

# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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## Testimony of **SCOTT J. GLENN, Chief Energy Officer**

before the  
**HOUSE COMMITTEE ON FINANCE**  
Monday, June 29, 2020  
2:00 PM  
State Capitol, Conference Room 329

### In SUPPORT of **SB 2820, SD2, HD1** **RELATING TO RENEWABLE ENERGY.**

Chair Luke, Vice Chair Cullen, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports SB 2820, SD2, HD1, which preserves the tax credit eligibility of projects submitted for approval to the Public Utilities Commission (PUC) prior to December 31, 2019; removes the tax credit for other projects larger than five megawatts that require a power purchase agreement approved by the PUC if such projects were not submitted for approval prior to December 31, 2019; allows tax credits for solar integrated with pumped storage hydropower if filed for PUC approval prior to December 31, 2021; and preserves the tax credit for other renewable energy technologies through the end of the year 2045.

This bill supports the priorities in response to the COVID-19 crisis to retain and create jobs, deploy clean energy projects, and advance Hawaii's clean energy and decarbonization goals. HSEO believes that this measure is necessary, as it assures the availability of the tax credit to renewable energy projects that are about to begin construction and provides support for solar projects using pumped hydro as an alternative means of energy storage if developed soon.

Due to the fiscal situation, the HSEO understands the elimination of the credit for future solar projects, such as those announced by Hawaiian Electric in May 2020, as those projects have been, and could continue to be, priced competitively without the tax credit.

Finally, the HSEO agrees with continuing the availability of the tax credit for residential and small-scale commercial applications, which are necessary for the State's recovery efforts. During the last recession, solar construction as a percent of total construction expenditures from 2007-2012 rose from 2% up to 26% by 2012, accounting for about one-quarter of all construction expenditures in 2012. Solar has proven it can be a leading edge industry for economic recovery. Moreover, even with the level of growth and solar penetration we have

seen, Oahu is still only a quarter of the way toward Hawaii's needed 100% of residential roofs with PV and is short of where we projected in 2016 to be at this year, 2020. There is considerable room to accelerate rooftop solar to not only catch up to where we should be, but also to use this time to get ahead and upgrade our homes, especially for low- and moderate-income families and vulnerable communities. This is an opportunity to ensure that these benefits are extended to everyone to enhance equity in our clean energy recovery and transformation.

Thank you for the opportunity to offer testimony on this bill.

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# A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

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

1           SECTION 1. Section 235-12.5, Hawaii Revised Statutes, is  
2 amended to read as follows:  
3           "**§235-12.5 Renewable energy technologies; income tax**  
4 **credit.** (a) When the requirements of subsection (d) are met,  
5 each individual or corporate taxpayer that files an individual  
6 or corporate net income tax return for a taxable year may claim  
7 a tax credit under this section against the Hawaii state  
8 individual or corporate net income tax. The tax credit may be  
9 claimed for every eligible renewable energy technology system  
10 that is installed and placed in service in the State by a  
11 taxpayer during the taxable year. The tax credit may be claimed  
12 as follows:  
13           (1) For each solar energy system: thirty-five per cent of  
14           the actual cost or the cap amount determined in  
15           subsection (b) [~~, whichever is less; or~~]; provided  
16           that:



1           (A) For taxable years beginning after December 31,  
2                                   2019, and except as provided in subparagraphs (B)  
3                                   and (C), no tax credit may be claimed for a solar  
4                                   energy system that is five megawatts in total  
5                                   output capacity or larger and requires a power  
6                                   purchase agreement approved by the public  
7                                   utilities commission;

8           (B) Notwithstanding any law to the contrary and any  
9                                   subsequent amendments to this paragraph or to any  
10                                   applicable law, a solar energy system that is  
11                                   five megawatts in total output capacity or  
12                                   larger, installed and placed in service pursuant  
13                                   to a power purchase agreement approved or pending  
14                                   approval by a decision and order by the public  
15                                   utilities commission prior to December 31, 2019,  
16                                   shall continue to receive a tax credit equal to  
17                                   thirty-five per cent of the actual cost, or  
18                                   \$500,000 per solar energy system that has a total  
19                                   output capacity of at least one thousand  
20                                   kilowatts per system of direct current, whichever  
21                                   is less; and



