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 Glenn Wakai, Chair;
The Honorable Brian T. Taniguchi, Vice Chair;
and Members of the Senate Committee on Energy, Economic Development, and Tourism

From: Rona M. Suzuki, Director
Department of Taxation

Re: **H.B. 202, H.D. 2, Relating to Renewable Energy**
Date: Friday, March 13, 2020
Time: 2:45 P.M.
Place: Conference Room 414, State Capitol

The Department of Taxation (Department) offers the following **comments** regarding H.B. 202, H.D. 2.

H.B. 202, H.D. 2, makes significant amendments to section 235-12.5, Hawaii Revised Statutes (HRS), which governs the Renewable Energy Technologies Income Tax Credit (RETITC) by:

1. Eliminating 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) or pending approval prior to December 31, 2019. Those pre-approved and pending-approval 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-per-system cap.
2. Raising the cap on all categories of systems on multi-family residential property from $350 per unit per system to $750 per unit per system.
3. Repealing the RETITC altogether on December 31, 2045.

H.B. 202, H.D. 2 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.

The Department further notes that this measure allows for the grandfathering of PPAs that were approved or pending approval prior to December 31, 2019. It is the Department's understanding that most approvals contain a provision that allows for an adjustment in the utility rate based on the amount of tax credit received. As such, grandfathering proposed by this measure should only be allowed if the PUC approval does not contain a provision that allows for the adjustment of the utility rate.

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.

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
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
Friday, March 13, 2020
2:45 PM
State Capitol, Conference Room 414

Comments in consideration of
HB 202, HD2
RELATING TO RENEWABLE ENERGY.

Chair Wakai, Vice Chair Taniguchi and Members of the Committee, the Hawaii State Energy Office (HSEO) offers comments on HB 202, HD2, which: repeals the renewable energy technologies income tax credit for solar energy systems and wind-powered energy systems for commercial properties for taxable years beginning after 12/31/2019, except for taxpayers subject to a power purchase agreement approved or pending approval by a decision and order issued by the PUC prior to 12/31/2019; increases the renewable energy technologies income tax credit cap amount for multi-family residential properties, and makes the renewable energy technologies income tax credit unavailable after 12/31/2045. We defer to the appropriate agencies regarding administration of the provisions contained in the bill.

HSEO's comments are guided by its mission to promote energy efficiency, renewable energy, energy resiliency, and clean transportation to help achieve a decarbonized economy.

HSEO notes that there have been several bills this session that propose 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.

HSEO agrees with the approach to avoid disruption of projects that are under contract to provide power at fixed prices, that included calculations based on the tax credit, under the competitive bidding framework.

However, HSEO is concerned that a similar situation (disruption of current projects and contracts) may be created by this measure for other renewable energy projects under development, including those under development for government agencies. HSEO requests that the Legislature consider adding 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 that was in place at the beginning of construction.[1]

This could 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.

HSEO looks 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.

[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

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-2

INTRODUCED BY: House Committee on Finance

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 for a taxpayer subject to a power purchase agreement approved or pending approval by a decision and order by the public utilities commission prior to December 31, 2019, the taxpayer shall continue to receive a tax credit equal to thirty-five per cent of the actual cost, up to the applicable cap amount of $500,000 per system.

Also amends HRS section 235-12.5 to increase the credit caps for multi-family residential property to $750 per unit per system. This applies to solar heating, photovoltaic, or wind energy systems.

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 3/10/2020

Testimony to the Committee on Energy, Economic Development, and Tourism

Friday, March 13, 2020
2:45 PM
Conference Room 414, Hawaii State Capitol

House Bill 202 HD2

Chair Wakai, Vice Chair Taniguchi, and members of the committee,

ADON **supports** HB202 HD2, which relates to renewable energy and amends the renewable energy tax credit. Please pass it as written.

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.

Hawaii's cost-of-living 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 for housing, often in multi-family dwellings. These renters are often those most in need of assistance, including senior citizens, low-income residents and working families. Electricity costs take a disproportionate share of their fixed income.

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 break in their utility bills.

We appreciate the legislature's recognition of this previously under-served demographic so that these residents can achieve the benefits of renewable energy and lowered rates.

We ask the committee to pass the bill as currently written.

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

To: The Senate Committee on Energy, Economic Development, and Tourism
From: Brodie Lockard, Founder, 350Hawaii.org
Date: Friday, March 13, 2020, 2:45 pm

Comments on HB 202 HD2

Dear Chair Wakai, and members:

350Hawaii.org's 6,000 members strongly supported the original HB 202 HD2. 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.

