HAWAII STATE ENERGY OFFICE
STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Thursday, March 12, 2020
8:30 AM
State Capitol, Conference Room 325

In SUPPORT of
SB 3036, SD2
RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS.

Chair Lowen, Vice Chair Wildberger, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports SB 3036, SD2, which amends the renewable energy technologies income tax credit to clarify that solar energy systems installed and placed in service pursuant to a power purchase agreement approved by the Public Utilities Commission prior to 12/31/2019 shall continue to receive 35% tax credit of the actual cost or $500,000 per solar energy system.

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

To avoid potential confusion about energy projects located in areas zoned as rural, agricultural, or other than "commercial" use, we recommend removing the phrase "on commercial property." The descriptor appears to be clear, and less subject to confusion, without it, and would read (page 4, lines 2 through 8) as follows:

> **...a solar energy system installed and placed in service ~~on commercial property~~ pursuant to a power purchase agreement, either approved by a decision and order issued by the public utilities commission prior to December 31, 2019, or filed and pending approval by the public utilities commission prior to December 31, 2019...**

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

RONA M. SUZUKI
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
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To: The Honorable Nicole E. Lowen, Chair;
The Honorable Tina Wildberger, Vice Chair;
and Members of the House Committee on Energy & Environmental Protection

From: Rona M. Suzuki, Director
Department of Taxation

Re: **S.B. 3036, S.D. 2, Relating to Renewable Energy Technologies Tax Credits**
Date: Thursday, March 12, 2020
Time: 8:30 A.M.
Place: Conference Room 325, State Capitol

The Department of Taxation (Department) appreciates the intent of S.B. 3036, S.D. 2, and offers the following concerns about the administration of this measure.

S.B. 3036, S.D. 2, amends section 235-12.5, Hawaii Revised Statutes (HRS), which governs the Renewable Energy Technologies Income Tax Credit (RETITC). It amends the credit for solar energy systems so that notwithstanding any laws or subsequent amendments to the contrary, a solar energy system installed and placed in service on commercial property pursuant to a power purchase agreement (PPA) that was either approved by the Public Utilities Commission (PUC) prior to December 31, 2019, or filed and pending approval with the PUC prior to December 31, 2019, will be locked into the existing credit structure and shall continue to receive thirty-five per cent of the actual cost or the applicable cap amount of $500,000 per solar energy system in which each system has a total output capacity of at least one thousand kilowatts per system of direct current for commercial property, whichever is less. The measure has a defective date of July 1, 2050 and otherwise applies to taxable years beginning after December 31, 2019.

The Department notes that the Senate Committee on Ways and Means amended the previous version of this measure to delete section 215-12.5(k), HRS, which applied the statute to renewable energy technology systems installed and placed in service after July 1, 2009.

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 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 provision in section 235-12.5(a)(1), HRS, be amended so that the project is required to be installed and placed in service no more than two years after any amendment or general repeal of section 235-12.5, HRS, becomes effective**.

Thank you for the opportunity to provide comments.

TAX FOUNDATION OF HAWAII

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

SUBJECT: INCOME, Grandfather Certain Renewable Energy Technologies Tax Credits

BILL NUMBER: SB 3036, SD-2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Amends the renewable energy technologies income tax credit to clarify that solar energy systems installed and placed in service on commercial property pursuant to a power purchase agreement approved by the Public Utilities Commission prior to 12/31/2019 shall continue to receive 35% of the actual cost or $500,000 per solar energy system.

SYNOPSIS: Amends section 235-12.5(a), HRS, to insert a grandfather clause to provide that notwithstanding any law to the contrary and any subsequent amendments to law, a power purchase agreement approved by a decision and order issued by the public utilities commission prior to December 31, 2019, shall continue to receive thirty-five per cent of the actual cost or $500,000 per solar energy system in which each system has a total output capacity of at least one thousand kilowatts per system of direct current.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: This measure is designed to "grandfather" tax treatment for utility-scale renewable energy projects that were approved by the PUC in 2019 or earlier. Given that such projects take a while to build and the law generally applied is the law in effect when the project is placed into service, measures like this one may be seen as necessary to protect against the risk that the credit amounts or caps will be changed while the project is being constructed.

