

Honolulu, Hawaii

**MARCH 24**, 2016

RE: S.B. No. 2738  
S.D. 2  
H.D. 1

Honorable Joseph M. Souki  
Speaker, House of Representatives  
Twenty-Eighth State Legislature  
Regular Session of 2016  
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 2738, S.D. 2, entitled:

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

begs leave to report as follows:

The purpose of this measure is to address incentives for renewable energy technologies, specifically energy storage.

In a Proposed H.D. 1, your Committee included provisions that:

- (1) Allow the High Technology Special Fund to receive any appropriations or other funds required to be deposited by law;
- (2) Authorize the Director of Finance to issue general obligation bonds in the sum of \$3,000,000 to be appropriated for the development of an electrolysis process hydrogen production, storage, and dispensing facility;
- (3) Appropriate \$1,800,000 for deposit into the High Technology Special Fund for operating costs for an electrolysis process hydrogen production, storage, and dispensing facility; and



- (4) Require the High Technology Development Corporation to adopt rules in accordance with chapter 91, Hawaii Revised Statutes, to enable the establishment, collection and deposit into the High Technology Special Fund of fees imposed on the sale of hydrogen made commercially available at certain facilities.

Your Committee received written comments in support of the proposed H.D. 1 from the Department of Transportation, SunPower, High Technology Development Corporation, Alliance of Automobile Manufacturers, Enphase Energy, Blue Planet Foundation, Energy Excelerator, Stem Inc., Hawaii Energy Connection, Hawaii Automobile Dealers' Association, Distributed Energy Resources Council of Hawaii, and Kairos Energy Capital. Your Committee received comments on the proposed H.D. 1 from the Department of Taxation; Department of Business, Economic Development, and Tourism; Hawaiian Electric Company, Inc. and its subsidiary utilities, Maui Electric and Hawaii Electric Light Company; Hawaii Association of Realtors; Inter-Island Solar Supply; Hawaii Solar Energy Association; and Tax Foundation of Hawaii. Your Committee received testimony in opposition to the proposed H.D. 1 from the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs.

Your Committee notes the recent policy changes made by the Hawaii Public Utilities Commission have impacted Hawaii consumers' ability to deploy renewable energy without an associated energy storage device. To this end, your Committee concludes that incentivizing energy storage would further Hawaii's clean energy goals and help Hawaii consumers reduce their high electric bills.

The Department of Taxation testified that changes to the current renewable energy technology systems tax credit, however, may make the measure difficult to administer and have unintended consequences on residents who relied on the existing tax credit.

Your Committee observes that in 2013, this Legislature established a green infrastructure finance program to deploy more renewable energy and to principally help consumers lower their energy costs. Your Committee finds that the funds raised in this program have been largely unspent to date and are not serving the intended purpose.



Accordingly, your Committee proposed to use the funds raised by the green infrastructure finance program to create a rebate program modeled on the successful California Solar Initiative Program. This would help Hawaii's consumers lower their energy costs, advance our state's clean energy goals, and stimulate our economy.

Your Committee further observes the State has never required a consumer to purchase goods or services from a utility. Rather, the hallmark of good utility regulation has been to encourage competition and greater customer choice when possible. Your Committee recognizes electric utilities may need additional time to incorporate and compete with technological changes, however, and is willing to incentivize consumers to keep energy storage devices on the grid. This measure attempts to balance these two goals: increasing competition and customer choice while also encourage timely grid monetization.

Upon further consideration, your Committee has amended this measure by replacing its contents with provisions that:

- (1) Establish the Energy Storage System Rebate Program, to be administered by the Department of Business, Economic Development, and Tourism, which allows individuals who purchase and install in the State an eligible energy storage system to claim a one-time rebate from the Energy Storage System Fund;
- (2) Allocate and appropriate funds from the Hawaii Green Infrastructure Special Fund to create the Energy Storage System Fund, which shall provide funding for the Energy Storage System Rebate Program; and
- (3) Specify the amount of rebate that may be claimed based on type of system and the amount of funds remaining in the Energy Storage System Fund.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2738, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2738, S.D. 2, H.D. 1, and be referred to your Committee on Finance.



Respectfully submitted on  
behalf of the members of the  
Committee on Energy &  
Environmental Protection,



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CHRIS LEE, Chair