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

Testimony to the Committee on Energy, Economic Development & Tourism
Friday, March 13, 2020 2:45 P.M.
Hawaii State Capitol RM 414
House Bill 202 HD2

Chair Wakai, Vice Chair Taniguchi, and members of the committee,

174 Power Global strongly **supports** HB202 HD2, which relates to renewable energy technology tax credits. 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 Public Utilities Commission (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 ongoing HECO RFP process (RFP2) 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 foster the development of such projects. These and federal renewable energy tax credits are applied to the rates that are contracted with the electric utility, are ultimately reflected in the rates benefitting ratepayers, and cannot be revised.

The federal tax credits can be locked in 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 executed upon completion of the project, which will be years from power purchase agreement (PPA) approval.

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.

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.

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

Ho‘ohana Solar 1 LLC

This bill wisely recognizes that peril and preserves those credits already in place for commercial utility-scale properties that had a power purchase agreement approved by the Public Utilities Commission 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.

Please consider the following amendment to Page 2, Lines 4:14

SECTION 1

1. (a) (1)
(B) Notwithstanding any law to the contrary and any subsequent amendments to this paragraph, or to any applicable law for solar energy systems installed and placed in service ~~for~~ on commercial property, pursuant to a power purchase agreement either approved by a decision and order or filed and pending approval by a decision and order by the public utilities commission prior to December 31, 2019, the taxpayer shall continue to receive a tax credit equal to thirty-five per cent of the actual cost, up to the applicable cap amount of $500,000 per solar energy system that has a total output capacity of at least one thousand kilowatts per system of direct current; or

Thank you for the opportunity to testify.

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

Email: communications@ulupono.com

SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, & TOURISM
Friday, March 13, 2020 — 2:45 p.m. — Room 414

Ulupono Initiative supports the intent and offers comments on HB 202 HD 2, Relating to Renewable Energy.

Dear Chair Wakai 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 Hawaiʻi-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 2, 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

Testimony Before the Senate Committee on Energy, Economic Development, and Tourism

By David Bissell
President and Chief Executive Officer
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Friday, March 13, 2020; 2:45 pm
Conference Room # 414

House Bill 202 HD2 – Relating to Renewable Energy

To the Honorable Chair Glenn Wakai, Vice Chair Brian T. Taniguchi, and Members of the Committee:

Kauai Island Utility Cooperative (KIUC) is a not-for-profit utility providing electrical service to more than 33,000 commercial and residential members. Over the past 10 years, KIUC has made great strides in achieving the state mandate of 100% renewable generation by the year 2045. In 2019, KIUC's energy mix included roughly 55% renewable generation.

KIUC believes that HRS §235-12.5 has successfully incentivized the energy sector's movement toward 100% renewable energy generation, especially through the use of credits for eligible renewable energy technology systems for commercial properties.

KIUC has utilized the tax credits allowable under HRS §235-12.5 to develop projects that boosted its renewable production from 11% in 2013 to 55% in 2019. Fifty-seven megawatts (MW) of utility-scale solar and solar-plus-storage facilities have been added during that time frame:

- ✓ Anahola Solar (12 MW)
- ✓ Kōloa Solar (12 MW)
- ✓ Tesla Solar+Storage (13 MW x 4 hours duration storage)
- ✓ AES Lāwa'i Solar+Storage (20 MW x 5 hours duration storage)

All four of these projects were in operation for the full year in 2019. It is estimated that the cumulative savings from these solar facilities versus the cost of diesel was $3.2 million: roughly $50 for the average residential customer over the course of the year. They also displaced 15 million gallons of diesel in 2019.

KIUC has seen significant stabilization in its rates over the past five years, in large part due to replacing the volatile pricing of fossil fuels with the stability of long-term power purchase agreements (PPA) for renewable energy resources. Partnerships with developers who utilize the tax credits provided under HRS §235-12.5 have been essential in this effort, with savings passed through to KIUC's member owners. Continued availability of the credits will assist KIUC in stabilizing and potentially lowering rates to our members in the next 20 years, as we move closer to the 100% renewable mandate.

Currently, KIUC is working on three additional renewable energy projects, moving forward with development under the assumption that the tax credits will apply:

- ✓ AES PMRF: This 14 megawatt solar/5 hour duration energy storage project will be operational by third quarter 2020. It will raise KIUC's renewable capacity close to 65%.
- ✓ West Kauaʻi Energy Project: A 25 megawatt hybrid solar/pumped storage hydro project is expected to be operational no later than 2024. With this project Kauaʻi will approach 80% renewable.
- ✓ Central Kauaʻi Solar+Storage project: A site has been identified for an additional energy storage project and KIUC anticipates putting out a request for proposals by mid-2020.

