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# A BILL FOR AN ACT

RELATING TO ENERGY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that as a result of  
2 pursuing its goal to reach one hundred per cent renewable energy  
3 by 2045, Hawaii must continue to support utility-scale renewable  
4 energy projects that benefit residents and ratepayers.  
5 Currently, there are sixty utility-scale renewable energy  
6 projects feeding into the State's power grids, and many more are  
7 projected for completion in the next several years. Despite  
8 great progress, the State continues to depend heavily on  
9 imported petroleum for its energy needs, and it must support a  
10 stable and robust financial framework for renewable energy  
11 projects to reach the State's ambitious renewable energy goals.

12           The legislature further finds that in order to continue to  
13 support this goal, the State must distinguish utility-scale  
14 renewable energy projects from other renewable energy technology  
15 systems under the tax credit program. Under the terms of the  
16 public utilities commission order 35286, which authorized a  
17 solicitation for utility-scale renewable energy projects in



1 2018, bidders were required to pass through the full value of  
2 the tax credit to ratepayers in the form of lower power prices.  
3 Eight projects totaling approximately two hundred seventy-five  
4 megawatts alternate current were selected in this solicitation,  
5 with expected completion dates between 2021 and 2022. These  
6 eight projects are essential to Hawaii's ability to meet its  
7 near-term clean energy and carbon reduction goals. However,  
8 while the projects' power prices assume the full value of the  
9 tax credit as of the time of bidding, the projects will not  
10 secure the tax credit until they are completed and energized.  
11 Without certainty as to the value of the tax credit, these  
12 projects would need to take on the full risk of a reduced or  
13 eliminated credit as they secure financing and complete  
14 construction, placing the projects at risk of cancellation.  
15 Providing certainty for these projects is necessary to ensure  
16 their financial viability and keep the State on track to  
17 achieving its clean energy goals.

18 Accordingly, the purpose of this Act is to:

- 19 (1) Define an "eligible utility-scale renewable energy  
20 project" for purposes of a renewable energy



1 technologies income tax credit available to commercial  
2 solar energy systems;

3 (2) Clarify the calculation of the renewable energy  
4 technologies income tax credit available to commercial  
5 solar energy systems;

6 (3) Provide that the value of the renewable energy  
7 technologies income tax credit for eligible utility-  
8 scale renewable energy projects shall be based on the  
9 credit value and cap that are in effect as of July 1,  
10 2020; and

11 (4) Provide that an eligible utility-scale renewable  
12 energy project shall not be eligible to collect the  
13 tax credit if they entered into a contract after  
14 December 31, 2018.

15 SECTION 2. Section 235-12.5, Hawaii Revised Statutes, is  
16 amended as follows:

17 1. By amending subsections (b) and (c) to read:

18 "(b) The amount of credit allowed for each eligible  
19 renewable energy technology system shall not exceed the  
20 applicable cap amount, which is determined as follows:



- 1 (1) If the primary purpose of the solar energy system is
- 2 to use energy from the sun to heat water for household
- 3 use, then the cap amounts shall be:
  - 4 (A) \$2,250 per system for single-family residential
  - 5 property;
  - 6 (B) \$350 per unit per system for multi-family
  - 7 residential property; and
  - 8 (C) \$250,000 per system for commercial property;
- 9 (2) For all other solar energy systems, the cap amounts
- 10 shall be:
  - 11 (A) \$5,000 per system for single-family residential
  - 12 property; provided that if all or a portion of
  - 13 the system is used to fulfill the substitute
  - 14 renewable energy technology requirement pursuant
  - 15 to section 196-6.5(a)(3), the credit shall be
  - 16 reduced by thirty-five per cent of the actual
  - 17 system cost or \$2,250, whichever is less;
  - 18 (B) \$350 per unit per system for multi-family
  - 19 residential property; and
  - 20 (C) \$500,000 per ~~system~~ megawatt direct current for
  - 21 systems installed on commercial property; and



1 (3) For all wind-powered energy systems, the cap amounts  
2 shall be:

3 (A) \$1,500 per system for single-family residential  
4 property; provided that if all or a portion of  
5 the system is used to fulfill the substitute  
6 renewable energy technology requirement pursuant  
7 to section 196-6.5(a)(3), the credit shall be  
8 reduced by twenty per cent of the actual system  
9 cost or \$1,500, whichever is less;

10 (B) \$200 per unit per system for multi-family  
11 residential property; and

12 (C) \$500,000 per system for commercial property.

13 (c) For the purposes of this section:

14 "Actual cost" means costs related to the renewable energy  
15 technology systems under subsection (a), including accessories  
16 and installation, but not including the cost of consumer  
17 incentive premiums unrelated to the operation of the system or  
18 offered with the sale of the system and costs for which another  
19 credit is claimed under this chapter.

20 "Eligible utility-scale renewable energy project" means a  
21 renewable energy project that was selected prior to December 31,



1 2018, under the Hawaiian Electric Companies' final variable  
2 renewable dispatchable generation request for proposal pursuant  
3 to public utilities commission order number 35286, docket 2017-  
4 0352, and that is placed in service no later than December 31,  
5 2023.

6 "Household use" means any use to which heated water is  
7 commonly put in a residential setting, including commercial  
8 application of those uses.

9 "Renewable energy technology system" means a new system  
10 that captures and converts a renewable source of energy, such as  
11 solar or wind energy, into:

- 12 (1) A usable source of thermal or mechanical energy;
- 13 (2) Electricity; or
- 14 (3) Fuel.

15 "Solar or wind energy system" means any identifiable  
16 facility, equipment, apparatus, or the like that converts solar  
17 or wind energy to useful thermal or electrical energy for  
18 heating, cooling, or reducing the use of other types of energy  
19 that are dependent upon fossil fuel for their generation."

20 2. By amending subsection (k) to read:



1           "(k) This section shall apply to eligible renewable energy  
2 technology systems that are installed and placed in service on  
3 or after July 1, 2009[-]; provided that for an eligible utility-  
4 scale renewable energy project, the tax credit shall be based on  
5 the credit value and cap that were in effect as of July 1, 2020;  
6 provided further that an eligible utility-scale renewable energy  
7 project shall only be eligible to receive the tax credit  
8 pursuant to subsection (b)(2)(C) if they have a power purchase  
9 agreement that is either approved by a decision or order by the  
10 public utilities commission or has filed with, or is pending  
11 approval from, the public utilities commission prior to  
12 December 31, 2019."

13           SECTION 3. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15           SECTION 4. This Act, upon its approval, shall apply to  
16 taxable years beginning after December 31, 2019.

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**Report Title:**

Renewable Energy Technologies; Income Tax Credit; Eligible  
Utility-scale Renewable Energy

**Description:**

Defines an "eligible utility-scale renewable energy project" for purposes of a renewable energy technologies income tax credit available to commercial solar energy systems. Clarifies the calculation of the renewable energy technologies income tax credit for commercial solar energy systems. Provides that the value of the renewable energy technologies income tax credit for eligible utility-scale renewable energy projects shall be based on the credit value and cap that are in effect as of 7/1/2020. Provides that an eligible utility-scale renewable energy project shall only be eligible if they have a power purchase agreement that is either approved by a decision or order by the Public Utilities Commission or has filed with, or is pending approval from, the Public Utilities Commission prior to 12/31/2019.

(SD1)

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