1           (C) For each solar energy system integrated with a  
2           pumped hydroelectric energy storage system, the  
3           tax credit may be claimed for thirty-five per  
4           cent of the actual cost or the cap amount  
5           determined in subsection (b), whichever is less;  
6           provided that applicable project approval filings  
7           have been made to the public utilities commission  
8           by December 31, 2021; or

9           (2) For each wind-powered energy system: twenty per cent  
10           of the actual cost or the cap amount determined in  
11           subsection (b), whichever is less;  
12 provided further that multiple owners of a single system shall  
13 be entitled to a single tax credit; and provided further that  
14 the tax credit shall be apportioned between the owners in  
15 proportion to their contribution to the cost of the system.

16           In the case of a partnership, S corporation, estate, or  
17 trust, the tax credit allowable is for every eligible renewable  
18 energy technology system that is installed and placed in service  
19 in the State by the entity. The cost upon which the tax credit  
20 is computed shall be determined at the entity level.



1 Distribution and share of credit shall be determined pursuant to  
2 [~~section 235-110.7(a).~~] administrative rule.

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

6 (1) If the primary purpose of the solar energy system is  
7 to use energy from the sun to heat water for household  
8 use, then the cap amounts shall be:

9 (A) \$2,250 per system for single-family residential  
10 property;

11 (B) \$350 per unit per system for multi-family  
12 residential property; and

13 (C) \$250,000 per system for commercial property;

14 (2) For all other solar energy systems, the cap amounts  
15 shall be:

16 (A) \$5,000 per system for single-family residential  
17 property; provided that if all or a portion of  
18 the system is used to fulfill the substitute  
19 renewable energy technology requirement pursuant  
20 to section 196-6.5(a)(3), the credit shall be



1 reduced by thirty-five per cent of the actual  
2 system cost or \$2,250, whichever is less;  
3 (B) \$350 per unit per system for multi-family  
4 residential property; and  
5 (C) \$500,000 per system for commercial property; and  
6 (3) For all wind-powered energy systems, the cap amounts  
7 shall be:  
8 (A) \$1,500 per system for single-family residential  
9 property; provided that if all or a portion of  
10 the system is used to fulfill the substitute  
11 renewable energy technology requirement pursuant  
12 to section 196-6.5(a)(3), the credit shall be  
13 reduced by twenty per cent of the actual system  
14 cost or \$1,500, whichever is less;  
15 (B) \$200 per unit per system for multi-family  
16 residential property; and  
17 (C) \$500,000 per system for commercial property.  
18 (c) For the purposes of this section:  
19 "Actual cost" means costs related to the renewable energy  
20 technology systems under subsection (a), including accessories  
21 and installation, but not including the cost of consumer



1 incentive premiums unrelated to the operation of the system or  
2 offered with the sale of the system and costs for which another  
3 credit is claimed under this chapter.

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

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

10 (1) A usable source of thermal or mechanical energy;

11 (2) Electricity; or

12 (3) Fuel.

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

18 (d) For taxable years beginning after December 31, 2005,  
19 the dollar amount of any utility rebate shall be deducted from  
20 the cost of the qualifying system and its installation before  
21 applying the state tax credit.





1 (e) The director of taxation shall prepare any forms that  
2 may be necessary to claim a tax credit under this section,  
3 including forms identifying the technology type of each tax  
4 credit claimed under this section, whether for solar or wind.  
5 The director may also require the taxpayer to furnish reasonable  
6 information to ascertain the validity of the claim for credit  
7 made under this section and may adopt rules necessary to  
8 effectuate the purposes of this section pursuant to chapter 91.

9 (f) If the tax credit under this section exceeds the  
10 taxpayer's income tax liability, the excess of the credit over  
11 liability may be used as a credit against the taxpayer's income  
12 tax liability in subsequent years until exhausted, unless  
13 otherwise elected by the taxpayer pursuant to subsection (g) or  
14 (h). All claims for the tax credit under this section,  
15 including amended claims, shall be filed on or before the end of  
16 the twelfth month following the close of the taxable year for  
17 which the credit may be claimed. Failure to comply with this  
18 subsection shall constitute a waiver of the right to claim the  
19 credit.