We respectfully ask that the current cap amounts for solar systems on commercial properties be retained.

Mahalo for your consideration.

HAWAII CLEAN POWER ALLIANCE

Testimony to the Committee on Energy, Economic Development, and Tourism

Friday, March 13, 2020
2:45 PM
Conference Room 414, Hawaii State Capitol
HB202 HD2

Chair Wakai, Vice Chair Taniguchi, and members of the committee,

The Hawaii Clean Power Alliance (HCPA) **supports HB202 HD2**, relating to renewable energy technology tax credits.

The Hawaii Clean Power Alliance is a nonprofit association organized to advance the development and sustainability of clean energy in Hawaii. Our goal is to support the state's policy goal of 100 percent renewable energy by 2045. Our members are commercial utility-scale independent power producers.

Utility-scale renewable energy is critical to meeting the state's clean energy goals because it provides long-term stable costs for those drawing from the grid, thus hedging the volatility associated with the reliance on oil. To drive down costs that are passed on to the ratepayer, developers must assume the risks that are inevitably a part of the permitting, entitlements, and financing for these projects. The more ability we have to manage those risks, the more opportunity we have to deliver the projects at a low rate.

Projects that are underway after approval by the Public Utilities Commission in 2019 (RFP 1), under the guidance of Hawaiian Electric Company and the Public Utilities Commission, reflected rates established with the existing state and federal tax credits passed through to the ratepayer. This rate cannot be amended. The subsequent RFP (2) does not have this requirement. While the federal incentives remain in place and can be locked in as soon as the power purchase agreement (PPA) is approved, the state ITC can only be applied for after the solar farm is placed into service, several years into the future. Changes to those state tax credits and Department of Taxation Administrative Rules threaten the viability of the projects.

This bill wisely recognizes these concerns and preserves the credits already in place for commercial utility-scale properties granted a PPA or filed and pending PUC approval prior to December 31, 2019.

We ask that you please consider the following amendment to Page 2, lines 4:14

> SECTION 1
> 1. (a) (1)
> (B) Notwithstanding any law to the contrary and any subsequent amendments to this paragraph, <u>or to any applicable law</u> for solar energy systems installed and placed in service ~~for~~ <u>on</u> commercial property, pursuant to a power purchase agreement <u>either</u> approved <u>by a decision and order</u> or <u>filed and</u> pending approval by a decision and order by the public utilities commission prior to December 31, 2019, the taxpayer shall continue to receive a tax credit equal to thirty-five per cent of the actual cost, up to the applicable cap amount of $500,000 per <u>solar energy</u> system <u>that has a total output capacity of at least one thousand kilowatts per system of direct current</u>; or

Thank you for the opportunity to testify.

TESTIMONY REGARDING HB 202 HD2

being heard by the Senate Committee on Energy, Economic Development and Tourism on Friday, March 13, 2020 at 2:45 PM in Room 414

Aloha Chair Wakai, Vice Chair Taniguchi, and Members of the Committee:

Thank you for the opportunity to provide testimony regarding HB 202 HD2, which would modify the current Renewable Energy Technology Tax Credit (REITC) program in a number of ways, including by eliminating the eligibility of renewable energy systems deployed on commercial properties, increasing the per unit tax credit cap for systems deployed on multi-family residential properties, and sunsetting the tax credit at the end of 2045. Tesla opposes this measure in its current form. As discussed below, we are specifically concerned with the provisions that would render commercial systems ineligible.

Motivated by the profound threat of climate change, Tesla's mission is to accelerate the world's transition to sustainable energy through the deployment of electric vehicles and sustainable energy products, like battery storage and solar energy systems. Tesla develops projects of all scales, ranging from behind the meter solar and storage projects deployed at individual residences, to projects that are hundreds of megawatt and megawatt-hours in size providing power to regional grids. Tesla believes that a range of project types and scales is needed to ensure that an energy system meets the ideal of being clean, reliable, resilient and affordable.

