by the Department of Business, Economic Development, and Tourism. H.D. 2 has a defective effective date of January 20, 2050.

The Department defers to the Department of the Attorney General for a more thorough analysis of the constitutionality of H.B. 2060, H.D. 2, but notes that tax measures that discriminate against interstate commerce are generally held unconstitutional by the courts. For example, the holding in Bacchus Imports Ltd. v. Dias, 468 U.S. 263 (1984), indicates that provisions that result in taxation that is discriminatory against products imported from outside the State would violate the Commerce Clause of the United States Constitution. To address this concern, the Department suggests changing or removing the requirement that feedstocks be transported less than 1,000 miles from their point of origin, which would exclude feedstocks from outside the State, as well as the requirement that fuel produced be distributed within the State.

Thank you for the opportunity to provide comments.



SENATE COMMITTEE ON ENERGY & ENVIRONMENT
Tuesday, March 11, 2014 – 2:45 p.m. – Room 225

Ulupono Initiative Supports HB 2060 HD2 with amendments, Relating to Taxation

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

My name is Murray Clay and I am managing partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono supports HB 2060 HD2 with amendments, which establishes a renewable fuels production tax credit. In recent years Hawai'i has seen significant growth in renewable energy adoption moving the State towards its renewable energy goals. However, while the state locally produces about 14% renewable electricity, renewable fuels are far less than 1% of fuel use. Electricity represents approximately 40% of energy use in the state while transportation fuels account for a larger share at 51%. This is disturbing as this means we are making the least amount of progress to date in renewable production for the largest share of the state's energy use.

This important bill could be made more effective in achieving Hawai'i's renewable energy goals with three amendments:

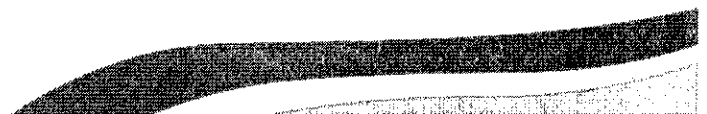
1. Ulupono recommends, on page 2, line 17, the per taxable year limit be put to at least \$6 million per taxable year, which is equivalent to 30 million gallons per year of production. It is important to note that renewable fuel facilities as large as 50 million gallons per year of capacity have been proposed for Hawai'i. Furthermore, ethanol imports alone, at a 10% blend with gasoline, amounted to more than 45 million gallons last year. If we want to replace a meaningful portion of imported fuels with locally produced renewable fuels, at least \$6 million per taxable year is a reasonable amount that balances enough incentive for developers while minimizing cost for the State.
2. The listing of renewable feedstocks that begins on page 3, line 11 should be expanded to include, "sugar and starch crops including but not limited to sugar cane and cassava." We understand that the phrase "other agricultural crops" could be interpreted to include sugar/starch crops used in biofuel production, but as oil crops were listed it seems prudent to list sugar & starch crops to avoid doubt. It is important to note that sugar and starch crops can be processed into ethanol today with existing technology meaning zero technology risk.

We strongly believe that this bill has the potential to open the door for significant renewable energy growth in Hawai'i. In terms of renewable energy production, transportation fuels are significant behind electricity in "going green". This bill will help move renewable fuels forward.

Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2250, Honolulu, HI 96813

808 544 8860 o | 808 544 8861 f

www.ulupono.com



Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

Email: communications@ulupono.com

TAXBILLSERVICE

SUBJECT: INCOME, Renewable fuels production tax credit

BILL NUMBER: HB 2060, HD-2

INTRODUCED BY: House Committee on Economic Development & Business

EXECUTIVE SUMMARY: Replaces the ethanol facility tax credit with a renewable fuels production tax credit. The amount of the tax credit and the limitation on the amount of credit that may be claimed by a taxpayer is unspecified. As an alternative, this credit should be repealed and replaced with a direct appropriation as it: (1) would provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) would not be a blank check.

BRIEF SUMMARY: Adds a new section to HRS chapter 235 to establish a renewable fuels production tax credit. The credit shall be allowed to taxpayers producing qualifying renewable fuels provided the credit shall not be claimed for more than five years.