20 (g) For solar energy systems, a taxpayer may elect to  
21 reduce the eligible credit amount by thirty per cent and if this



1 reduced amount exceeds the amount of income tax payment due from  
2 the taxpayer, the excess of the credit amount over payments due  
3 shall be refunded to the taxpayer; provided that tax credit  
4 amounts properly claimed by a taxpayer who has no income tax  
5 liability shall be paid to the taxpayer; and provided further  
6 that no refund on account of the tax credit allowed by this  
7 section shall be made for amounts less than \$1.

8       The election required by this subsection shall be made in a  
9 manner prescribed by the director on the taxpayer's return for  
10 the taxable year in which the system is installed and placed in  
11 service. A separate election may be made for each separate  
12 system that generates a credit. An election once made is  
13 irrevocable.

14       (h) Notwithstanding subsection (g), for any renewable  
15 energy technology system, an individual taxpayer may elect to  
16 have any excess of the credit over payments due refunded to the  
17 taxpayer, if:

18       (1) All of the taxpayer's income is exempt from taxation  
19             under section 235-7(a) (2) or (3); or



1           (2) The taxpayer's adjusted gross income is \$20,000 or  
2           less (or \$40,000 or less if filing a tax return as  
3           married filing jointly);  
4 provided that tax credits properly claimed by a taxpayer who has  
5 no income tax liability shall be paid to the taxpayer; and  
6 provided further that no refund on account of the tax credit  
7 allowed by this section shall be made for amounts less than \$1.

8           A husband and wife who do not file a joint tax return shall  
9 only be entitled to make this election to the extent that they  
10 would have been entitled to make the election had they filed a  
11 joint tax return.

12           The election required by this subsection shall be made in a  
13 manner prescribed by the director on the taxpayer's return for  
14 the taxable year in which the system is installed and placed in  
15 service. A separate election may be made for each separate  
16 system that generates a credit. An election once made is  
17 irrevocable.

18           (i) No taxpayer shall be allowed a credit under this  
19 section for the portion of the renewable energy technology  
20 system required by section 196-6.5 that is installed and placed  
21 in service on any newly constructed single-family residential



1 property authorized by a building permit issued on or after  
2 January 1, 2010.

3 (j) To the extent feasible, using existing resources to  
4 assist the energy-efficiency policy review and evaluation, the  
5 department shall assist with data collection on the following  
6 for each taxable year:

7 (1) The number of renewable energy technology systems that  
8 have qualified for a tax credit during the calendar  
9 year by:

10 (A) Technology type; and

11 (B) Taxpayer type (corporate and individual); and

12 (2) The total cost of the tax credit to the State during  
13 the taxable year by:

14 (A) Technology type; and

15 (B) Taxpayer type.

16 (k) This section shall apply to eligible renewable energy  
17 technology systems that are installed and placed in service on  
18 or after July 1, 2009.

19 (l) This section shall not apply to taxable years  
20 beginning after December 31, 2045."



1 SECTION 2. Statutory material to be repealed is bracketed  
2 and stricken. New statutory material is underscored.

3 SECTION 3. This Act shall take effect upon its approval  
4 and shall apply to taxable years beginning after December 31,  
5 2019.



S.B. NO. 2820  
S.D. 2  
H.D. 1

**Report Title:**

Renewable Energy Technologies; Income Tax Credit

**Description:**

Amends the requirements for each solar energy system to claim the renewable energy technologies income tax credit. Makes the renewable energy technologies income tax credit inapplicable to taxable years beginning after 12/31/2045. (HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*





**Hawaiian  
Electric**

**TESTIMONY BEFORE THE HOUSE  
COMMITTEE ON FINANCE**

**S.B. 2820, SD2, HD1**

**Relating to Renewable Energy**

Monday, June 29, 2020

2:00 p.m.

State Capitol, Conference Room 329

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

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 Company with comments regarding S.B. 2820, SD2, HD1, Relating to Renewable Energy.

The HD1 version of SB 2820, SD1, HD1 to Section 235-12.5(a)(1)(B) provides that any “solar energy system that is five megawatts in total output capacity or larger, installed and placed in service pursuant to a power purchase agreement approved or pending approval by a decision and order by the public utilities commission prior to December 31, 2019, shall continue to receive a tax credit equal to thirty-five per cent of the actual cost, or \$500,000 per solar energy system that has a total output capacity of at least one thousand kilowatts per system of direct current, whichever is less;”

Hawaiian Electric is in strong support of this grandfathering provision. 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”). These projects would fall within the scope of this bill. 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.