Digested 3/9/2020

Hawaiian Electric

TESTIMONY BEFORE THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

S.B. 3036, SD2

Relating to Renewable Energy Technologies Tax Credits

Thursday, March 12, 2020
8:30 a.m., Agenda Item #6
State Capitol, Conference Room 325

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

Dear Chair Lowen, Vice Chair Wildberger, and Members of the Committee,

My name is Rebecca Dayhuff Matsushima and I am testifying on behalf of Hawaiian Electric **with comments on S.B. 3036, SD2, Relating to Renewable Energy Technologies Tax Credits and respectfully request consideration of amendments to the bill as detailed below.**

S.B. 3036, SD2 proposes to amend Section 235-12.5(a) of the Hawaii Revised Statutes (HRS) to clarify that, notwithstanding any law to the contrary or subsequent amendments to the state renewable energy tax credit law, commercial, utility-scale renewable energy projects with a power purchase agreement approved by or filed with and pending approval from the Public Utilities Commission (PUC) prior to December 31, 2019 shall receive thirty-five per cent of the actual cost or up to the applicable cap amount of $500,000 per solar energy system. Per the preamble of the bill, the purpose of this bill is to provide developers of utility scale renewable energy projects with certainty that the currently existing renewable energy tax credit will still apply to projects when they are ultimately completed if they were approved by the PUC prior to December 31, 2019. SD2 additionally repeals subsection (k) in its entirety. The intent of this deletion is unclear and it is uncertain if such deletion is an attempt to sunset the tax credit for all commercial property systems.

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 S.B. 3036, SD2, 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 S.B. 3036, SD2 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. We respectfully suggest that subsection (a) of

HRS section 235-12.5 be revised to align with the federal investment tax credit (ITC) and related regulations. 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.

The intent of the deletion of subsection (k) from HRS section 235-12.5 is unclear. If the intent is to sunset the tax credit and disallow future eligible renewable energy technology systems on commercial property from claiming the tax credit, 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. Eliminating the tax credit for new projects will raise the cost of energy to our customers, primarily impacting those who do not have rooftop solar. Hawaiian Electric respectfully requests further clarification on the intent to repeal subsection (k).

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 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 <u>all</u> customers. We therefore support a reasonable sunset date that would allow for homeowners and developers to plan accordingly and provide time to implement proposed new programs. This date should be made clear in a future amendment.

Thank you for this opportunity to testify.

Kaua`i Island Utility Cooperative
Your Touchstone Energy® Cooperative

Testimony Before the House Committee on Energy and Environmental Protection

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

Thursday, March 12, 2020; 8:30 am
Conference Room # 325

Senate Bill 3036 SD2 – Relating to Renewable Energy Technologies Tax Credit

To the Honorable Chair Nicole Lowen, Vice Chair Tina Wildberger, 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 you retain the current cap amounts for solar systems on commercial properties. Therefore, we request that you reject the proposed revisions to Subsection (k) which would appear to sunset the tax credit and disallow all future eligible renewable energy technology systems, such as those described above, from claiming the tax credit.

Mahalo for your consideration.

Testimony to the Committee on Energy & Environmental Protection

Thursday, March 12, 2020
8:30 AM
Conference Room 325, Hawaii State Capitol
SB 3036 SD2

Chair Lowen, Vice Chair Wildberger, and members of the committee,

The Hawaii Clean Power Alliance (HCPA) **supports SB3036 SD2**, which ensures that, notwithstanding any amendments to the existing renewable energy tax credits, previously approved commercial utility-scale renewable energy projects that are currently under development are not to be affected by any subsequent amendments to the existing state law relating to the renewable energy technologies income tax credit.

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. 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 (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.

Please pass SB 3036 SD2 as written.

Thank you for the opportunity to testify.

