HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

235 South Beretania Street, 5TH Floor, Honolulu, HI 96813 | energy.hawaii.gov

(808) 587-3807

Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON FINANCE
Friday, February 21, 2020
1:30 PM
State Capitol, Conference Room 308

Comments in consideration of
HB 202, HD1
RELATING TO RENEWABLE ENERGY.

Chair Luke, Vice Chair Cullen, and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on HB 202, HD1, which repeals the renewable energy technologies tax credit for commercial property after December 31, 2019 (except for power purchase agreements approved prior to December 31, 2019); increases the renewable energy technologies tax credits for multi-family residential properties; and repeals the remaining (residential and multi-family residential) renewable energy technologies tax credits after 12/31/2045. We defer to the appropriate agencies regarding administration of the provisions contained in the bill.

HSEO notes that several bills this session have proposed to phase out or discontinue the renewable energy technologies income tax credit for commercial-scale projects, and appreciates the several approaches proposed to mitigate the potentially negative disruption caused by uncertainty of tax credits available for projects currently under development.

We agree with the approach taken on page 2, lines 3-11 and lines 19-21, continuing on page 3, lines 1-6, to avoid disruption of projects that are under contract to provide power at fixed prices based on the tax credit, under the competitive bidding framework.

We are concerned that a similar situation (contracts with energy prices based on the availability of the tax credit) may exist for other projects under development, including those under development for government agencies, and would suggest an additional measure: add a provision, similar to that provided by the Federal tax credit, establishing that the level of tax credit available to a project will be based on the level of credit in place at the beginning of construction.[1]

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[1] Internal Revenue Service factsheet, "Beginning of Construction for the Investment Tax Credit under Section 48," https://www.irs.gov/pub/irs-drop/n-18-59.pdf

This would be one method to reduce disruption to the important progress being made in increasing the use of renewable energy in Hawaii. Making use of definitions and reporting requirements already in use for projects seeking the Federal credit may provide efficiencies for both project developers and accounting personnel.

We look forward to working with the Legislature as well as affected agencies and entities to find cost-effective, reasonable, and sustainable solutions for these important topics.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
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To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Rona M. Suzuki, Director
Department of Taxation

Re: **H.B. 202, H.D. 1, Relating to Renewable Energy**
Date: Friday, February 21, 2020
Time: 1:30 P.M.
Place: Conference Room 308, State Capitol

The Department of Taxation (Department) offers the following comments on H.B. 202, H.D. 1.

H.B. 202, H.D. 1, makes significant amendments to section 235-12.5, Hawaii Revised Statutes (HRS), which governs the Renewable Energy Technologies Income Tax Credit (RETITC). First, it eliminates the tax credit for taxable years beginning after December 31, 2019 for all solar and wind energy systems on commercial property; unless those taxpayers are subject to a power purchase agreement (PPA) for their system(s) approved by a decision and order issued by the Public Utilities Commission (PUC) prior to December 31, 2019. Those pre-approved taxpayers shall continue to receive thirty-five percent of their actual costs for solar energy and twenty percent of their actual costs for wind energy, up to a $500,000 cap. The measure also raises the cap on all categories of systems on multi-family residential property from $350 per unit per system to $750 per unit per system, and repeals the RETITC altogether on December 31, 2045. H.B. 202, H.D. 1 has a defective effective date of July 1, 2050 and otherwise applies to taxable years beginning after December 31, 2019.

The Department notes that allowing certain taxpayers to claim a past version of the credit essentially means that Department must administer two versions of the credit. Even if a small number of taxpayers would qualify for the commercial systems grandfathering, the Department would need to maintain the previous version of the credit like it does with any other credit. As such, the Department respectfully requests that the grandfathering provisions in section 235-12.5(a)(1) and (a)(2), HRS, be amended so that the system is required to be installed and placed in service before December 31, 2022, within three years of the partial repeal of the RETITC becoming effective.

Additionally, the Department notes that the repeal for the credit for solar and wind energy systems on commercial property would disallow the RETITC for systems that were installed on or after January 1, 2020. The Department suggests amending the measure so that any changes to the RETITC become effective for taxable years beginning after December 31, 2020 or later.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, FRANCHISE, Partial Repeal of Renewable Energy Technologies Credit

BILL NUMBER: HB 202, HD-1

INTRODUCED BY: House Committee on Energy & Environmental Protection

EXECUTIVE SUMMARY: Repeals the renewable energy technologies tax credit for solar energy systems and wind-powered energy systems for commercial properties for taxable years beginning after December 31, 2019, except for taxpayers subject to a power purchase agreement approved by a decision and order issued by the PUC prior to December 31, 2019. Increases the renewable energy technologies tax credit for solar water heater systems, other solar energy systems, and wind-powered energy systems for multi-family residential properties. Makes the renewable energy technologies tax credit unavailable after 12/31/2045

SYNOPSIS: Amends HRS section 235-12.5 to provide that for taxable years beginning after December 31, 2019, no tax credit may be claimed for solar energy systems for commercial properties; except that a taxpayer subject to a power purchase agreement approved by a decision and order issued by the public utilities commission prior to December 31, 2019, shall continue to receive 35% of the actual cost, up to the applicable cap amount of $500,000 per solar energy system for a commercial property. In addition, no tax credit may be claimed for wind energy systems for commercial properties; except that a taxpayer subject to a power purchase agreement approved by a decision and order issued by the public utilities commission prior to December 31, 2019, shall continue to receive 20% of the actual cost, up to the applicable cap amount of $500,000 per wind energy system for a commercial property.