The annual dollar amount of the credit shall be ___ cents per 115,000 British thermal units (BTU) of renewable fuels using the lower heating value produced for distribution in Hawaii; provided that the production by the facility is not less than 15 billion BTUs of renewable fuels per year. Limits the amount of tax credit that may be claimed by a taxpayer to \$ ___ million per taxable year.

Defines "credit period," "net income tax liability" and "qualifying renewable fuels." "Renewable fuels" are fuels produced in the state from renewable feedstocks transported less than one thousand miles from point of origin to the production facility located in the state. The fuel shall be sold in the state as a fuel and meet the relevant ASTM International specifications for the particular fuel or other industry specifications for liquid or gaseous fuels, including but not limited to: (1) methanol, ethanol, or other alcohols; (2) hydrogen; (3) biodiesel or renewable diesel; (4) other biofuels; or (5) renewable jet fuel or renewable gasoline. Defines "renewable feedstocks" as biomass crops; agricultural residues; oil crops, including but not limited to algae, canola, jatropha, palm, soybean and sunflower; other agricultural crops; grease and waste cooking oil; food wastes; municipal solid wastes and industrial wastes; and animal residues and wastes that can be used to generate energy.

Requires the department of business, economic development and tourism (DBEDT) to verify and certify each claim for the credit including the total amount of credit for each taxable year and the cumulative amount of tax credit during the credit period. The department shall issue a certificate to qualifying taxpayers who shall file the certificate with the department of taxation (DOTax).

If the amount of credits exceeds the taxpayer's income tax liability, the excess of credit over liability may be carried over to future years.

Prior to production of any qualifying renewable fuels for the year, the taxpayer is to provide written notice of the taxpayer's intention to begin production of qualifying renewable fuels to DOTax and DBEDT with information on the taxpayer, facility location, facility production capacity, anticipated

production start date, and the taxpayer's contact information. The taxpayer shall also provide written notice to the director of taxation and the director of DBEDT within 30 days following the start of production and include the production start date and expected renewable fuel production for the next year.

In each calendar year during the credit period, the taxpayer shall provide information to the director of DBEDT on the number of BTUs of renewable fuels produced and sold during the previous calendar year, the type of fuels, feedstocks used for renewable fuels production, the number of employees of the facility and each employee's state of residency, and the projected number of BTUs of renewable fuels production for the succeeding year.

Directs the director of DBEDT, following each year in which a credit under this section has been claimed, to submit a written report to the governor and legislature regarding the production and sale of renewable fuels. Requires the department of taxation to prepare the necessary forms to claim the credit, and requires the taxpayer to furnish information to validate a claim for the credit. Failure to provide the required information by the taxpayer shall constitute a waiver of the right to claim the credit.

The renewable fuels production tax credit shall not be claimed for tax years beginning after 12/31/25.

Repeals the ethanol facility tax credit under HRS section 235-110.3.

EFFECTIVE DATE: Tax years beginning after January 20, 2050

STAFF COMMENTS: The legislature by Act 289, SLH 2000, established an investment tax credit to encourage the construction of an ethanol production facility in the state. The legislature by Act 140, SLH 2004, changed the credit from an investment tax credit to a facility tax credit. This measure proposes to replace the ethanol facility tax credit with a renewable fuels production tax credit.

It has been almost ten years since the credit for the construction of an ethanol plant in Hawaii was enacted and ground has not yet been broken. Ethanol was the panacea of yesterday, and lawmakers have learned that there are more minuses to the use of ethanol than there are pluses. Ethanol production demands more energy to produce than using a traditional petroleum product to produce the same amount of energy, and the demand for feedstock that is used to produce ethanol basically redirects that feedstock away from traditional uses, causing products derived from the feedstock to substantially increase in price. Apparently, technology has evolved so that it is now possible to use other biofuels or feedstock to produce energy; the existing credit, which is specific to ethanol, might not be applicable to energy production using these other types of feedstock.