Testimony to the Committee on Energy and Environmental Protection
Thursday, March 12, 2020 8:30 AM
Hawaii State Capitol RM 325
Senate Bill 3036 SD2

Chair Lowen, Vice Chair Wildberger, and members of the committee,

174 Power Global strongly **supports** SB3036 SD2, 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 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 at a point in time when the development is at a point of relative surety, for example upon approval by the Public Utilities Commission. However, state law mandates that any tax credit must be 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.

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

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

This bill wisely recognizes that peril and preserves those credits already in place for commercial utility-scale properties that 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 pass SB3036 SD2 as written.

Thank you for the opportunity to testify.

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SanHi
GOVERNMENT STRATEGIES
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: Wednesday, March 11, 2020

TO: Representative Nicole E. Lowen
Chair, House Committee on Energy and Environmental Protection
Submitted via Capitol Website

FROM: Luis P. Salaveria

RE: **S.B. 3036 S.D. 2 RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS**
Hearing Date: Thursday, March 12, 2020 at 8:30 a.m.
Conference Room: 325

Dear Chair Lowen and Members of the Committee on Energy and Environmental Protection:

We submit this testimony **in support** of S.B. 3036, S.D.2 Relating to Renewable Energy Technologies Tax Credits 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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AES
we are the energy

LATE

Rep. Nicole Lowen, Chair
Hawaii State House of Representatives
Energy and Environmental Protection Committee

SB3036, Relating to Renewable Energy Technologies Tax Credit
COMMENTS
Energy and Environmental Protection Committee
Thursday, March 12, 2020
8:30 a.m.
Room 325

Aloha Chair Lowen and Members of the Committees:

My name is Kirstin Punu, Project Manager for AES Distributed Energy. We appreciate the opportunity to submit testimony regarding SB3036.

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. SB3036 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.

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 SB3036 and looks forward to working with the legislature as it continues to examine its tax credit policies for the future.

AES Distributed Energy
4875 Pearl East Circle, Suite 200
Boulder, CO 80301
aesdistributedenergy.com

LATE

TESTIMONY REGARDING SB 3036 SD2

being heard by the House Committee on Energy and Environmental Protection
on Thursday, March 12, 2020 at 8:30 AM in Room 325

Aloha Chair Lowen, Vice Chair Wildberger, and Members of the Committee:

Thank you for the opportunity to provide these comments regarding SB 3036 SD2. This measure seeks to provide certainty to a specified set of projects by safeguarding their ability to access the renewable energy income tax credit (REITC) at its current level. Although Tesla does not object to the creation of such a safe harbor provision, Tesla has some questions and recommendations as discussed further below.

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-hours in size and 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.

As a general matter, Tesla agrees that the subset of projects identified in the measure, i.e. a "solar system installed and placed in service on commercial property pursuant to a power purchase agreement, either approved by a decision and order issued by the public utilities commission prior to December 31, 2019, or filed and pending approval by the public utilities commission prior to December 31, 2019", should not face the specter of potential negative changes to the renewable energy income tax credit, given that these contracts were entered into under the premise that they would be able to access the tax credit as it currently stands.

That said, and more generally Tesla believes this kind of safe harbor provision should apply more broadly to any contract associated with an REITC-eligible facility that was executed prior to the end of last year, whether that contract was entered into pursuant to a Commission directive, requires Commission approval, or was simply a bilateral contract between a project developer and a host customer. SB 3036 SD2 accords special consideration to a particular cohort of contracts, but Tesla believes the same consideration could be reasonably extended more broadly, recognizing that potential modifications to the REITC will engender similar issues of uncertainty and disruption to projects beyond the narrow subset included in the safe harbor language.