Also amends HRS section 235-12.5 to increase the credit caps for multi-family residential property to $750 per unit per system.

Provides that no tax credits may be claimed after 12/31/2045.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The tax system is there to raise revenue to keep the government moving. Using the tax system to shape social policy merely throws the revenue raising system out of whack, making the system less than reliable as there is no way to determine how many taxpayers will avail themselves of the credit and in what amount.

Furthermore, tax credits are nothing more than the expenditure of public dollars, but out the back door. If, in fact, these dollars were subject to the appropriation process, would taxpayers be as generous about the expenditure of these funds when our kids are roasting in the public school classrooms, there isn't enough money for social service programs, or our state hospitals are on the verge of collapse?

If lawmakers want to subsidize the purchase of this type of technology, then a direct appropriation would be more accountable and transparent. The credit as currently drafted is very complex. Complexity makes proper administration of the credit very difficult. There will be taxpayers who will not claim the credit properly because of honest mistakes or misunderstandings, as well as bad actors who will intentionally claim the credit improperly for profit. Less complexity reduces the number of the former and makes it easier to catch the latter.

Digested 2/19/2020

Hawaiian Electric

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

H.B. 202, HD1

Relating to Renewable Energy

Friday, February 21, 2020
1:30 p.m., Agenda Item #12
State Capitol, Conference Room 308

Rebecca Dayhuff Matsushima
Director, Renewable Acquisition Division
Hawaiian Electric Company, Inc.

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of Hawaiian Electric with **comments on H.B. 202**, **HD1**, Relating to Renewable Energy **and respectfully request consideration of amendments to the bill as detailed below**.

H.B. 202, HD1 proposes changes to Hawaii Revised Statues (HRS) Section 235-12.5 to amend the renewable energy technologies income tax credit amounts for solar water heater systems, other solar energy systems, and wind energy systems; allowing credits to be claimed for energy storage systems; and allowing planned community associations, condominium associations, and cooperative housing corporations to claim the credit. HD1 replaces the proposed amendment with new language which repeals the availability of the tax credit for solar energy systems and wind-powered energy systems for commercial properties for taxable years beginning after December 31, 2019, except for taxpayers subject to a power purchase agreement approved by a decision and order issued by the Public Utilities Commission (PUC) prior to December

31, 2019; increases the tax credit for solar water heater systems, other solar energy systems, and wind-powered energy systems for multi-family residential properties to $750 per unit per system and removes the cap amounts for all such systems; and makes the entire renewable energy technologies income tax credit unavailable after December 31, 2045.

Hawaiian Electric notes that through a PUC-approved first phase of a request for proposals for variable renewable dispatchable generation, Hawaiian Electric executed power purchase agreements for eight utility-scale renewable energy projects (the "Phase 1 Projects"). Seven of these projects would fall within the scope of this bill as proposed in HD1, but as currently drafted, the language in subsection (a)(1)(B) would still exclude one of the projects. If the state renewable energy tax law changes, and these projects are not grandfathered, the success of these projects and the benefits they are expected to provide to customers of Hawaiian Electric may be lost.

Hawaiian Electric therefore supports the overall concept of grandfathering as proposed by H.B. 202, HD1, as the bill would reduce the risk to these projects and help ensure that the projects receive the tax credits contemplated by the parties involved. These projects were required to pass through the full value of the renewable energy technologies income tax credit to ratepayers in the form of lower power prices. If the projects are unable to claim the tax credit, which they currently cannot secure until after project completion and reaching commercial operations, there is a risk that these projects may become uneconomical, unfinanceable, and ultimately, may not be developed.

Hawaiian Electric supports changing the tax credit law to include a grandfathering provision, but suggests modifications to H.B. 202, HD1 to (1) ensure that all Phase 1 Projects are captured by the provision, (2) extend the grandfathering provision to other eligible utility scale projects, and (3) allow adjustments to the tax credit amount while still allowing for possible grandfathering of future projects.