Tesla understands and appreciates the reasons why the legislature, in the face of ongoing budgetary pressures, is considering reforms to the REITC. However, given the ambitious clean energy goals of the state, growing and legitimate concerns regarding resiliency and the phase down of the Federal Investment Tax Credit, Tesla believes the changes this measure would make, in particular to program eligibility, are overbroad and likely to do significant damage to the solar industry. It is important to understand that the commercial category that this measure would render ineligible for the credit includes both behind-the-meter systems deployed to help businesses, governmental and non-profit entities manage their energy bills and enhance their resiliency, as well as in-front of the meter, utility scale projects procured pursuant to the State's Renewable Portfolio Standard (RPS).

This distinction is critically important to understand because depending on what category a given project falls within, the implications of the change in eligibility are profoundly different. In the case of in-front-of-the meter, utility scale projects, the RPS program serves as a floor on demand, and thus, regardless of the presence of the tax credit, the minimum levels prescribed by the RPS will continue to be procured. As such Tesla believes there is a reasonable argument that the loss of the state tax credit for these systems will have limited impact on demand within this segment. At most the change will result in a shift in who bears some of the costs associated with these projects, shifting these costs from tax payers to electricity ratepayers.

In sharp contrast to this, the loss of the tax credit in the case of behind-the-meter systems is likely to have much more profound implications on demand for this segment. Unlike in-front-of-the-meter, utility scale projects which have guaranteed demand via the RPS, the decision to procure and deploy a behind-the-meter system is purely discretionary by the host customer. The elimination of the tax credit will result in an increase in the costs of these systems and thus have a direct and adverse impact on demand. As a result, this change will result in a significant contraction in the commercial segment of the solar industry. Combined with the decline in the Federal Investment Tax Credit, Tesla believes this could be the proverbial "nail in the coffin" for behind-the-meter commercial deployments.

To address this concern, Tesla recommends the measure be amended to ensure that the eligibility of commercial behind-the-meter systems is retained. This could be done by modifying the language in Section 235-12.5(a)(1)(A) as follows (underlined text indicates additions, strikethrough text indicates deletions):

"For taxable years beginning after December 31, 2019, and except as provided in subparagraph (B), no tax credit may be claimed for solar energy systems installed and placed in service ~~for commercial properties~~ on the utility side of the meter and providing wholesale energy to a utility; and"

This change would ensure that the tax credit is reformed to more narrowly target those projects and market segments that really rely on it as a key driver of demand while also significantly reducing the burden the REITC places on taxpayers.

Thank you for the opportunity to submit this testimony.

SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 12, 2020

TO: Senator Glenn Wakai
Chair, Senate Committee on Energy, Economic Development, and Tourism
Submitted via Capitol Website

FROM: Luis P. Salaveria

RE: **H.B. 202, H.D. 2 RELATING TO RENEWABLE ENERGY**
Hearing Date: Friday, March 13, 2020 at 2:45 pm
Conference Room 414

Dear Chair Wakai and Members of the Committee on Energy, Economic Development, and Tourism:

We submit this testimony **in support** of H.B. 202, H.D.2 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 PUC is pending and in the process of a contested hearing before the PUC. This measure would allow for the project to proceed under the terms and conditions agreed upon by all parties involved. It would also assure that the benefits of the renewable project are bestowed upon the ratepayers of the State.

As the State continues its march towards 100% renewable energy in the electricity generation sector, projects financials are dependent on reducing uncertainty and risk on everyone involved. This will allow for better pricing and ratepayer benefit. Ensuring that terms and conditions that existed during the development phase are continued through project implementation is critical to the investment decision and project development phase.

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

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TESTIMONY BEFORE THE SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

H.B. 202, HD2

Relating to Renewable Energy

Friday, March 13, 2020
2:45 p.m., Agenda Item #2
State Capitol, Conference Room 414

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

Dear Chair Wakai, Vice Chair Taniguchi, 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**, **HD2**, **Relating to Renewable Energy and respectfully request consideration of amendments to the bill as detailed below**.

H.B. 202, HD2 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. HD2 replaces the amendment proposed in HD1 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 or pending approval 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"). If the state renewable energy tax credit 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, HD2, 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, HD2 to (1) extend the grandfathering provision to other eligible utility scale projects and (2) allow adjustments to the tax credit amount while still allowing for possible grandfathering of future projects.

HD2 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 before the PUC, 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 all 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) and related regulations in lieu of the language proposed in HD2. 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 or begins physical work of a significant nature on the project. 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.

HB-202-HD-2
Submitted on: 3/11/2020 11:22:44 PM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Climate Protector	Testifying for Climate Protectors Coalition	Comments	No

Comments:

Please include the prior version tax credit for commercial photovoltaics, an important incentive for addressing the climate crisis.