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. Therefore, Hawaiian Electric supports changing the tax credit law to include a grandfathering provision.

With regards to the sunset of the tax credit for solar projects larger than 5 MW, we recognize that in these very tough economic times there will be much debate by the legislature about whether or not tax credits should be extended for renewable energy. Through all of those discussions we ask that the legislature consider the highest priority be to provide tax credits for systems owned or being used by low to moderate income (“LMI”) customers – those who need financial support the most in these trying times, including a carveout in this S.B. 2820, SD2, HD1, to allow the tax credit for solar projects larger than 5 MW to continue if serving LMI customers.

Thank you for this opportunity to testify.





Testimony Before the House Committee on Finance

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

Monday, June 29, 2020; 2:00 p.m.  
Conference Room # 329

**Senate Bill 2820 SD2 HD1 – Relating to Renewable Energy**

To the Honorable Chair Sylvia Luke, Vice Chair Ty J.K. Cullen, 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 56% 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 56% 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. A graph illustrating this is included on page 3

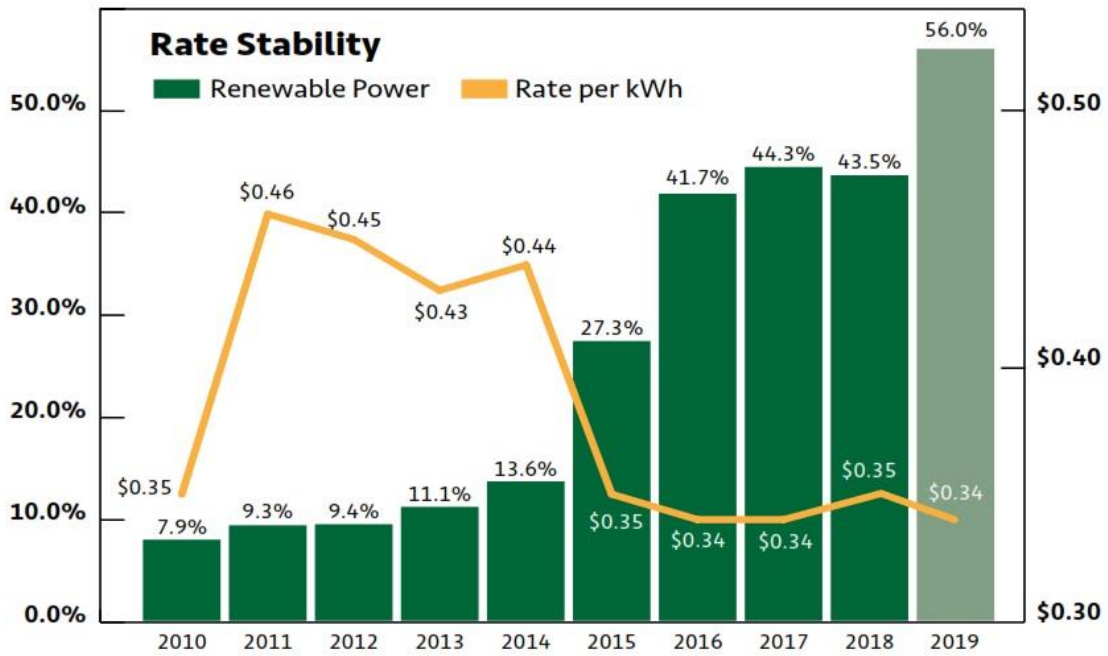
Partnerships with developers who utilize the tax credits provided under HRS §235-12.5 have been essential in this effort, with savings passed through to KIUC's member owners. Continued availability of the credits will assist KIUC in stabilizing and potentially lowering rates to our members in the next 20 years, as we move closer to the 100% renewable mandate.

Currently, KIUC is working on two additional renewable energy projects, commencing 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 Kaua'i Energy Project: A 25 megawatt hybrid solar/pumped storage hydro project is expected to be operational no later than 2024. With this project Kaua'i will approach 80% renewable.

We respectfully ask that you adopt this measure, which would allow us to deliver these projects at the lowest possible purchase power price: a savings passed on directly to our member-owners.