As currently drafted, the bill would only grandfather projects “with a power purchase agreement approved by a decision and order issued by the public utilities commission prior to December 31, 2019.” One of the eight Phase 1 Projects would be excluded from the grandfathering provision, as the power purchase agreement for that project has not yet been approved. At a minimum, we believe the grandfathering provision should be revised to include this eighth project in the Phase I Projects, and respectfully suggest that the language in proposed subsections be further amended as follows:

(a)(1)(B) (Page 2, Lines 3-11)

> Notwithstanding any law to the contrary and any subsequent amendments to this paragraph, a taxpayer subject to 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 December 31, 2019, ~~approved by a decision and order issued by the public utilities commission prior to December 31, 2019,~~ shall continue to receive thirty-five per cent of the actual cost, up to the applicable cap amount of $500,000 per solar energy system for a commercial property; or

and Section (a)(2)(B) (Page 2, Lines 19-21, Page 3, Lines 1-6) be further amended to read as follows:

> Notwithstanding any law to the contrary and any subsequent amendments to this paragraph, a taxpayer subject to 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 December 31, 2019, ~~approved by a decision and order issued by the public utilities commission prior to December 31, 2019,~~ shall continue to receive twenty per cent of the actual cost, up to the applicable cap amount of $500,000 per wind-powered energy system for a commercial property;

HD1 also proposes the addition of subsections (a)(1)(A) and (a)(2)(A) to HRS Section 235-12.5, which would sunset the tax credit for solar and wind-powered energy systems for commercial properties after December 31, 2019. **Hawaiian Electric opposes such a change, as the tax credit allows for the procurement of lower cost energy which is needed if we are to reach our 100% renewable energy goals in a cost-effective manner.** Doing away with the tax credit for new commercial projects will raise the cost of energy to our customers, primarily impacting those who do not have rooftop solar.

The largest procurement of renewable energy in the State's history is currently ongoing. If developers are eligible for the tax credit, they will be required to pursue and remit the tax credit proceeds they receive to Hawaiian Electric, and Hawaiian Electric would pass such proceeds through to customers directly and without mark-up, resulting in a reduction to customers' electric bills. If the tax credit were to be eliminated for future projects, these projects would be more costly. We also note that tax credits for utility scale generation allow those that cannot afford rooftop solar or who live in a condo or rent the ability to benefit from low cost renewable energy.

With respect to residential solar energy systems, Hawaiian Electric supports a sunset of the tax credits. Since residential income tax credits were intended to spur early adoption in a nascent industry, they have served their purpose now that Hawaii is leading the nation in customer adoption of rooftop solar. Furthermore, to date, the segment of customers who have benefited from this tax credit are generally homeowners who are financially able to invest in a rooftop solar system. In the future, Distributed Energy Resources (DER) initiatives will focus on developing more attractive opportunities to customers who have not been able to readily participate in these offerings to date. State residential tax credits also introduce some risk to the market in that there is the possibility that they could change in any given legislative session, which causes instability and uncertainty in the Hawaii market. Going forward in the new DER proceeding, rather than relying on residential tax credits, Hawaiian Electric plans to design new offerings that will be (1) economically compelling to customers, (2) factor in the decrease and/or absence of state and federal tax credits, and (3) fair and sustainable for <u>all</u> customers. We therefore support a reasonable sunset date that would allow for homeowners and developers to plan accordingly and provide time to implement proposed new programs. This date should be made clear in a future amendment.

Finally, we respectfully suggest that proposed subsection (a) of HRS Section 235-12.5 with regards to commercial properties be revised to align with the federal investment tax credit (ITC) in lieu of the language proposed in HD1. Under the federal ITC statute and related regulations, a developer is able to grandfather the tax credit at the credit amount in place at the time the developer spends 5% of the total project cost. This could lead to lower power purchase agreement pricing without locking the State into providing large tax credits indefinitely into the future, as it would provide the Legislature with flexibility to change tax credits applicable to future projects, but still allow a developer to know the amount of tax credits it is eligible to receive.

Thank you for this opportunity to testify.

Email: communications@ulupono.com

HOUSE COMMITTEE ON FINANCE
Friday, February 21, 2020 — 1:30 p.m. — Room 308

Ulupono Initiative Supports the Intent and Offers Comments on HB 202 HD 1, Relating to Renewable Energy.

Dear Chair Luke and Members of the Committee:

My name is Amy Hennessey, and I am the Senior Vice President of Communications & External Affairs at Ulupono Initiative. We are a Hawai'i-based impact investment firm that strives to improve our community's quality of life by creating more locally produced food; increasing affordable clean renewable energy and transportation options; and better managing waste and fresh water resources.

Ulupono support the intent and offers comments on HB 202 HD 1, which repeals the renewable energy technologies tax credit for solar energy systems and wind-powered energy systems for commercial properties for taxable years beginning after December 31, 2019, except for taxpayers subject to a power purchase agreement approved by a decision and order issued by the PUC prior to December 31, 2019, increases the renewable energy technologies tax credit for solar water heater systems, other solar energy systems, and wind-powered energy systems for multi-family residential properties, and makes the renewable energy technologies tax credit unavailable after December 31, 2045.

Ulupono has concerns with the definition of "commercial property" as that is not defined in the measure. We are supportive of rooftop solar and would not want to have these systems bundled within the definition of a "commercial property." For example, if someone places solar on the rooftop of their business, we would not want that to be identified within that definition.

Should this measure move forward, the committee should consider amending the deadline for PUC approved commercial properties to July 1, 2020.