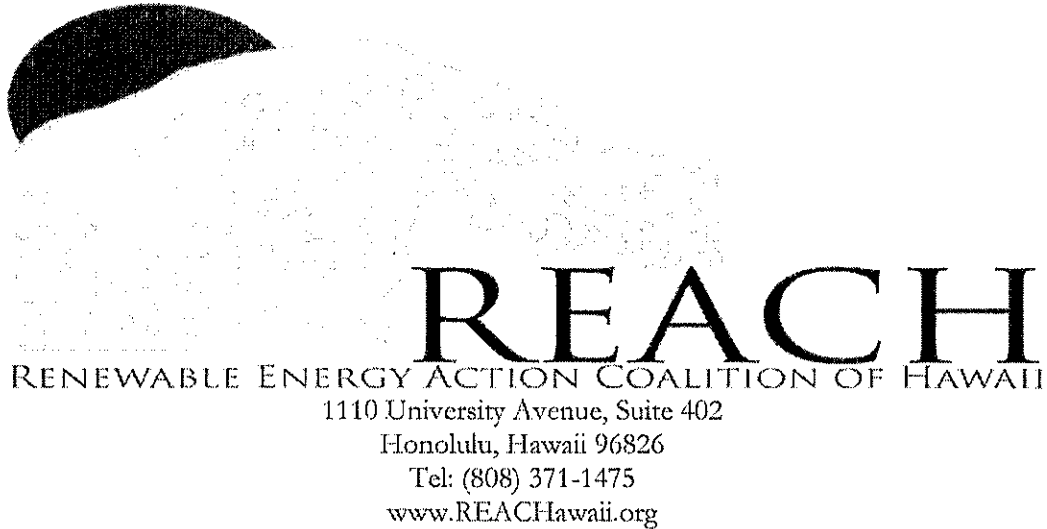
While the idea of providing a tax credit to encourage such activities may have been acceptable a few years ago when the economy was on a roll and advocates could point to credits like those to encourage construction and renovation activities, what lawmakers and administrators have learned is that unbridled tax incentives, where there is no accountability or limit on how much in credits can be claimed, tend to cost far beyond what was ever contemplated. As an alternative, lawmakers should consider repealing this credit and encourage other types of alternate energy through the appropriation of a specific number of taxpayer dollars to buy this energy. At least lawmakers would have a better idea of what is being funded and hold the developers of these alternate forms of energy to a deliberate timetable

or else lose the funds altogether. A direct appropriation would be preferable to the tax credit as it would: (1) provide some accountability for the taxpayers' funds being utilized to support this effort; and (2) not be a blank check.

An appropriation of taxpayer dollars for such untried and unproven technologies would be far more accountable than the tax credit as such technologies would have undergone the scrutiny of lawmakers. Providing a tax incentive is an indicator that lawmakers are unwilling to do the hard research and unwilling to impose strict discipline in the expenditure of hard-earned tax dollars. The tax incentive approach represents nothing more than a hope and a wish that some breakthrough will be made, no matter how inefficient it may be, that some alternative to fossil fuel will be found. In the meantime, those tax dollars will be wasted on some unproven folly. If this were an appropriation, taxpayers would know who to hold accountable for the waste of those tax dollars.

Rather than providing a flat production credit or investment credit, if lawmakers believe this cause is worthy and insist upon using tax credits as a vehicle to advance it, they may wish to consider providing the credits on a sliding scale, such as how the enterprise zone credits (chapter 209E, HRS) apply declining benefits in subsequent years in order to wean the businesses off the credits and encourage them to be able to develop global competitiveness.

Finally, lawmakers need to realize that the need for tax credits or other breaks comes from the climate imposed by government regulations and taxation, which makes it difficult for businesses to survive without some kind of subsidy. Once those subsidies disappear, so will the businesses. Instead of throwing subsidies at businesses, lawmakers would be well advised to attack the root causes of the difficulty, and endeavor to make Hawaii's business climate more welcoming and conducive to nurturing budding entrepreneurs.