Mahalo for your consideration.





## HOUSE COMMITTEE ON FINANCE

June 29, 2020, at 2:00 PM

Room 329

(Testimony is 2 pages long)

### COMMENTS ON SB 2820 SD2 HD1

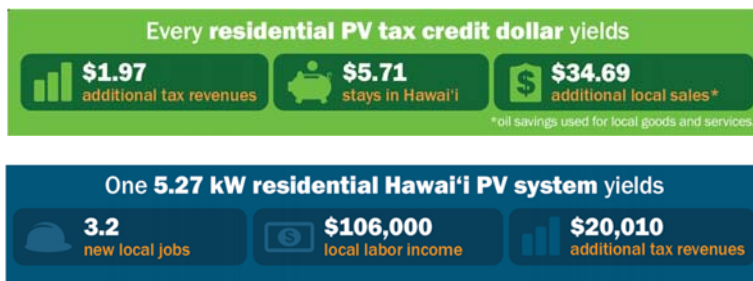
Aloha Chair Luke, Vice Chair Cullen, and members of the Finance Committee:

Blue Planet Foundation **offers comments on SB 2820 SD2 HD1**, which amends the requirements for claiming the renewable energy technologies tax credit. Blue Planet supports retaining the renewable energy tax credit across the board, including for utility-scale projects. The fossil fuel industry enjoys massive tax breaks, and is at the table locally and nationally advocating to receive bailout funds as a result of the COVID-19 pandemic. Continuing to allow financial breaks for fossil fuels while scaling back incentives for renewable energy sends the wrong signal. We can't afford to backtrack on our progress towards 100% clean energy by continuing our reliance on imported fossil fuels that send revenue outside of the state.

If the legislature is inclined to make changes, however, the tax credit changes proposed in the bill would ensure that multi-family buildings and community solar projects are not left out of Hawaii's 100% clean energy future. With the scheduled phaseout of the federal tax credit, continued state support is critical to continue growth in the distributed residential and small-scale commercial market.

Solar energy is currently a bright spot in Hawaii's progress toward energy independence, and the solar tax credit has been extremely effective at making Hawaii a leader in solar installations—creating local jobs and providing steady revenue from its business creation. Moreover, the installation of solar water heaters, photovoltaic systems, and wind systems helps to plug the leak of billions of dollars out of the islands' economy to pay for imported fossil fuel. Further, investments in this technology—and the companies and jobs that provide it—pays dividends back to the state in the form of income tax, general excise tax, and outside investment—among other forms.

A Blue Planet-commissioned report in 2013 detailed the economic impacts of Hawaii's renewable energy tax credit. The peer-reviewed analysis, conducted by former University of Hawaii economist Dr. Thomas Loudat, found that Hawaii's tax incentive



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yields a clear, significant net fiscal benefit to the state. Every residential PV tax credit dollar invested yields \$5.71 that stays in Hawaii and \$34.69 in additional sales, which generates \$1.97 in new tax revenue. For a typical 5.27 kW residential PV installation, the state gains 3.2 local jobs for one year.

We urge the Committee to put back in the increase of the existing renewable energy tax credit for multi-family buildings from \$350 per unit per system to \$750 per unit per system, as specified in the SD2 version of the bill. This important change will increase the accessibility of clean energy for more residents while supporting good local jobs in the solar energy industry and helping Hawaii achieve its climate and renewable energy goals. Multi-family buildings have been largely left behind in our evolution to 100% renewable energy, yet a large percentage of Hawaii's population live in condominiums or apartments. Increasing the solar tax credit will bring it into better alignment with the existing credit for single-family homes, helping to encourage more investment in clean energy for multi-family dwellings. As the State Energy Office highlighted in their previous testimony in support, many of these units are in highly populated areas with circuits that could more easily handle the addition of more renewable energy.

Every roof in Hawaii should be home to solar energy (either photovoltaic or solar hot water or both). Distributed energy engages more people in our clean energy future, encourages private investment in our power system, increases energy and community resilience, and creates a steady stream of well-paying jobs.

Thank you for the opportunity to offer comments.



**Testimony to the Committee on Finance  
Monday, June 29, 2020 – 2 P.M.  
Hawaii State Capitol Room 329  
Senate Bill 2820 HD1**

Chair Luke, Vice Chair Cullen and members of the committee,  
174 Power Global **strongly supports** SB 2820 HD1.