Thank you for this opportunity to testify.

Respectfully,

Amy Hennessey, APR
Senior Vice President, Communications & External Affairs

183 Pinana St., Kailua, HI 96734 • 808-262-1285 • info@350Hawaii.org

To: The House Committee on Finance
From: Brodie Lockard, Founder, 350Hawaii.org
Date: Friday, February 21, 2020, 1:30 pm

Comments on HB 202 HD1

Dear Chair Luke, and members:

350Hawaii.org's 6,000 members strongly supported the original HB 202. But removing the the tax credit for commercial properties tax credit for commercial properties is a mistake. These properties typically have more roof area than residences, and use more energy. They also pay more taxes, making the tax credit a greater incentive for them than for homeowners. Commercial properties are a crucial piece of increased PV adoption and should certainly not be excluded from contributing to Hawaii's zero-emissions goals.

Solar water heaters save homeowners, renters and pass it merchants money, and fight the Climate Crisis in a simple, reliable way that is ideal for sunny Hawaii.

Gas utilities argue that solar water heaters make affordable housing too expensive. Solar water heaters will indeed increase affordable housing costs while the installation is being paid off--about four to five years. But for the housing's remaining life, there will never be a gas bill. The housing will be more affordable than with gas-heated water.

Gas utilities also argue that consumers should have a choice of a gas water heater. Developers nearly always choose the type of water heater, not homeowners. And to save money in the short term, developers usually choose gas. In the long term, homeowners and renters must use what's there. Traditional water heating consumes almost 20% of a household budget [1]. The sun is free.

Gas water heaters contribute heavily to the Climate Crisis, which is clearly affecting all of us. No one has a right to "choose" it for the rest of us. Hawaii has decided that we should ban plastic bags, because eliminating that "choice" benefits us significantly as a society. No one benefits from choosing gas except developers and gas companies.

Finally, gas utilities argue that requiring solar water heaters will cost workers' jobs. But HB 202 applies only to new buildings. Workers will continue to serve all existing gas customers.

Increasing the renewable energy technologies tax credit for solar water heater systems, other solar energy systems, and wind-powered energy systems for multi-family residential properties makes just as much sense as solar water heaters. PV, for example, pays for itself in as little as three years, and is one of Hawaii's most effective tools for meeting our zero-emission goals. PV should be on every building in the state. Encouraging multi-family residential properties to adopt it will save homeowners and renters many thousands of dollars each in the long term, and fight hard against the Climate Crisis.

Do you want to help renters, homeowners and merchants save money in the long term, and help fight the Climate Crisis?

If you do, replace the tax credit for commercial properties in HB 202, and pass it.

Brodie Lockard
Founder, 350Hawaii.org

[1] https://www.consumerreports.org/cro/water-heaters/buying-guide/index.htm

SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 20, 2020

TO: Representative Sylvia Luke
Chair, House Committee on Finance
Submitted via Capitol Website

FROM: Luis P. Salaveria

RE: **H.B. 202, H.D. 1 RELATING TO RENEWABLE ENERGY**
Hearing Date: Friday, February 21, 2020 at 1:30 pm
Conference Room 308

Dear Chair Luke and Members of the Committee on Finance:

We submit this testimony regarding H.B. 202, H.D. 1 Relating to Renewable Energy on behalf of Innergex Renewables USA, LLC (Innergex). Innergex is an independent renewable power producer which develops, acquires, owns and operates renewable energy utility scale facilities. As a global corporation, Innergex conducts operations in Canada, the United States, France, and Chile.

Innergex was awarded a power purchase agreement (PPA) through Hawaiian Electric Companies first round RFP. The PPA approval by the Public Utilities Commission (PUC) is pending and in the process of a contested hearing before the PUC. There is also the possibility of an appeal to the PUC decision, further extending the time frame for PUC approval.

Innergex **supports the intent of this measure**. However, we respectfully request modifying the language to include projects that have a PPA approved or filed and pending approval before the PUC. The amendment would read (page 2, line 6) as follows:

> "(B) Notwithstanding any law to the contrary and any subsequent amendments to this paragraph, a taxpayer subject to a power purchase agreement approved**, or pending approval** by a decision and order ~~**issued**~~ by the public utilities commission prior to December 31, 2019, shall continue to receive thirty-five per cent of the actual cost, up to the applicable cap amount of $500,000 per solar energy system for a commercial property;"

This language provides all RFP1 projects to utilize the intended state tax credits to bring down electricity costs in the selected renewable energy projects.

Thank you very much for the opportunity to testify on this bill.

First Hawaiian Center
999 Bishop Street, Suite 1400
Honolulu, HI 96813
T: 808-539-0400
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governmentaffairs@awlaw.com

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Testimony to the Committee Finance
Friday, February 21, 2020
1:30 PM
Conference Room 308, Hawaii State Capitol
House Bill 202 HD1

Chair Luke, Vice Chair Cullen, and members of the committee,

ADON **supports** HB202 HD1, which increases the renewable energy technology tax credit cap per unit per system for multi-family residential properties from $350 to $750.