Testimony of ERIK KVAM
President of Renewable Energy Action Coalition of Hawaii
e-mail: Kvam@REACHhawaii.org

In SUPPORT of HB 2060 HD 2 RELATING TO TAXATION

Before the
SENATE COMMITTEE ON ENERGY & ENVIRONMENT

March 11, 2014 2:45 p.m.

Aloha Chair Gabbard, Vice-Chair Ruderman and members of the Committee.

My name is Erik Kvam. I am the President of Renewable Energy Action Coalition of Hawaii (REACH), a trade association whose vision is a Hawaiian energy economy based 100% on renewable sources indigenous to Hawaii.

REACH is in **SUPPORT** of HB 2060 HD 2.

Hawaii is far behind in achieving its renewable goals for transportation. Transportation fuels account for about two-thirds of all the energy consumed in Hawaii. Virtually all of Hawaii's energy for transportation comes from imported fuels.

Without renewable fuel production from sources indigenous to Hawaii, Hawaii will have virtually no fuel available for critical transportation needs when imported fuels stop flowing to Hawaii.

REACH **SUPPORTS** HB 2060 HD 2 – creating a production tax credit of so-many cents per 115,000 BTUs of renewable fuels produced from sources indigenous to Hawaii -- to encourage the development of renewable fuel production from sources indigenous to

Hawaii, so that Hawaii has the transportation fuels it needs when imported fuels stop flowing to Hawaii.

Thank you for providing this opportunity to testify.



Directors

Jody Allione
Silver Ridge

Joe Boivin
Hawaii Gas

Kelly King
Pacific Biodiesel

Warren S. Bollmeier II
WSB-Hawaii

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

HB 2060 HD2, Relating to Taxation

March 11, 2014

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 2197 SD2 are to: (i) establish a renewable fuels production tax credit to achieve greater energy security for Hawaii, (ii) specify that the right to claim the credit will be lost if certain information is not reported to the Department of Taxation and Department of Business, Economic Development, and Tourism, and (iii) repeal the Ethanol Facility Tax Credit.

HREA **strongly supports** this measure with the following comments:

- 1) Meeting Our Clean Energy. This measure supports our clean energy goals by encouraging business opportunities in the production of renewable fuels in Hawaii.
- 2) Merits of a Production Tax Credit ("PTC"). We believe a PTC is the best way for the state to support biofuel production in Hawaii. With a PTC, a "producer" gets paid when the producer actually produces, not when he installs his production facility. This reduces the risk to the state significantly. The PTC has other features that we find attractive:
 - a) we believe the PTC will be easy to administer, including the qualification of biofuel facilities, and documentation of the types and amounts of biofuels produced and sold in Hawaii; and
 - b) the PTC will help facilitate effective producer-ag grower relationships to grow renewable feedstocks for the production of local renewable fuels.
- 3) Recommendations. We recommend that the payment rate per 115,000 BTU be 30 cents (line 9, p.2), and the project CAP be \$3M (line 17, p.2), which were the amounts included in previous versions of this bill. We recommend that the committee pass out this measure with these amendments

Mahalo for this opportunity to testify.



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-SEVENTH LEGISLATURE, 2014**

ON THE FOLLOWING MEASURE:

H.B. NO. 2060, H.D. 2, RELATING TO TAXATION.

BEFORE THE:

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

DATE: Tuesday, March 11, 2014

TIME: 2:45 p.m.

LOCATION: State Capitol, Room 225

TESTIFIER(S): David M. Louie, Attorney General, or
Kathryn-Jean Kanemori, Deputy Attorney General

Chair Gabbard and Members of the Committee:

The Department of the Attorney General offers the following comments on this bill. The bill may be challenged as violating the Commerce Clause of the United States Constitution because it could be found to discriminate against interstate commerce.

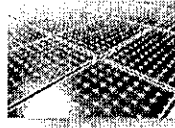
The purpose of this bill is to repeal the existing income tax credit for ethanol facilities and add a new tax credit for the production of renewable fuels. The tax credit would be equal to an unspecified amount per one hundred fifteen thousand British thermal units of fuel produced, and would be capped at an unspecified amount per taxpayer. The tax credit would be certified by the Department of Business, Economic Development, and Tourism. This bill has a defective effective date of January 20, 2050.