With 3 utility-scale solar projects completed or under development, we are proud to be among the developers that bring these types of project to life across the state. We believe we are representative of a handful of renewable energy developers who bid into a Hawaiian Electric Company 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 did not require proposals to include energy pricing based on state tax credits.

These state 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, and cannot be revised upon accepted bid. Without those credits, the projects run the risk of not being financeable and viable.

The following amendment ensures that projects can be assured that their financing and construction plans will not be derailed by future changes to the tax credits or Dept of Tax Administrative Rules. This certainty clears the way for projects to be delivered to the ratepayers' benefit.

Please **pass** SB 2820 HD1 immediately as written.

Thank you for the opportunity to testify.



**Testimony to the Committee on Finance**

**Monday, June 29, 2020 2 P. M.**

**Conference Room 329, Hawaii State Capitol**

**SB2820 HD1**

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

ADON provides comments to SB2820 HD1 Relating to Renewable Energy.

Originally, the purpose of this measure was to increase the cap amount of the renewable energy technologies income tax credit for solar energy systems for multi-family residential properties from \$350 to \$750. Any revenue exposure to the state is forecasted to be a fraction of a single digit percentage of the tax credits historically provided to residential homeowners. Multi-family dwellings serve senior citizens, low-income and renters who will benefit from these tax credits passed through on their electric rates.

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. Electricity costs take a disproportionate share of their fixed income.

During these last few months, due to COVID 19, these residents are finding it even more difficult to manage the expenses for their essential needs such as food and utilities.

The existing investment tax credit for multi-family dwellings is not equitable with that offered to single family homeowners, leaving this population underserved yet again.

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 tax credit, there is little incentive to install PV, denying those who need it most, a break in their utility bills.

We ask the committee to amend the bill and restore the amendments to increase the cap amount of the renewable energy technologies income tax credit for solar energy systems for multi-family residential properties from \$350 to \$750.

Thank you for the opportunity to testify.



**Testimony to the Committee on Finance**

**Monday June 29, 2020 – 2 P.M.**

**Hawaii State Capitol Room 329**

**Senate Bill 2820 HD1**

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

The Hawaii Clean Power Alliance (HCPA) **Supports** SB2820 HD1 Relating to Renewable Energy.

The Hawaii Clean Power Alliance is a nonprofit alliance 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. 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. The state renewable investment tax credit is at constant risk of changing.

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. While the federal incentives remain in place and can be locked in as soon as the power purchase agreement (PPA) is approved, the state investment tax credit 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. The current RFP 2 projects were not required to bid with tax credits and therefore any changes to the Hawai'i renewable investment tax credits will not impact the energy rates that were bid into the proposals.

We strongly support SB2820 HD1 and urge you to pass this measure.

Thank you for the opportunity to testify.







**LATE**

**Hawaii Solar Energy Association**  
*Serving Hawaii Since 1977*

**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION  
IN REGARD TO SB 2820, RELATING TO RENEWABLE ENERGY TAX  
CREDITS  
BEFORE THE  
HOUSE COMMITTEE ON FINANCE  
ON  
MONDAY, JUNE 29, 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 SUPPORTS SB2820 SD2 HD1.** This measure amends the requirements for each solar energy system to claim the renewable energy technologies income tax credit. Makes the renewable energy technologies income tax credit inapplicable to taxable years beginning after 12/31/2045.

The HSEA has generally been in favor of tax credits for energy storage and renewable energy systems as a way for the state to direct customer behavior towards its renewable energy goals. This has been incredibly successful, and Hawaii enjoys one of the highest amounts of renewable energy installed per capita than any other state.

The Hawaii State Legislature also must be cognizant of developments regarding the federal tax credit. The solar industry is experienced an increased amount of business activity for the first 3 months of 2020, driven almost completely by the first step down in the federal tax credit, from 30% to 26%. Another step down will happen in 2021, to 22%, and then the credit will be gone in 2022. This increased business activity is a false positive and likely does not reflect a resurgence of the market. The state needs to consider the full impact this step down will have to the industry (70% of which is locally owned and operated), state's energy goals, and the people of Hawaii. Unless there are significant changes to Hawaii's clean energy market, such as more well-structured tax credit, better interconnection programs that provide greater values streams for consumers, or ideally both, the outlook for the state's energy goals is grim.