Please make water heating more affordable for consumers by requiring solar electric water heaters rather than allowing developers to install gas water heaters that cost consumers more and use fossil fuels that contribute to the climate crisis. Mahalo!

HB-202-HD-2
Submitted on: 3/11/2020 9:50:38 AM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Regina Gregory	Testifying for EcoTipping Points Project	Oppose	No

Comments:

HB-202-HD-2
Submitted on: 3/11/2020 9:57:34 PM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Nix	Individual	Comments	No

Comments:

Dear Chair Wakai, and members:

As one of 350Hawaii's 6,000 members, I strongly supported the original HB 202 HD2. 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.

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?

Dr. john and Debra Nix, Kihei

HB-202-HD-2
Submitted on: 3/11/2020 11:26:22 PM
Testimony for EET on 3/13/2020 2:45:00 PM

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

Comments:

To: The Senate Committee on Energy, Economic Development, and Tourism
From: Tlaloc Tokuda
Date: Friday, March 13, 2020, 2:45 pm

Comments on HB 202 HD2

Dear Chair Wakai, and members:

The changes to this bill seems to come from the gas lobby and only helps them! As one of 350Hawaii's 6,000 members, I strongly supported the original HB 202 HD2. But removing the tax credit for commercial properties tax credit 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?

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

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

Mahalo

Tlaloc Tokuda

Kailua Kona HI 96740

HB-202-HD-2
Submitted on: 3/12/2020 5:47:07 AM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Morioka	Individual	Comments	No

Comments:

Help renters, homeowners and merchants save money in the long term to help fight the Climate Crisis by replacing the tax credit for commercial properties in HB 202, and pass it.

HB-202-HD-2
Submitted on: 3/12/2020 7:54:46 AM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
donald erway	Individual	Comments	No

Comments:

Dear Chair Wakai, and members:

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HB-202-HD-2
Submitted on: 3/12/2020 12:12:33 PM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ava Fedorov	Individual	Comments	No

Comments:

Dear Chair Wakai, and members:

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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.

Sincerely,

Ava Fedorov

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

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

clearwayenergygroup.com

LATE

Clearway

March 13, 2020

Via Electronic Submittal

Committee on Energy, Economic Development and Tourism
Senator Glenn Wakai, Chair
Senator Brian T. Taniguchi, Vice Chair

Friday, March 13, 2020
2:45 pm
State Capitol, Room 414

Nicola Park
Origination Manager, Clearway Energy Group
In support of HB 202
Relating to Renewable Energy

Chair Wakai, Vice Chair Taniguchi and Members of the Committee:

Clearway Energy Group supports HB 202 HD2, 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.

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

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
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM
ON
FRIDAY, MARCH 13, 2020

Chair Wakai, Vice-Chair Taniguchi, 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 HD2 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 HD2,** but we support an ongoing conversation about the renewable energy tax credit.

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

Hawaii Solar Energy Association

Serving Hawaii Since 1977

Thank you for the opportunity to testify.

P.O. Box 37070 Honolulu, Hawaii 96837

SOLAR HOTLINE (808)232-8371

LATE

HB-202-HD-2
Submitted on: 3/12/2020 6:51:17 PM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
katherine kazlauskas	Testifying for 350hawaii.org	Comments	No

Comments:

To: The Senate Committee on Energy, Economic Development, and Tourism
From: **Katherine Kazlauskas**
Date: Friday, March 13, 2020, 2:45 pm

Comments on HB 202 HD2

Dear Chair Wakai, and members:

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

Katherine Kazlauskas

LATE

HB-202-HD-2
Submitted on: 3/12/2020 2:51:43 PM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jeremy Garrett	Individual	Comments	No

Comments:

If the legislature is truly serious about reaching the state's zero greenhouse gas emissions goal by 2030, they should be renewing tax credits and continuing to incentivize the implementation of renewable energy alternatives for homeowners and commercail properties alike. The repeal of this credit only serves the gas industry. Please remember who you work for - the people, and amend this measure.

LATE

HB-202-HD-2
Submitted on: 3/13/2020 1:36:29 PM
Testimony for EET on 3/13/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Laura Gray	Individual	Comments	No

Comments:

I supportd HB 202 HD2. It seems that every time we actually get close to a climate bill passing, it gets watered down to almost being a moot point. Why not pass something effective? We are in a climate emmergency. Why not have incentives for commercial buildings that have the most roof space in Hawaii where space for solar is hard to find?