Section 2, page 3, lines 17 through 20, of this bill defines “renewable fuels” as “fuels produced within the State from renewable feedstocks **transported less than one thousand miles from point of origin to the production facility located within the State[.]**” (Emphasis added.) Requiring that the renewable feedstock be “transported less than one thousand miles from point of origin to the production facility located within the State” in order to qualify as “renewable fuel” appears to have a similar purpose and effect as the tax exemption that violated the Commerce Clause Bacchus Imports, Ltd. v. Dias, 468 U.S. 263, 268 (1984).

A cardinal rule of Commerce Clause jurisprudence is that “[n]o State, consistent with the Commerce Clause, may ‘impose a tax which discriminates against interstate commerce . . . by providing a direct commercial advantage to local business.’” Bacchus, 468 U.S. at 268, *citing Boston Stock Exchange v. State Tax Comm’n*, 429 U.S. 318, 329 (1977).

At issue in Bacchus was the Hawaii liquor tax, which was originally enacted in 1939 to defray the costs of police and other governmental services. Because the Legislature sought to encourage development of the Hawaiian liquor industry, it enacted an exemption from the liquor tax for okolehao (a brandy distilled from the root of the ti plant, an indigenous shrub of Hawaii) and for certain fruit wine manufactured in Hawaii. The United States Supreme Court concluded that the exemption violated the Commerce Clause because the exemption had both the purpose and effect of discriminating in favor of local products.

We recommend that the phrase “less than one thousand miles” in section 2, page 3, lines 18 and 19, of this bill be deleted.



SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

March 11, 2:45 P.M.

Room 225

(Testimony is 4 pages long)

TESTIMONY IN STRONG SUPPORT OF HB 2618 HD2, SUGGESTED AMENDMENTS

Aloha Chair Gabbard and Energy and Environment Committee members:

The Blue Planet Foundation strongly supports HB 2618 HD2, to facilitate and encourage the use of renewable energy by incentivizing the use of grid-connected energy storage technologies and systems through a tax credit (that is limited in scope and duration) for grid-connected energy storage. The proposed investment tax credit or utilization tax credit are intended to promote the use of grid-connected energy storage to address the varying needs of our island electric grids with technologies most applicable to those needs. Energy storage tax incentives are the appropriate and needed tool to enable continued momentum toward Hawaii's independence from fossil fuels.

Energy storage—whether it be batteries, ultra-capacitors, or some other technology—will be an integral part of our island electricity systems. These technologies are evolving rapidly and in the technology development and deployment stage where tax credits could make a critical difference in adoption rates.

Blue Planet believes HB 2618 HD2 is a timely and appropriate policy for the following reasons.

Incentives for energy storage will hasten development of a smart grid, increasing reliability and lowering costs to ratepayers

House Bill 2618 HD2 is intended to support variable energy sources, including wind and solar power, while moderating energy demands during peak hours and facilitating a “smart grid” that is more reliable in order to improve Hawaii's island electricity grids and achieve the state's clean energy future. This measure would help improve the efficiency, versatility and reliability of

Hawaii's electric grids, and would offer more affordable energy storage technologies for homes and businesses.

Hawaii's electricity grid needs energy storage to achieve the state's aggressive clean energy goals. To take advantage of distributed and diversified energy like solar and wind and other variable sources of power, the grid has to become smarter and have the capacity to store electricity. It will resemble today's Internet—where distributed servers both send and receive packets of information—and less like yesterday's commercial television. Such a self-aware, robust smart grid will instantaneously adjust to shifts in wind strength or cloud cover over solar, balancing energy loads on the other side of the wire and drawing on stored energy when needed.

Energy storage is a critically important tool for reliable system operation of a grid with substantial amounts of intermittent renewable generation. Storage can smooth out variable generation, and it can bank excess renewable energy for use during peak demand. Energy Storage helps to maximize the use of indigenous renewable energy and strengthen Hawaii's economy. It will accommodate expected increasing proportions of variable and/or intermittent renewable generation resources in the near future.

