



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

Telephone:
Web:

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARK B. GLICK
CHIEF ENERGY OFFICER

(808) 451-6648
energy.hawaii.gov

Testimony of
MARK B. GLICK, Chief Energy Officer

before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Tuesday, February 13, 2024
2:05 PM
State Capitol, Conference Room 329 and Videoconference

In Support of
HB 2517, HD1

RELATING TO RENEWABLE ENERGY.

Chair Nakashima, Vice Chair Sayama, and members of the Committee, the Hawai'i State Energy Office (HSEO) supports HB 2517, HD1, that authorizes the counties to establish, by ordinance, an opt-in program that allows an annual payment in lieu of real property taxes on the land or improvements thereon that are actively used to produce or store renewable energy sold to an electric utility.

This measure provides an essential option that may be used by counties at their discretion as an alternative to using the real property tax methodology associated with renewable energy projects. As pointed out in the bill and confirmed by HSEO in its own research, express permission granted by the Legislature through HB 2517, HD1, is necessary to allow counties to pursue and adopt such an alternative approach.

This measure does not impose a requirement upon counties. Instead, it offers counties the option to set payments on a per megawatt nameplate capacity basis in lieu of a property tax assessment that might default to a highest and best use scenario that county and state policy makers may deem to be inconsistent with the state's clean energy and decarbonization policies. By greatly reducing development risk and costs, the optional approach set forth in this bill provides predictability for all parties involved. The benefits to the state upon passage and adoption by one or more of the counties

would be improved prices for power purchase agreements and lower rates for electricity ratepayers and customers. It also would provide counties, such as the City and County of Honolulu, a preferable long-term solution to stop-gap solutions, i.e, Ordinance 21-32 due to its complexity and lack of clarity. HSEO confirmed with the City and County of Honolulu that the provisions of this bill are necessary for the County to take this approach, which upon passage would likely be pursued.

In closing, HSEO views HB 2517, HD1, as an essential measure to help restore consistency and predictability for future tax revenues of counties by reducing the risk that future renewable energy projects will either be more costly or will not be pursued. Passage will ensure Hawaii continues its progress on replacing fossil fueled electricity generation facilities, reducing exposure to oil price volatility, and advancing the state's renewable energy and energy affordability goals.

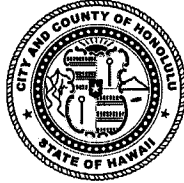
If this measure were to be adopted, HSEO pledges its support to the counties that choose to seek adoption of ordinances for an in-lieu payment program relating to renewable energy projects.

Thank you for the opportunity to testify.

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHĒLU A KĀLĀ
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • WEBSITE: honolulu.gov

RICK BLANGIARDI
MAYOR
MEIA



ANDREW T. KAWANO
DIRECTOR
PO'O

CARRIE CASTLE
DEPUTY DIRECTOR
HOPE PO'O

February 12, 2024

The Honorable Mark M. Nakashima, Chair
The Honorable Jackson D. Sayama, Vice-Chair
and Members of the Committee on Consumer Protection & Commerce
415 South Beretania Street
Honolulu, Hawai'i 96813

Dear Chair Nakashima, Vice-Chair Sayama and Committee Members:

SUBJECT: Testimony in Support of House Bill No. 2517 HD1 (2024)
Hearing: Tuesday, February 13, 2024, 2:05 p.m., Room 329 (via
Videoconference)

The Department of Budget and Fiscal Services, City and County of Honolulu supports House Bill 2517, HD1 (2024) ("HB 2517, HD1"), which gives authority to the counties to enact an ordinance to establish an opt-in annual payment in-lieu-of-property-tax program. This program would allow, in lieu of real property taxes, an annual payment based upon megawatt AC nameplate capacity to the counties from independent renewable energy producers who produce or store renewable energy for sale to an electric utility under a power purchase contract primarily for public consumption.

The City supports the State's goal of reaching a one hundred percent (100%) renewable portfolio standard by December 31, 2045. Real property values and the taxes thereon may fluctuate and occasionally spike, due to factors such as mortgage interest rates, housing inventory levels and demand, and the general state of the economy. Implementing an annual opt-in payment program described in HB 2517, HD1 may provide financial certainty to renewable energy producers under long-term power purchase contracts, while also minimizing lost revenues to participating counties.

The Honorable Mark M. Nakashima, Chair
The Honorable Jackson D. Sayama, Vice-Chair
and Members of the Committee on Consumer Protection & Commerce
February 12, 2024
Page 2

The City respectfully requests that the Committee pass HB 2517, HD1 without further amendments. Thank you for the opportunity to offer these comments.