## Hawaii Solar Energy Association

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Additionally, the solar industry has been severely impacted by the COVID-19 health crisis, both in Hawaii and nationally. Since March 2020 the onset of the COVID-19 pandemic has created additional negative market pressure on Hawaii’s DER market. According to ongoing business impact surveys conducted by the HSEA , Hawaii’s solar industry experienced a \$6.4 million revenue loss in March/April 2020 compared to the same time period in 2019, and an additional revenue loss exceeding \$20 million in April/May 2020 as a result of workforce, customer, and financing impacts felt by the COVID-19 pandemic. Hawaii is estimated to have lost over 4,400 clean energy jobs and over \$40 million in expected taxable revenue. since March 2020. Nationally, the industry continues to experience negative impacts subject to COVID-19 that extend to Hawaii, as documented in a recent press release by BW Research:

### KEY TAKEAWAYS

- **Over \$6.7 million in revenue lost** between March 17 and April 15, 2020.
- **12% of total workforce lost** to date. **Increasing to 19%** by end of May.
- Majority of industry reports **50% or more of their projects delayed** due to COVID-19.

State	CE Jobs Lost	Percent Decline
Alabama	8,978	19.8%
Alaska	1,489	24.3%
Arizona	9,276	14.8%
Arkansas	3,207	14.9%
California	109,712	19.9%
Colorado	7,531	11.2%
Connecticut	6,551	14.9%
Delaware	2,594	18.3%
District of Columbia	2,897	18.7%
Florida	32,475	19.4%
Georgia	28,932	33.5%
<b>Hawaii</b>	<b>4,413</b>	<b>29.4%</b>
Idaho	1,864	13.3%
Illinois	17,457	13.4%

“While the speed at which clean energy jobs are being lost declined in May, there are increasing concerns about the number of energy-related jobs that are being supported by the Paycheck Protection Program (PPP). The majority of clean energy firms in the U.S. are small businesses, according to the U.S. Small Business Administration (SBA). Meanwhile, the construction sector (the largest segment of the clean energy economy) is the largest recipient of PPP loans, at more than 13 percent. The expiration of the employment window of PPP may result in a fresh round of layoffs in clean energy if there is no further intervention.

The continued job losses in May and forthcoming PPP expiration indicates it will be very tough for the clean energy sector to return to its economy-leading



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jobs growth without significant intervention from Congress and state governments. Given the size of the clean energy industry (nearly 3.4 million jobs in every state, pre-COVID-19) that could cast a pall over the nation's broader economic recovery."<sup>1</sup>

It should also be noted that House Democrats in the federal legislature are considering a variety of solar and storage related measures to aid in general economic recovery within their \$1.5 trillion Moving Forward Act<sup>2</sup> This includes provisions to add energy storage into eligible tax credit financing, \$70 billion to allow for more renewable energy on the electric grid, and grants for energy efficiency and renewable energy. The HSEA supports the provisions in this bill, and recommends that the Hawaii State Legislature also look into additional measures to foster renewable energy development as a means to economic recovery.

The HSEA **supports SB2820 SD2 HD1** and we ask this committee to approve this measure.

Thank you for the opportunity to testify.

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<sup>1</sup> See <https://e2.org/reports/clean-jobs-covid-economic-crisis-may-2020/>

<sup>2</sup> See <https://pv-magazine-usa.com/2020/06/24/houses-1-5-trillion-infrastructure-bill-packed-with-pro-solar-pro-storage-provisions/>

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DEPUTY DIRECTOR

**LATE**

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: **S.B. 2820, S.D. 2, H.D. 1, Relating to Renewable Energy**

Date: Monday, June 29, 2020

Time: 2:00 P.M.

Place: Conference Room 329, State Capitol

The Department of Taxation (Department) offers the following comments on S.B. 2820, S.D. 2, H.D. 1.