A 2013 study¹ conducted by Hawaiian Electric Companies on battery storage on the MECO system demonstrates showed that a 15 MWh battery storage resource effectively reduced the amount of curtailed renewable energy by almost 2 GWh (i.e., equivalent to 2000 MWh) per year. By reducing curtailment, the amount of renewable energy increased and resulted in a corresponding increase in the ability to reduce the cost of electricity and the amount of fossil fuel use.

The time is ripe for implementation of existing energy storage strategies and technology

Currently, a variety of energy storage strategies are available with existing technology: battery technologies, hydrogen and other alternative fuels, and pumped hydroelectric storage. On Maui, large amounts of wind power are frequently being curtailed in favor of fossil generation. Retiring fossil fuel units and developing innovative energy storage is needed to help eliminate this wasteful practice. Evolving technologies continue to enable more renewable energy. As the prices for renewable sources of energy continue to decrease, energy storage will result in higher capacity factors and less curtailment of renewable resources. This increases availability and optimal use of system operation methods.

¹ Hawaiian Electric Companies 2013 Integrated Resource Planning ("IRP") Report and Action Plan

With increased energy storage, the existing grid will be transformed into a “smarter”, more efficient, more reliable grid that integrates more renewable energy through the use of various technologies and capabilities and provide more information and options to customers with the overall goal of reducing costs and improving customer service. This clean energy transformation will help to stabilize and strengthen Hawaii's economy by reducing its dependency on imported fuels and will help protect Hawaii's environment by greatly reducing greenhouse gas emissions.

Hawaii's economy needs power that's as dependable as the sunrise. To make full use of all of Hawaii's native energy sources we need the ability to store power for times when the sun isn't shining or the wind isn't blowing. While it's not clear what form will be most cost effective—fuel cells, pumped water, flywheels, ultra capacitors, batteries, dilithium crystals—we do know that the technology is evolving rapidly. Consider data storage for computers. In the late 1950s, cutting-edge data storage could store the equivalent of one MP3 file in the space of half a carport. Today, over 12,000 such files fit on a keychain flash drive. We are seeing a similar evolution for power storage, with the cost of battery storage dropping at nearly 8% annually.

Stored energy can serve as an emergency backup to maintain grid reliability

Currently, such backup is typically in the form of "spinning reserves," or fossil fuel plants that are kept running even when the energy is not needed. Meanwhile, battery technology is already being used with a number of renewable energy projects in Hawai'i, including wind farms on Maui and solar installations on Kaua'i and the Big Island.

SUGGESTED AMENDMENTS

Blue Planet respectfully requests that HB 2618 HD2 be amended to delete the requirement that only storage devices of one megawatt-hour and larger qualify for the tax credit. We believe energy storage devices of all sizes can provide value to strengthening our electricity grid and reducing variability of renewable energy resources. Therefore we request that page 5, lines 14 – 15, be amended as follows:

centralized or distributed manner, [~~have a capacity of at least one megawatt-hour or one megawatt,~~] are certified by the

We further recommend that the energy storage tax credit be amended with credit values as follows:

- (1) An investment credit equal to:
 - (A) For a grid-connected energy storage property first placed in service on or before December 31, 2020, not more than 20 per cent of the basis; or
 - (B) For a grid-connected energy storage property first placed in service after December 31, 2020, and on or before December 31, 2025, not more than 10 per cent of the basis; or
- (2) A utilization credit equal to:
 - (A) For a grid-connected energy storage property first placed in service on or before December 31, 2020, 7 cents per kilowatt-hour of energy storage capacity; or
 - (B) For a grid-connected energy storage property first placed in service after December 31, 2020, and on or before December 31, 2025, 3.5 cents per kilowatt-hour of energy storage capacity.

Expanding Hawaii's energy storage capacity will improve the efficiency, flexibility, and reliability of our electric grid, allowing us to wring the most power out of it, while adding large amounts of new renewable energy resources like wind and solar.

Please forward HB 2618 HD2.

Thank you for the opportunity to testify.