Sincerely,

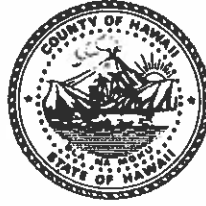

Andrew T. Kawano
Director

APPROVED:


Michael D. Formby
Managing Director

Mitchell D. Roth
Mayor

Deanna S. Sako
Managing Director



Diane Nakagawa
Finance Director

Aaron K.H. Brown
Deputy Director

County of Hawai'i

DEPARTMENT OF FINANCE - REAL PROPERTY TAX

Aupuni Center • 101 Pauahi Street • Suite No. 4 • Hilo, Hawai'i 96720-4224 • Fax (808) 961-8415
Appraisers (808) 961-8354 • Clerical (808) 961-8201 • Collections (808) 961-8282
West Hawai'i Civic Center • 74-5044 Ane Keohokalole Hwy. • Bldg. D, 2nd Flr. • Kailua Kona, Hawai'i 96740
Fax (808) 327-3538 • Appraisers (808) 323-4881 • Clerical (808) 323-4880

February 12, 2024

To: Honorable Chair, Mark M. Nakashima
Honorable Vice Chair, Jackson D. Sayama
Committee on Consumer Protection & Commerce

From: Lisa Miura, Real Property Tax Administrator
Keita Jo, Assistant Real Property Tax Administrator
County of Hawai'i

Subject: Comments on HB 2517, Relating to payment in lieu of real property tax for renewable generation improvements

We would like to humbly request that the Committee on Consumer Protection & Commerce pass HB 2517 with no drafts. The County of Hawai'i, Department of Finance, Real Property Tax Division supports this bill as it gives authority to the counties to enact an ordinance to establish a payment in lieu of property tax program. This would allow an annual payment from independent renewable energy producers based upon per megawatt nameplate capacity in lieu of real property taxes. These independent renewable energy producers produce or store renewable energy for sale to an electric utility under a power purchase contract primarily for public consumption. These independent renewable energy producers are not considered to be eligible for the Public Utilities Commission which allows for the participation in the current payment in lieu of real property taxes program already established by the State of Hawai'i HRS 239-5; HRS 269-1 and County of Hawai'i HCC 19-53.1.

Real property values and therefore real property taxes fluctuate and in recent years have drastically increased. The payment in lieu of property tax program as detailed in HB 2517 provides financial certainty to renewable energy producers under long term power purchase contract.

Sincerely,

Lisa Miura
Real Property Tax Administrator

Keita Jo
Assistant Real Property Tax Administrator

DEPARTMENT OF FINANCE

MICHELLE L. LIZAMA, DIRECTOR OF FINANCE
CHELSIE A. SAKAI, DEPUTY DIRECTOR OF FINANCE



DEREK S.K. KAWAKAMI, MAYOR
REIKO MATSUYAMA, MANAGING DIRECTOR

Testimony of Michelle L. Lizama Director of Finance, County of Kauai

Before the
Committee on Consumer Protection & Commerce
Tuesday February 13, 2024; 2:05 p.m.
Conference Room 329
Via Video Conference
In consideration of

House Bill 2517 HD1
Relating to Renewable Energy

The Honorable Chair, Mark M. Nakashima, and Members of the House Committee on Consumer Protection & Commerce:

The County of Kaua'i, Department of Finance supports House Bill 2517, House Draft 1 (2024) ("HB 2517, HD1"), which gives authority to the counties to enact an ordinance to establish a payment in-lieu-of-property-tax program. The payment in-lieu-of-property-tax program would supplant the current ad valorem method of calculating real property taxes for renewable energy producers by giving greater certainty for future property tax liabilities. Fixing the annual payment to the megawatt nameplate alternating current capacity for public consumption that is sold to our electric utility cooperative under a power purchase contract allows developers to enter into fixed price contracts.

The County of Kaua'i supports the State's goal of reaching a one hundred percent (100%) renewable portfolio standard by December 31, 2045. Real property values and their associated property taxes often fluctuate, with occasional spikes due to factors such as low interest rates, low inventory level, high demand, and the general state of the economy. The payment in-lieu-of-property-tax program described in HB 2517, HD1 may provide financial certainty to renewable energy producers under long-term power purchase contracts, whilst minimizing lost revenues to the counties through an annual payment based upon the renewable energy projects' megawatt nameplate alternating current capacity.