S.B. 2820, S.D. 2, H.D. 1, amends section 235-12.5, Hawaii Revised Statutes (HRS), which governs the Renewable Energy Technologies Income Tax Credit (RETTTC). This measure repeals the RETTTC for commercial projects with a total output capacity of 5 megawatts or greater for taxable years beginning after December 31, 2019 and provides grandfathering exceptions for commercial solar projects with a:

- Total output capacity of 5 megawatts or greater if the project received a Public Utilities Commission (PUC) approval prior to December 31, 2019; and
- Pumped hydroelectric energy storage system provided that the applicable project approval filings have been made to the PUC by December 31, 2021.

S.B. 2820, S.D. 2, H.D. 1, also repeals the RETTTC, in its entirety, for taxable years beginning after December 31, 2045. This measure is effective upon approval and applied to taxable years beginning after December 31, 2019.

The Department suggests inserting a date by which the commercial projects that fall into the first category of grandfathering must be installed and placed in service. For example, the following language could be inserted at the end of proposed section 235-12.5(a)(1)(A), HRS:

; provided that the solar energy system is installed in placed in service before January 1, 2022.

Thank you for the opportunity to provide comments.



**LATE**

Rep. Sylvia Luke, Chair  
Finance Committee  
Hawaii State House of Representatives

**SB2820, HD1, Relating to Renewable Energy  
SUPPORT**

Finance Committee  
Monday, June 29, 2020  
2:00 p.m.  
Room 329

Aloha Chair Luke and Members of the Committees:

My name is Kirstin Punu, Project Manager for AES Distributed Energy. We appreciate the opportunity to submit testimony IN SUPPORT of SB2820, HD1.

AES Distributed Energy (AES DE) develops, owns and operates solar and solar plus storage projects throughout Hawaii with 47 MW of solar plus storage in operation on the island of Kauai, 8.8 MW of solar in operation on Oahu and Maui, and multiple projects in various stages of development on Oahu, Maui and Hawaii island.

This measure is vitally important to ensure the viability of utility-scale solar and battery storage projects that relied on the renewable energy tax credit program. Prior to December 2019, when Power Purchase Agreements (PPA) were executed and filed with the PUC, project developers were required to utilize the tax credits in their financial plans and pass along the tax credit value to the utilities in the form of lower PPA rates. SB2820, HD1 seeks to grandfather the tax credits for these projects only.

Collectively, these projects have the potential to generate over 11 percent of our state's current energy needs with locally produced renewable energy. Without these tax credits, however, these projects would be at risk of failure thus setting Hawaii back in its efforts to achieve its clean energy future. This is even more important as Hawaii seeks to address the economic downturn and high unemployment rate that has resulted from COVID-19. In general, these Phase 1 projects will commence within a year, providing badly needed jobs and economic activity at a time when it's needed most.

AES Distributed Energy believes it is important to ensure the renewable energy tax credits can be protected for the aforementioned projects through the passage of SB2820, HD1.

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

clearwayenergygroup.com

**LATE**



June 29, 2020

Via Electronic Submittal

**Committee on Finance**

Rep. Sylvia Luke, Chair

Rep. Ty J.K. Cullen, Vice Chair

Monday, June 29, 2020

2:00 pm

State Capitol, Room 329

Nicola Park

Origination Manager, Clearway Energy Group

In support of HB SB 2820

Relating to Renewable Energy

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

Clearway Energy Group supports SB 2820 SD2 HD1, which provides much-needed certainty as to the value of the state tax credit for utility-scale renewable energy projects already in development. These projects are poised to start construction soon and can contribute to Hawaii's economic recovery by creating construction jobs and purchasing materials and services from local companies, while advancing the state's clean energy goals.

Clearway has constructed three utility-scale solar projects on Oahu that were completed and began delivering carbon-free electricity to the grid in 2019, with a total generating capacity of 110 MW AC. Additionally, Clearway has two utility-scale solar projects in development for which the Public Utilities Commission (PUC) has approved 20-year PPAs with Hawaiian Electric. The two projects – Waiawa Solar Power and Mililani I Solar – incorporate battery storage that will provide flexibility and resiliency to the electric grid. The two new projects will generate 75 megawatts (MW) of low-cost renewable energy, advancing the State's renewable energy goal of 100% by 2045 while saving ratepayers on their electric bills. We anticipate that these projects will create up to 450 construction jobs over the next two years.

In its current form, SB 2820 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. 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, creating a gap that makes it difficult for developers to secure financing. SB 2820 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 SB 2820, and we look forward to answering any questions you might have on our testimony.