ADON is a renewable energy technology company that partners with developers focusing on senior citizen and low-income housing developments. Our work includes the installation of renewable rooftop photovoltaics and solar hot water heaters in these developments.

The cost of living in Hawaii is the highest in the nation, placing a tremendous burden on much of our population. For many, home ownership is out-of-reach, leaving over 56% of our population relying on rental properties, often in multi-family dwellings. Others are leaving the state entirely. These renters are often the members of our communities most disadvantaged, including senior citizens, working families, and low-income residents. Electricity costs take a disproportionate share of their fixed income. Like most people in Hawaii, these renters also want to participate in Hawaii's clean and renewable energy, but because the existing investment tax credit for multi-family dwellings is not equitable with that offered to single family and commercial properties, these local residents are left out.

These incentive tax credits are essential to the affordability of renewable projects, which are passed on to the tenants in the form of discounted energy rates by the developer. At the current rate, without that tax credit, there is very little incentive for these renewable energy projects to be pursued in multi-family dwellings, denying those who need it most a bigger break in their utility bills.

The legislature has wisely addressed these issues during past sessions. Yet in 2006 (Act 240), the legislature increased the cap for photovoltaic energy systems for single family dwellings over 285% and for commercial dwellings by 200%. Multi-family dwellings, however, were left at the cap established in Session Laws of Hawaii, 2003, leaving this disadvantaged segment behind.

This bill proposes to level and equalize the cap amount for multi-unit dwellings to that almost equal to the level that has been enjoyed by single family residents for the last 14 years. This is evidenced by the small amount of PV deployed in this market segment.

We appreciate the legislature's wise recognition of this previously under-served demographic and appreciate the work of this bill to level the playing field so that these residents can achieve the benefits of renewable energy and lowered rates.

ADON RENEWABLES
TEPCO

Please pass HB202 HD1. Thank you for the opportunity to testify.

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HOUSE COMMITTEE ON FINANCE

February 21, 2020, 1:30 p.m.
(*Testimony is 2 pages long)*

TESTIMONY IN OPPOSITION TO HB 202, HD1 WITH A
PROPOSED AMENDMENT

Aloha Chair Luke and Members of the Committee:

Hawaii PV Coalition respectfully OPPOSES HB 202 HD1 in its current form. As drafted currently, this bill removes commercial project eligibility from the renewable energy tax credit ("tax credit"), except for projects approved by the Public Utilities Commission prior to December 31, 2019. This bill also sunsets the tax credit in 2045.

We believe the intent of this bill is to exclude utility-scale projects from the tax credit, which is smart public policy. As a result of the State's 100% renewable portfolio standard, electric utilities must select renewable projects in a competitive procurement situation. Therefore, a financial incentive is no longer necessary.

Nonetheless, exclusion of all commercial projects after December 31, 2019 is problematic. This would eliminate necessary incentives for, among other things, community solar garden projects, DOE school projects, county, and nonprofit projects. Beyond the goal of expanding access to clean electricity, elimination of this incentive would put into question the ability to have "solar on every roof," which is a required step to achieve Hawaii's 100% clean energy goals. Further, this bill — in its present form — would have a retroactive impact on any contracts that have been signed this year in reliance on the existing tax credit.

Assuming we understand the intent of this bill correctly, HPVC suggests:

- Keep the two amendments (1) increasing the per unit per system for multi-family to $750 and (2) sunsetting the tax credit on December 31, 2045;

- Remove all other proposed changes to Haw. Rev. Stat. § 235-12.5; and
- Amend subsection (k) to state "This section shall apply to eligible renewable energy technology systems that are installed and placed in service on or after July 1, 2009; provided that a project interconnected to the utility electric grid at the transmission level shall be eligible to receive a tax credit pursuant to this section only if it has a power purchase agreement filed with or approved the public utilities commission prior to December 31, 2019."

Mahalo for the opportunity to submit these comments.

The Hawaii PV Coalition was formed in 2005 to support the greater use and more rapid diffusion of solar electric applications across the state. Working with business owners, homeowners and local and national stakeholders in the PV industry, the Coalition has been active during the state legislative sessions supporting pro-PV and renewable energy bills and helping inform elected representatives about the benefits of Hawaii-based solar electric applications.

Testimony to the Committee Finance
Friday, February 21, 2020
1:30 PM
Conference Room 308, Hawaii State Capitol
House Bill 202 HD1

Chair Luke, Vice Chair Cullen, and members of the committee,

174 Power Global **supports** HB 202 HD1, Relating to Renewable Energy.

This bill as amended provides certainty that the renewable energy technologies tax credit in place in 2019 will apply to existing commercial utility-scale renewable energy projects that were approved by the PUC prior to December 19, 2019 and under development and through completion.