The County of Kaua'i respectfully requests that the Committee pass HB 2517, HD1 without amendments. Thank you for the opportunity to offer these comments.

Should you have any questions, please contact me at 808.241.4200 or mlizama@kauai.gov

Sincerely,


Michelle Lizama (Feb 13, 2024 08:54 HST)

Michelle L. Lizama
Director of Finance



Email: communications@ulupono.com

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Tuesday, February 13, 2024 — 2:05 p.m.

Ulupono Initiative supports HB 2517 HD1, Relating to Renewable Energy.

Dear Chair Nakashima and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy, clean transportation choices, and better management of freshwater resources.

Ulupono supports HB 2517 HD1, which allows the counties to establish, by ordinance, an opt-in program that allows an annual payment in lieu of real property taxes on the land or improvements thereon that are actively used to produce or store renewable energy that is sold to an electric utility.

Ulupono supports the State's commitment to generate 100% of its electricity from renewable energy sources by 2045. In addition, the Hawai'i State Energy Office recently published its Hawai'i Pathways to Decarbonization Report, which identifies, among other things, the significant need for additional renewable energy generation to meet broader economy-wide decarbonization goals.¹ To achieve these goals, all counties will undoubtedly need to rely on commercial-scale renewable energy projects. Ulupono supports the intent of this measure to ease the newly created tax burden on certain renewable energy projects.

Ulupono believes that counties should also be cognizant of the process by which renewable energy developers establish their pricing. Increasing property taxes for existing and future renewable energy projects will almost certainly increase the cost of renewable energy and affect the viability/timeline of renewable energy projects in development, slowing the pace at which Hawai'i can achieve its 2045 clean energy goal.

We appreciate the State's attempt to allow positive county alternatives to support renewable energy projects across Hawai'i.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

¹ Hawai'i Pathways to Decarbonization Act 238, Session Laws of Hawai'i 2022, Report to the 2024 Hawai'i State Legislature December 2023. <https://energy.hawaii.gov/wp-content/uploads/2024/01/Act-238-HSEO-Decarbonization-Report.pdf>



Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
Committee on Consumer Protection & Commerce

Tuesday, February 13, 2024; 2:05 p.m.
Conference Room 329 & Videoconference

RE: HB 2517 HD1 Relating to Renewable Energy – In Support

Aloha Chair Nakashima, Vice Chair Sayama and members of the Committee:

I am writing to express my support for HB 2517 HD1, on behalf of Longroad Energy. I have worked in renewable energy development in Hawai'i for the past 16 years for several different development companies and have led the development of about 50% of the utility scale wind and solar projects that are operating today in our state.

One of the risks in developing large energy projects in Hawai'i is that a county could decide to increase property tax rates **after** an energy project has locked in its price in a contract with the utility – or even after a project has finished construction. This happened to First Wind on Maui. After the Kaheawa Wind project was built and began operating, Maui County increased property taxes on wind energy projects, and the project's tax bill went up significantly, with no way to adjust pricing to compensate. More recently, in the City and County of Honolulu, a change in interpretation of tax rules led to a significant increase in property taxes for some large solar projects that had already been completed. Of course, counties should be able to set property taxes as they deem appropriate, but energy projects need some certainty in their future tax payments, so they can continue to build clean energy projects and keep energy prices as low as possible and reduce electricity costs to consumers.

The proposed bill would allow counties to set a predictable dollar amount, in the form of a payment in lieu of taxes. If passed, the bill would establish a mechanism to enable counties to receive substantial revenue from large energy projects -- and enable energy developers to make a predictable payment, for the duration of the project. Counties are not required to implement this bill; but it offers them an alternative to facilitate more clean energy projects on their islands.

This bill will encourage more energy companies to do business in Hawaii, raise more revenue for counties, and help **reduce electricity bills for Hawai'i's residents and businesses**.

We ask for your favorable consideration in passing HB 2517 HD1. Thank you.

Mahalo,

A handwritten signature in black ink, appearing to read "Wren W. Wescoatt", written in a cursive style.

Wren W. Wescoatt
Vice President of Development
wren.wescoatt@longroadenergy.com
808-780-1000



Hawaii Solar Energy Association
Serving Hawaii Since 1977

Testimony of The Hawaii Solar Energy Association (HSEA) Regarding HB2517 HD1, Relating to Renewable Energy, Before the House Committee on Consumer Protection and Commerce

February 13, 2024

Aloha Chair Nakashima, Vice Chair Sayama and committee members:

The Hawaii Solar Energy Association (HSEA) **supports HB2517 HD1**, which authorizes the counties to establish by ordinance an opt-in payment in-lieu of taxation (PILOT) program for renewable energy projects.