Tesla also has serious concerns regarding the elimination of §235-12.5 subsection k in the SD2 version of the bill. While Tesla expressed concerns regarding some of the language that was added to this subsection in the SD1 version, we do not believe the appropriate way to address this concern is to completely remove the subsection. This subsection plays a role in clarifying what set of projects are more generally eligible for the REITC and so should be retained unchanged. Removing this subsection in its entirety as the current version of the bill does, implies that the legislature is seeking to modify eligibility for the REITC in some way and runs the risk of creating unnecessary confusion. For this reason, Tesla asks that subsection k be retained as it is currently in the statute. If the intention is, in fact, to modify the eligibility for the tax credit more broadly, Tesla seeks clarification on what that intent is and its implications. Tesla previously opposed this measure because the amendments to this subsection in the SD1 version of the bill would have eliminated eligibility for the REITC for all projects except for the specific subset of projects included in the safe harbor provisions. If the complete elimination of this section could be or is intended to be construed as doing the same, then, consistent with our earlier position on the bill, Tesla is strongly opposed to this bill.

Thank you for the opportunity to submit this testimony and for any clarification you can provide.

LATE

Hawaii Solar Energy Association
Serving Hawaii Since 1977

**TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO SB 3036 SD2 RELATING TO RENEWABLE ENERGY TECHNOLOGIES TAX CREDITS
BEFORE THE
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
ON
THURSDAY, MARCH 12, 2020**

Chair Lowen, Vice-Chair Wildberger, 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 SB3036 SD2**. This measure amends the renewable energy technologies income tax credit to clarify that solar energy systems installed and placed in service on commercial property pursuant to a power purchase agreement approved by the Public Utilities Commission prior to 12/31/2019 shall continue to receive 35% of the actual cost or $500,000 per solar energy system. Repeals the provision of the renewable energy technologies income tax credit that applies the credit to renewable energy technology systems installed and placed in service on or after 7/1/2009. Effective 7/1/2050. (SD2)

According to HECO's most recent RPS filings, solar currently makes up the vast majority of the total renewable generation on this island, with rooftop solar alone making up 49% of that total. The solar industry in Hawaii employs thousands of local installers, contractors, salespeople, electricians, and many others in good paying, sustainable jobs. In fact, according to the Solar Foundation, the total number of solar related jobs in Hawaii increased by over 17% in 2019 from the previous year.[1] Our developments help to reduce the high cost of electricity all across the state, with rooftop solar and energy efficiency measures such as solar hot water being a primary driver to an over 20% average electric bill reduction since 2012.

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 it's renewable energy goals. This has been successful, and Hawaii enjoys one of the highest amounts of renewable energy installed per capita than any other state.

[1] https://www.thesolarfoundation.org/national/

It is important to understand the impact that behind-the-meter resources have on the average consumer electric bills. According to DBEDT's own data, the AVERAGE consumer electric bill DECLINE by more than 20% between 2011 and 2018, despite the cost of electricity remaining approximately the same (See Fig 1.). The two biggest clean energy developments during this time period were large scale build-outs of rooftop photovoltaics and energy efficiency programs. Regardless of whether a Hawaii electric customer has a solar system, they still benefit from every new system that is placed on the grid. Additionally, technologies like energy storage provide further benefits to grid stability and resilience, utility infrastructure cost savings, and peak shaving.

Table 3: **RESIDENTIAL, AVERAGE RATE ($/KWH)**

Year	State Total	Oahu	Hawaii	Kauai	Lanai	Maui	Molokai
2011	**$0.35**	$0.32	$0.42	$0.43	$0.44	$0.36	$0.43
2012	**$0.37**	$0.35	$0.42	$0.45	$0.47	$0.39	$0.46
2013	**$0.37**	$0.35	$0.42	$0.44	$0.46	$0.38	$0.46
2014	**$0.37**	$0.35	$0.42	$0.43	$0.46	$0.38	$0.47
2015	**$0.30**	$0.28	$0.35	$0.34	$0.38	$0.31	$0.38
2016	**$0.28**	$0.26	$0.32	$0.34	$0.34	$0.29	$0.33
2017	**$0.30**	$0.28	$0.34	$0.35	$0.36	$0.31	$0.36
2018	**$0.33**	$0.31	$0.37	$0.37	$0.40	$0.34	$0.37