We know how essential clean energy is to Hawaii's future, and we are proud to be among the developers that bring these projects to life across the state. We believe we are representative of numerous renewable energy developers who bid into a HECO competitive bidding process overseen by the PUC in 2018-2019 known as RFP 1. Bidders were required to provide binding proposals with energy pricing that incorporated state tax credits that were in place at that time, under the assumption those state tax credits would continue to be available. The current HECO RFP 2 process no longer requires proposals to include energy pricing based on the same assumption.

The legislature understands how important commercial utility-scale renewable energy projects are to the state's stated 2045 clean energy goal and has wisely provided investment tax credits to develop such projects. These and federal renewable energy tax credits are applied to the rates that are contracted with the electric utility and are ultimately reflected in the rates benefitting ratepayers.

The federal tax credits can be locked in at a point in time when the development is at a point of relative surety, for example upon approval by the Public Utilities Commission. However, state law mandates that any tax credit must be applied for upon completion of the project, which often-times may be four, five or more years after the binding pricing was accepted.

This creates a financing exposure for the project. When the legislature considers proposals that change or eliminate renewable energy tax credits, renewable energy projects that are already under development and contracted through a competitive bid process in reliance on the tax credits that were available at the inception of the project are put in serious jeopardy. The same risk is true if the Department of Taxation revises their Administrative Rules.

300 Spectrum Center Drive, Suite 1020 | Irvine , California, 92694 | Telephone: 949.748.5970

This unintended consequence creates several unfortunate scenarios: (1) there is a risk that the projects may not be financeable, and therefore, may not be built, (2) ratepayers are denied the benefits originally contracted for and approved by the PUC, (3) the state stands to lose any federal tax credits applied to the project, which are rapidly declining and (4) the state runs a risk of endangering its progress towards its 2045 goal.

Put simply, without those credits, the projects run the risk of not being viable and not bringing those benefits to those who need it most: the ratepayers of Hawaii.

This bill wisely recognizes that peril and preserves those credits already in place for commercial utility-scale properties that were granted a power purchase agreement approved by the Public Utilities Commission and under development prior to December 31, 2019.

This bill ensures that projects can be assured that their financing and construction plans will not be derailed by changes to the tax credits. This certainty clears the way for projects to be delivered to the ratepayers' benefit.

Thank you for the opportunity to testify.

HB-202-HD-1
Submitted on: 2/19/2020 7:38:39 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Quinn	Individual	Oppose	No

Comments:

Dear Honorable Committee Members:

Please oppose HB202. Our coral reefs are dying due in large part to warming oceans, and valuable coastline is eroding due to sea level rise. Climate change is already occurring and tax credits are one way to help militate against it.

Thank you for the opportunity to present my testimony.

Sincerely,

Andrea Quinn

Kihei, Maui

HB-202-HD-1
Submitted on: 2/19/2020 8:58:36 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Climate Protector	Individual	Support	No

Comments:

NOTICE OF HEARING

DATE: Friday, February 21, 2020
TIME: 1:30 PM.
Conference Room 308

PLACE: State Capitol
415 South Beretania Street

Aloha Chair Luke, Vice Chair Cullen and members of the Committee on Finance.

The Climate Protectors Coalition supports HB 202 HD1, except we oppose the repealing of the tax credit for solar and wind after 2019 with a PPA.

We are a new group inspired by the Mauna Kea Protectors but focused on reversing the climate crisis. As a tropical island State, Hawaii will be among the first places harmed by the global climate crisis, with more intense storms, loss of protective coral reefs, and rising sea levels. We must do all we can to reduce our carbon footprint and become at least carbon neutral as soon as possible.

The solar and wind tax credits should not be repealed after 2019 as set forth in this bill. Please pass this bill with that amendment. Mahalo!

HB-202-HD-1
Submitted on: 2/20/2020 4:10:48 AM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Nanea Lo	Individual	Support	No

Comments:

Dear Chair Luke, and members:

As one of 350Hawaii.org’s 6,000 members, I strongly supported the original HB 202. But removing the tax credit for commercial properties tax credit for commercial properties is a mistake. These properties typically have more roof area than residences, and use more energy. They also pay more taxes, making the tax credit a greater incentive for them than for homeowners. Commercial properties are a crucial piece of increased PV adoption and should certainly not be excluded from contributing to Hawaii's zero-emissions goals.

Solar water heaters save homeowners, renters and pass it merchants money, and fight the Climate Crisis in a simple, reliable way that is ideal for sunny Hawaii.

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Do you want to help renters, homeowners and merchants save money in the long term, and help fight the Climate Crisis?

If you do, replace the tax credit for commercial properties in HB 202, and pass it.

me ke aloha ‘Ä• ina,

Nanea Lo

HB-202-HD-1
Submitted on: 2/20/2020 6:27:14 AM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Caroline Kunitake	Individual	Comments	No

Comments:

Dear Chair Luke, and members:

As one of 350Hawaii.org’s 6,000 members, I strongly supported the original HB 202. But removing the tax credit for commercial properties tax credit for commercial properties is a mistake. These properties typically have more roof area than residences, and use more energy. They also pay more taxes, making the tax credit a greater incentive for them than for homeowners. Commercial properties are a crucial piece of increased PV adoption and should certainly not be excluded from contributing to Hawaii's zero-emissions goals.