HSEA members include the majority of locally owned and operated renewable energy companies doing business in the state of Hawaii along with leading global cleantech manufacturers and service providers that invest and sell in our market. We employ thousands of residents in diverse green economy jobs that are innovating, designing, and building Hawaii's pathway to a renewable energy future. We advocate for policies that help Hawaii achieve critical climate and resilience goals by enabling residents and businesses to invest in and benefit from the transition to clean energy. These investments provide reliable and affordable power that reduces energy cost burden and contributes to Hawaii's energy security as we decarbonize our economy and electric grid.

Renewable energy projects on agricultural or other lands as contemplated in this bill should not be classified and taxed at the same rates as industrial properties because they have markedly different attributes, benefits, and impacts.

First, larger-scale renewable energy generation and storage projects are critical components of Hawaii's resilience and sustainability goals that benefit the public and therefore are rightly incentivized by state and county policies -- a countervailing city or county policy that suppresses the market for these projects would work against these clearly understood objectives.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

Second, renewable energy projects are not permanent and can be removed from properties with the land reverting back to prior use with little or no significant degradation. Solar and storage farms if properly permitted and constructed do not create “brownfields.”¹

Third, solar panels and energy storage can co-exist with and enhance agricultural practices and therefore support food security and resilience and the preservation of agricultural lands.

Finally, independent power producers that develop energy generation and storage projects for Hawaii’s electric grid should not be treated differently than utility-owned properties that serve the same purpose and need and receive property tax exemptions or otherwise favorable treatment.

We appreciate the collaborative efforts to remove confusion in the market and ensure consistent, appropriate, and fair treatment of renewable energy projects that sell energy to public utilities. We will continue to advocate for additional improvements and this bill offers a viable compromise path forward.

Thank you for the opportunity to testify in **support of HB2517 HD1**.

Respectfully,

/s/ Rocky Mould

Rocky Mould
Executive Director

¹ From the OED, a *brownfield* is defined as “a former industrial or commercial site where future use is affected by real or perceived environmental contamination.”



**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

**HB 2517, HD1
Relating to Renewable Energy**

Tuesday, February 13, 2024
2:05 PM
State Capitol, Conference Room 329

Greg Shimokawa
Director, Renewable Acquisition
Hawaiian Electric

Dear Chair Nakashima, Vice Chair Sayama, and Members of the Committee,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian Electric in **support** of HB 2517, HD1, Relating to Renewable Energy.

This bill proposes to amend HRS Chapter 46, by adding a new section that allows a county the option to impose an annual in-lieu payment on land or improvements on land that are actively used to produce or store renewable energy that is sold to an electric utility, provided that: (1) the ordinance also exempts renewable energy projects from one hundred per cent of real property taxes; and (2) the payment may be determined by the county on a per megawatt nameplate alternating current (AC) capacity basis.

Hawaiian Electric supports HB 2517, HD1, as it is a creative solution to help mitigate the potential negative impacts of real property tax fluctuations on the viability of renewable energy projects. It sets forth a clear and simple calculation of the annual in-lieu payment that will be determined on a per megawatt nameplate AC capacity basis.

Thank you for this opportunity to testify in support of HB 2517, HD 1.

Clearway Energy Group
100 California St, Suite 650
San Francisco, CA 94111



February 12, 2024

Via Electronic Submittal

Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair
House Consumer Protection & Commerce Committee

Tuesday, February 13, 2024; 2:05 p.m.
Conference Room 329 & Videoconference

RE: HB 2517 HD1 - Relating to Renewable Energy – In Support

Aloha Chair Nakashima, Vice Chair Sayama and members of the Committee:

Clearway Energy Group ("Clearway") is in strong support of HB 2517 HD1, which allows the counties to establish, by ordinance, an opt-in program that allows an annual payment in lieu of real property taxes on the land or improvements thereon that are actively used to produce or store renewable energy that is sold to an electric utility.

This bill addresses the importance of policy certainty in enabling the financing, construction, and operation of renewable energy projects in Hawaii. Long-term certainty relating to the structure of property taxation for renewable energy projects is essential for the State to be able to achieve its ambitious renewable energy goals. This bill gives the Counties another potential policy approach for achieving these goals by way of a Payment in Lieu of Taxes (PILOT).