40 Hobron Avenue
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(808) 877-3144
Fax (808) 877-5030
www.biodiesel.com

March 10, 2014

**Testimony on House Bill 2060, HD 2, Relating to Taxation
SUPPORT**

Committee on Energy and Environment
Senator Mike Gabbard, Chair
Senator Russell E. Ruderman, Vice Chair
Hearing March 11, 2014 at 2:45 p.m., Conference Room 225

Dear Chair Gabbard, Vice Chair Ruderman and Committee Members,

The employees, management and investors of the Pacific Biodiesel ohana thank you for your support of locally produced clean energy. This bill is crucial to growing the biofuels industry in Hawaii, especially since our state is far behind in our transportation renewable energy goals. We wholeheartedly testify in support of HB 2060, HD2, and hope you will consider our suggested amendments.

This bill advances the State of Hawaii's efforts to become more energy self-sufficient; however, we do ask you to consider instating the level of \$.30 per 115,000 BTUs and move the effective date to July 1, 2014 to bring maximum benefits to producers at this time of critical need. If the biofuel production tax credit is passed at a higher level of support, it will be one of the most important actions the Legislature can take to incentivize renewable fuel production, support current and future local jobs as well as ensure the future energy security of our island communities.

Pacific Biodiesel employs over 75 people in a wide range of positions from chemists to engineers, office and sales personnel to biodiesel facility operators and farmers, as well as outside consultants. Employment represents \$3 million in wages paid in 2013 and continued operations generate over \$10 million in revenue for the State of Hawaii every year. When biodiesel is purchased from Pacific Biodiesel in Hawaii, over 85% of the money stays in the Hawaii economy, and 98% of the money stays in the US economy. This is truly an economic boost as opposed to the economic drain of foreign petroleum.

It is the goal of all those connected with Pacific Biodiesel to continue with our mission to promote a clean, sustainable energy future through the community-based production of renewable fuels, but we need your help as federal support for biofuel continues to be inconsistent and short-term. Meanwhile, the petroleum industry with whom we must compete enjoys on-going, statutory support at all levels of government.

We ask you to consider our proposed changes and please pass HD 2060, HD2, to support the continued efforts of renewable fuel producers throughout the State of Hawaii.

Mahalo,

A handwritten signature in cursive script that reads "Kelly T. King".

Kelly King
Vice President
ktk@biodiesel.com

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Upcountry Mechanics	Upcountry Mobile Mechanic Service, LLC	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Shaun Stenshol	Maui Recycling Service	Support	No

HB2060

Submitted on: 3/7/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Larry Zolezzi	Pacific Biodiesel	Support	No

Comments: Please help Hawaii use more alternative fuels and reduce imports of fossil fuels

HB2060

Submitted on: 3/8/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
matthias kusch	Individual	Support	No

HB2060

Submitted on: 3/8/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Denise Key	Individual	Support	No

HB2060

Submitted on: 3/8/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Mae Gauvin	Individual	Support	No

HB2060

Submitted on: 3/7/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Erin Wooldridge	Individual	Support	No

HB2060

Submitted on: 3/7/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Kekoa Kaluhiwa	Individual	Support	No

HB2060

Submitted on: 3/8/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Daniel Mizner	Individual	Support	No

HB2060

Submitted on: 3/8/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Greg Chou	Individual	Support	No

HB2060

Submitted on: 3/8/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Doug Olds	Individual	Support	No

HB2060

Submitted on: 3/9/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Jan Alejandro	Individual	Support	No

HB2060

Submitted on: 3/9/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Beth Mathias	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Leighton	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Jenna Long	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Dana Shinsato	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Russell Grass	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
James Twigg-Smith	Pacific Biodiesel Tech	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Amber	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Sandra McAuliffe	Individual	Support	No

HB2060

Submitted on: 3/10/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
Terry Hans	Individual	Comments Only	No

Comments: way support!

HB2060

Submitted on: 3/11/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
ROSS MATSUO	Individual	Support	No

HB2060

Submitted on: 3/11/2014

Testimony for ENE on Mar 11, 2014 14:45PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
edward f. zwick	Individual	Support	No