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Do you want to help renters, homeowners and merchants save money in the long term, and help fight the Climate Crisis?

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Mahalo,

Caroline Kunitake

HB-202-HD-1
Submitted on: 2/20/2020 1:14:11 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Comments	No

Comments:

Aloha Chair Luke, Vice Chair Cullen, and members of the committee:

I strongly supported the original HB 202. But removing the tax credit for commercial properties tax credit for commercial properties is a mistake. These properties typically have more roof area than residences, and use more energy. They also pay more taxes, making the tax credit a greater incentive for them than for homeowners. Commercial properties are a crucial piece of increased PV adoption and should certainly not be excluded from contributing to Hawaii's zero-emissions goals.

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Finally, gas utilities argue that requiring solar water heaters will cost workers' jobs. But HB 202 applies only to new buildings. Workers will continue to serve all existing gas customers.

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Renewable energy is the future. Natural gas use should be prohibited TODAY. Let's get serious about our survival. Mahalo for the opportunity to testify.

Randy Ching

Honolulu

HB-202-HD-1
Submitted on: 2/20/2020 1:14:35 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Pappas	Individual	Comments	No

Comments:

Dear Chair Luke and FIN members,

My comments: I cannot support HB202. Every building in Hawaii--residential, commercial, multi-dwelling, public, private, farm, etc--should have solar panels when feasible, and the owners be encouraged to install them. In the long run, it is cheaper for everyone and benefits our state through lower fuel costs, reduced use of fossil fuels and reduced global temperatures. Installing solar panels is one of the best ways for regular citizens--whether companies or individuals--to know they are helping to resolve the climate crisis. Should we not encourage this in every way possible?? These minor costs will be recouped over the years.

Secondly, I DO support the increase in the tax incentive for multi-dwelling buildings.

Thank you for the opportunity to comment.

Sincerely,

Jan Pappas

Aiea, Hawaii

HB-202-HD-1
Submitted on: 2/20/2020 2:30:16 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dale Jensen	Individual	Support	No

Comments:

Dear Chair Luke, and members:

I strongly supported the original HB 202. But removing the tax credit for commercial properties tax credit for commercial properties is a mistake. These properties typically have more roof area than residences, and use more energy. They also pay more taxes, making the tax credit a greater incentive for them than for homeowners. Commercial properties are a crucial piece of increased PV adoption and should certainly not be excluded from contributing to Hawaii's zero-emissions goals.

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Gas utilities also argue that consumers should have a choice of a gas water heater. Developers nearly always choose the type of water heater, not homeowners. And to save money in the short term, developers usually choose gas. In the long term, homeowners and renters must use what's there. Traditional water heating consumes almost 20% of a household budget [1]. The sun is free.

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Finally, Requiring solar water heaters will not cost workers' jobs. But HB 202 applies only to new buildings. Workers will continue to serve all existing gas customers.

Increasing the renewable energy technologies tax credit for solar water heater systems, other solar energy systems, and wind-powered energy systems for multi-family residential properties makes just as much sense as solar water heaters. PV, for example, pays for itself in as little as three years, and is one of Hawaii's most effective tools for meeting our zero-emission goals. PV should be on every building in the state. Encouraging multi-family residential properties to adopt it will save homeowners and renters many thousands of dollars each in the long term, and fight hard against the Climate Crisis.

Do you want to help renters, homeowners and merchants save money in the long term, and help fight the Climate Crisis?

If you do, replace the tax credit for commercial properties in HB 202, and pass it.

Sincerely,

Dale Jensen

Professional Engineer

HB-202-HD-1
Submitted on: 2/20/2020 2:43:41 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lynn Aaberg	Individual	Comments	No

Comments:

Aloha, Chair Luke and Members,

It is a mistake to remove a tax credit that would encourage owners of commercial properties to invest in renewable energy technologies. We absolutely need to do everything possible to combat the climate crisis...our keiki depend on the grown ups in the room. Reinstating the tax credits will save money, and keep us from unnecessarily putting more global warming carbon into the air.

Mahalo,

Lynn Aaberg

HB-202-HD-1
Submitted on: 2/20/2020 3:37:52 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Laura Gray	Individual	Comments	Yes

Comments:

I support allowing tax credits for multifamily dwellings. This will save money and greenhouse gasses alike in a big way. I do not support ending credits for res. solar. What an insane idea. We must keep solar credits in place until we have curbed climate chaos. Are we really trying to kill the solar industry at such a critical time?

LATE

Hawaii Solar Energy Association

Serving Hawaii Since 1977

TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO HB 202 HD1, RELATING TO RENEWABLE ENERGY
BEFORE THE
HOUSE COMMITTEE ON FINANCE
ON
FRIDAY, FEBRUARY 21, 2020

Chair Luke, Vice-Chair Cullen, and members of the committee, my name is Will Giese, and I am the Executive Director of the Hawaii Solar Energy Association, Inc. (HSEA).