To make both investment and sustainable operation viable, renewable energy projects must be able to maintain predictable expenses and revenues over time. All of Clearway's projects, as well as other utility-scale renewable energy projects with Hawaiian Electric, are contracted under long-term, fixed-price power purchase agreements. These fixed-price contracts provide 100% of the ongoing revenue to the projects and must cover all operating expenses along with the projects' debt service. The cost and availability of financing for renewable energy projects is dependent upon the risk and variability in the projects' revenues and expenses. Fixed-price contracts typically enable low financing costs, reducing the total cost of the project and enabling greater ratepayer savings – but

this is only possible if variability in expenses, including property taxes, can also be controlled.

Because it takes years to develop and construct utility-scale renewable energy projects, developers must estimate the property taxes to be paid over the term of the contract at the time they submit bids into a competitive solicitation. While project budgets are set to accommodate normal variability in property taxes over time, they cannot accommodate a change in land classification for real property tax purposes or a change in the assessment method for land or equipment that would result in taxes being substantially different from the status quo as of the time the projects were contracted.

If the Counties had the authority to and chose to provide a fixed option such as a PILOT that could be reliably calculated upfront for the duration of the project's contract, this would reduce uncertainty and would make possible even lower-cost financing for renewable energy projects, which would translate to lower power prices for utility ratepayers.

Thank you for the opportunity to submit testimony in support. We ask for your favorable consideration in passing this measure.

Nicola Park
Director, Hawaii
Clearway Energy Group



P.O. Box 1459
Kahului, Hawaii 96733
Phone (808) 877-3144
Fax (808) 877-5030
www.biodiesel.com

February 12, 2024

TESTIMONY ON HB 2517 HD1, RELATING TO RENEWABLE ENERGY
SUPPORT

LATE

Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair
Committee on Consumer Protection & Commerce

Hearing: February 13, 2024, at 2:05PM, Conf Room 329

Aloha Chair Nakashima, Vice Chair Sayama and Members of the Committees,

Pacific Biodiesel supports HB 2517 HD1 which facilitates the private sector's development of renewable energy projects.

New investments are needed to incentivize existing producers of biofuels to increase production of firm renewable energy and to encourage new producers to begin production. This bill allows the counties to give producers a very important incentive to invest further in firm renewable fuel production in Hawaii. Past investments in renewable fuels succeeded in promoting local investments in cleaner fuels and moving us closer to energy independence and security. Continuing this support sends the correct signal for new and continued investments in this firm renewable energy.

Hawaii's utility companies rely on and need more of Pacific Biodiesel's locally produced firm renewable energy. HRS section 269-92(a) requires each electric utility company that sells electricity for consumption in the State to establish a renewable portfolio standard of forty percent of its net electricity sales by December 31, 2030, seventy percent of its net electricity sales by December 31, 2040, and one hundred percent of its net electricity sales by December 31, 2045. In order for electric utility companies to meet the required renewable portfolio standards by 2045, an indispensable component of the electric utility companies' renewable portfolio standard must include sufficient locally sourced firm renewable energy sources to offset the intermittent nature of wind and solar power renewable energy.

Biodiesel allows for an immediate reduction of greenhouse gas emissions. Our biodiesel is a 100% renewable Advanced Biofuel that is a crucially important firm renewable power source in Hawaii to back up other renewables on the grid. And, more importantly now than ever, Hawaii's locally produced biodiesel is supporting energy security in our island state and reducing reliance on imported fossil fuel. **It is a direct replacement for petroleum diesel fuel that can be used right now in any diesel engine without modification, helping to reduce greenhouse gas emissions by 86% compared to petroleum diesel.**

The further we move towards our goal of 100% renewable, the more critical firm energy like liquid biofuel sources will be. At Pacific Biodiesel's refinery on Hawaii Island, we produce 6 million gallons per year of premium distilled biodiesel – the equivalent of 220 MWh per DAY of 100% renewable energy for Hawaii. **But, building up the supply is a long process. We must accelerate implementation and support additional local production now to meet expanding demand in the future and to ensure that our firm energy needs can be met with firm renewable energy by 2045.**

renewable • sustainable • community-based

Pacific Biodiesel

Testimony - SUPPORT HB 2517 HD1

February 12, 2024

Page 2 of 2

Mahalo,

A handwritten signature in black ink that reads "Robert A. King". The signature is written in a cursive style with a large initial 'R' and 'K'.

Robert A. King, President
Pacific Biodiesel Technologies, LLC