Source: State of Hawaii Data Book

Table 4: **RESIDENTIAL, AVERAGE MONTHLY BILL**

Year	State Total	Oahu	Hawaii	Kauai	Lanai	Maui	Molokai
2011	**$202**	$195	$218	$205	$192	$219	$161
2012	**$203**	$197	$210	$209	$192	$222	$159
2013	**$189**	$181	$199	$205	$199	$211	$153
2014	**$185**	$178	$192	$199	$203	$206	$147
2015	**$149**	$141	$157	$163	$159	$168	$115
2016	**$135**	$127	$142	$163	$142	$147	$102
2017	**$145**	$137	$154	$170	$150	$157	$115
2018	**$163**	$155	$175	$187	$179	$180	$121

Source: State of Hawaii Data Book

Figure 1Avg. Customer Elec. Rates 2011-2018

The language as written in the SD2 version of this measure appears to eliminate tax credit eligibility for any type of utility scale PPA approved by the PUC after December 31, 2019. We suggest further amendments to this measure to clarify what is considered a "utility scale" PPA, either by size (as amended below) or at the point of interconnection. Generally, utility scale solar systems are interconnected at the transmission level, rather than the distribution level. Additionally, utility scale solar systems are typically larger than 1MW in total generating capacity. We offer the following amendment:

(1) For each solar energy system: thirty-five per cent of the actual cost or the cap amount determined in subsection (b), whichever is less; [or] provided that, notwithstanding any law to the contrary and any subsequent amendments to this paragraph or to any applicable law, a solar energy system installed and placed in service on commercial property pursuant to a power purchase agreement, either approved by a decision and order issued by the public utilities commission prior to December 31, 2019, or filed and pending

Hawaii Solar Energy Association
Serving Hawaii Since 1977

approval by the public utilities commission prior to December 31, 2019, and equal to or greater than 5 megawatts in generating capacity shall continue to receive 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; or

We are also open to a study that examines the impacts of stepping down or removing the tax credit on rate payers, the industry, and the state's energy goals and would be more than willing to provide it's expertise in this manner.

Respectfully, the HSEA **SUPPORTS SB3036 SD2 subject to the above suggested amendments**, and we ask the legislature to pass this measure.

Thank you for the opportunity to testify.

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

LATE

SIERRA CLUB OF HAWAIʻI

HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

March 12, 2020 8:30 AM Room 325

In OPPOSITION of SB3036 SD2: Relating to Renewable Energy Technologies Tax Credits

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Aloha Chair Lowen, Vice Chair Wildberger, and members of the committee,

On behalf of our 20,000 members and supporters, the Sierra Club of Hawaiʻi **opposes SB3036 SD2,** over concerns that removal of subsection (k) would totally eliminate the renewable energy tax credit for any project installed after 2009.

While the intent of SB3036 is to ensure that utility-scale projects that were approved prior to 2019 would continue to be eligible for the renewable energy tax credit if changes to the tax credit were made, the language to repeal section 235-12.5 (k) appears to **slash Hawaiʻi's renewable energy tax credit to zero for any project implemented after 2009, drastically eliminating any and all future solar projects—including utility scale, affordable and multi-family housing, or rooftop solar projects—to be eligible for a tax credit.**

While prudently reducing Hawaiʻi's renewable energy tax credit over time may be reasonable, eliminating the tax credit entirely by removing section 235-12.5 (k) would significantly slow progress towards our ambitious 100% clean energy by 2045 goals. These tax credits help us reach our renewable portfolio standards (RPS). Furthermore, completely eliminating the renewable energy tax credit could inevitably affect the PUC's ability to enforce HRS §269-92.

> HRS §269-92 Renewable portfolio standards[1]:
>
> (c) If the public utilities commission determines that an electric utility company failed to meet the renewable portfolio standard, after a hearing in accordance with chapter 91, the utility shall be subject to penalties to be established by the public utilities commission; provided that if the commission determines that the electric utility company is unable to meet the renewable portfolio standards due to reasons beyond the reasonable control of an electric utility, as set forth in subsection (d), the commission, in its discretion, may waive in whole or in part any otherwise applicable penalties.