The HSEA was founded in 1977 to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the Hawaiian Islands. Our membership includes the vast majority of locally owned and operated solar installers, contractors, distributors, manufacturers, and inspectors across all islands.

HSEA **OPPOSES HB202 HD1 but supports the intent of the bill**. This repeals the renewable energy technologies tax credit for solar energy systems and wind-powered energy systems for commercial properties for taxable years beginning after December 31, 2019, except for taxpayers subject to a power purchase agreement approved by a decision and order issued by the PUC prior to December 31, 2019. Increases the renewable energy technologies tax credit for solar water heater systems, other solar energy systems, and wind-powered energy systems for multi-family residential properties. Makes the renewable energy technologies tax credit unavailable after 12/31/2045. Effective 7/1/2050. (HD1)

The HSEA is in support of discussing ways to amend the tax credit, and we've supported earlier drafts of this bill. However, as its currently written this bill would eliminate tax credit eligibility for seemingly all commercial projects regardless of size, scope, or purpose. This includes, potentially, community based renewable energy (CBRE) projects, multi-family housing projects, Department of Education projects, such as heat abatement projects, and developments that benefit low and middle income communities.

If the intent of this bill is to remove tax credit eligibility for utility scale projects, we suggest instead amending a portion of this bill to apply only to projects below a certain size threshold, such as 10MW or less, rather than eliminating all commercial properties. Alternatively, the legislature could amend this measure to exclude large projects that are developed on the transmission side (i.e. in front of the meter).

In its current form, the **HSEA OPPOSES HB202 HD1,** but we support an ongoing conversation about the renewable energy tax credit.

Thank you for the opportunity to testify.

P.O. Box 37070 Honolulu, Hawaii 96837
SOLAR HOTLINE (808)232-8371

LATE

HB-202-HD-1
Submitted on: 2/20/2020 6:23:24 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
tlaloc tokuda	Individual	Comments	No

Comments:

To: The House Committee on Finance
From: **Tlaloc Tokuda**
Date: Friday, February 21, 2020, 1:30 pm

Comments on HB 202 HD1

Dear Chair Luke, and members:

As one of 350Hawaii.org's 6,000 members, I strongly supported the original HB 202. But removing the tax credit for commercial properties tax credit for commercial properties is a mistake. These properties typically have more roof area than residences, and use more energy. They also pay more taxes, making the tax credit a greater incentive for them than for homeowners. Commercial properties are a crucial piece of increased PV adoption and should certainly not be excluded from contributing to Hawaii's zero-emissions goals.

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If you do, replace the tax credit for commercial properties in HB 202, and pass it.

Tlaloc Tokuda

Kailua Kona HI 96740

LATE

HB-202-HD-1
Submitted on: 2/20/2020 7:53:15 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Daniel Boren	Individual	Comments	No

Comments:

Dear Chair Luke, and members:

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LATE

Clearway Energy Group
100 California Street, Floor 4
San Francisco, CA 94111

clearwayenergygroup.com

Clearway

February 21, 2020

Via Electronic Submittal

Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair

Friday, February 21, 2020
1:30 pm
State Capitol, Room 308

Nicola Park
Origination Manager, Clearway Energy Group

In support of HB 202
Relating to Energy

Chair Luke, Vice Chair Cullen and Members of the Committee:

Clearway Energy Group supports HB 202 HD1, which provides much-needed certainty as to the value of the state tax credit for utility-scale renewable energy projects already in development, helping to advance the State's renewable energy goals.

HB 202 would allow utility-scale renewable energy projects that were selected in competitive procurement processes prior to December 31, 2019, to move forward with the certainty required to secure construction financing and start construction later this year. These projects were required to pass through the full value of the tax credit to ratepayers in the form of lower power prices, based on the assumption that projects would continue to be eligible for the state tax credit as it exists today. However, project owners cannot apply to receive the state tax credit until after the projects are commercially operational. HB 202 would bridge this gap by confirming the value of the state tax credit that has already been assumed and passed through to ratepayers.

To ensure that all similarly situated utility-scale renewable energy projects are covered by the bill language, Clearway suggests amending the bill to refer to "a taxpayer subject to a power purchase agreement approved by a decision and order issued by the public utilities commission, **or filed and pending approval by the public utilities commission,** prior to December 31, 2019."

Clearway hopes that these comments are helpful in informing consideration of HB 202, and we look forward to answering any questions you might have on our testimony.

LATE

HB-202-HD-1
Submitted on: 2/20/2020 9:56:20 PM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Audrey Enseki-Tom	Individual	Support	No

Comments:

Please replace the tax credit for commercial properties in HB202 and pass it.

LATE

HB-202-HD-1
Submitted on: 2/21/2020 6:14:17 AM
Testimony for FIN on 2/21/2020 1:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Michele Nihipali	Individual	Comments	No

Comments:

Comments on HB 202 HD1

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Mahalo,

Michele Nihipali

54-074 A Kam Hwy.

Hauula, HI 96717