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[1]See: https://www.capitol.hawaii.gov/hrscurrent/Vol05_Ch0261-0319/HRS0269/HRS_0269-0092.htm

(d) Events or circumstances that are outside of an electric utility company's reasonable control may include, to the extent the event or circumstance could not be reasonably foreseen and ameliorated:

(1) Weather-related damage;
(2) Natural disasters;
(3) Mechanical or resource failure;
(4) Failure of renewable electrical energy producers to meet contractual obligations to the electric utility company;
(5) Labor strikes or lockouts;
(6) Actions of governmental authorities that adversely affect the generation, transmission, or distribution of renewable electrical energy under contract to an electric utility company;
(7) Inability to acquire sufficient renewable electrical energy due to lapsing of tax credits related to renewable energy development;
(8) Inability to obtain permits or land use approvals for renewable electrical energy projects;
(9) Inability to acquire sufficient cost-effective renewable electrical energy;
(10) Inability to acquire sufficient renewable electrical energy to meet the renewable portfolio standard goals beyond 2030 in a manner that is beneficial to Hawaii's economy in relation to comparable fossil fuel resources;
(11) Substantial limitations, restrictions, or prohibitions on utility renewable electrical energy projects; and
(12) Other events and circumstances of a similar nature. [L 2001, c 272, §3; am L 2004, c 95, §5; am L 2006, c 162, §5; am L 2009, c 155, §3; am L 2015, c 97, §2].

Solar energy coupled with a reasonable renewable energy tax credit is necessary to meet our clean energy goals. It is possible that the removal of subsection (k) by the previous committee was a drafting error, as the committee did respond to concerns surrounding amendments to this part of the bill. However as it stands, the SD2 might actually eliminate the tax credit completely. For this reason, we continue to oppose this measure.

Mahalo for the opportunity to provide testimony on SB3036.

<u>SB-3036-SD-2</u>
Submitted on: 3/11/2020 11:25:28 PM
Testimony for EEP on 3/12/2020 8:30:00 AM

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

Comments:

LATE

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

To: The House Committee on Energy & Environmental Protection
From: Brodie Lockard, Founder, 350Hawaii.org
Date: Thursday, March 12, 2020, 8:30 am

In support of SB 3036 SD2

Aloha Chair Lowen and members,

350Hawaii's 6,000 members support SB 3036 SD2.

Investors and developers of renewable energy projects need to know what tax credits they can expect while their projects are awaiting completion. Changes to renewable energy tax credit laws create uncertainty that discourages new renewable energy projects.

This bill would eliminate that uncertainty and encourage development of more renewable energy projects in Hawaii. These projects are indispensable to meeting Hawaii's zero-emissions goals, and they save consumers significant money on their energy bills. The more we can do to encourages them, the better off the State and its citizens will be.

Brodie Lockard
Founder, 350Hawaii.org

LATE

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

clearwayenergygroup.com

Clearway

March 12, 2020

Via Electronic Submittal

Committee on Energy & Environmental Protection
Rep. Nicole E. Lowen, Chair
Rep. Tina Wildberger, Vice Chair
Thursday, March 12, 2020
8:30 am
State Capitol, Room 325

LATE

Nicola Park
Origination Manager, Clearway Energy Group
In support of SB 3036
Relating to Renewable Energy Technologies Tax Credits

Chair Lowen, Vice Chair Wildberger and Members of the Committee:

Clearway Energy Group supports SB 3036 SD2, 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.

SB 3036 would allow utility-scale renewable energy projects that were selected in competitive procurement processes and submitted to the Public Utilities Commission for approval 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.

SB 3036 would bridge this gap and provide the certainty needed for project financing 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 3036, and we look forward to answering any questions you might have on our testimony.

HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

March 12, 2020, 8:30 a.m.
(*Testimony is 2 pages long)*

TESTIMONY IN SUPPORT OF SB 3036 SD2 ***with PROPOSED AMENDMENTS***

Aloha Chair Lowen and Members of the Committee:

Hawaii PV Coalition respectfully supports SB 3036 SD2, which adds clarity about utility-scale projects that are eligible for the existing renewable energy technologies tax credit.

We suggest the following amendments to add additional clarity that utility-scale projects — going forward — are no longer eligible for the tax credit. This makes rational sense: with Hawaii's 100% RPS goals, procurement of renewable projects is essentially mandated going forward. There is no longer a rational need to incentivize these decisions.

Adding the following language would give that clarity:

> (1) For each solar energy system: thirty-five per cent of the actual cost or the cap amount determined in subsection (b), whichever is less; provided ~~that, notwithstanding any law to the contrary and any subsequent amendments to this paragraph or to any applicable law, a~~ no solar energy system, five megawatts in generating capacity or larger, installed and placed in service on commercial property pursuant to a power purchase agreement, either approved by a decision and order issued by the public utilities commission ~~prior to~~ after December 31, 2019, or filed and pending approval by the public utilities commission ~~prior to~~ after December 31, 2019, shall ~~continue to~~ be eligible to receive 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; or

Mahalo for the opportunity to submit these comments.

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

SB-3036-SD-2
Submitted on: 3/11/2020 7:48:50 AM
Testimony for EEP on 3/12/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Noel Morin	Individual	Support	No

Comments:

SB-3036-SD-2
Submitted on: 3/11/2020 8:23:08 AM
Testimony for EEP on 3/12/2020 8:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Ha	Individual	Support	No

Comments:

LATE

SB-3036-SD-2
Submitted on: 3/11/2020 9:55:45 PM
Testimony for EEP on 3/12/2020 8:30:00 AM

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

Comments:

Aloha Chair Lowen and members,

As one of 350Hawaii’s 6,000 members, I support SB 3036 SD2.

Investors and developers of renewable energy projects need to know what tax credits they can expect while their projects are awaiting completion. Changes to renewable energy tax credit laws create uncertainty that discourages new renewable energy projects.

This bill would eliminate that uncertainty and encourage development of more renewable energy projects in Hawaii. These projects are indispensable to meeting Hawaii’s zero-emissions goals, and they save consumers significant money on their energy bills. The more we can do to encourages them, the better off the State and its citizens will be.

Dr. John and Debra Nix, Kihei

SB-3036-SD-2
Submitted on: 3/11/2020 11:19:32 PM
Testimony for EEP on 3/12/2020 8:30:00 AM

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

Comments:

To: The House Committee on Energy & Environmental Protection
From: Tlaloc Tokuda
Date: Thursday, March 12, 2020, 8:30 am

In support of SB 3036 SD2

LATE

Aloha Chair Lowen and members,

I am your constiuennt and i am happy you are introducing this bill. As one of 350Hawaii's 6,000 members, I support SB 3036 SD2.

Investors and developers of renewable energy projects need to know what tax credits they can expect while their projects are awaiting completion. Changes to renewable energy tax credit laws create uncertainty that discourages new renewable energy projects.

This bill would eliminate that uncertainty and encourage development of more renewable energy projects in Hawaii. These projects are indispensable to meeting Hawaii's zero-emissions goals, and they save consumers significant money on their energy bills. The more we can do to encourages them, the better off the State and its citizens will be.

Please pass this bill, mahalo

Tlaloc Tokuda

Kailua Kona HI 96740

SB-3036-SD-2
Submitted on: 3/12/2020 5:39:14 AM
Testimony for EEP on 3/12/2020 8:30:00 AM

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

Comments:

Eliminate the uncertainty and encourage development of more renewable energy projects in Hawaii. These projects are indispensable to meeting Hawaii’s zero-emissions goals, and they save consumers significant money on their energy bills.

A no-brainer.

LATE

SB-3036-SD-2
Submitted on: 3/12/2020 7:53:01 AM
Testimony for EEP on 3/12/2020 8:30:00 AM

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

Comments:

LATE