



# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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MARK B. GLICK  
CHIEF ENERGY OFFICER

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Testimony of  
**MARK B. GLICK, Chief Energy Officer**

before the  
**SENATE COMMITTEES ON GOVERNMENT OPERATIONS  
AND  
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

Tuesday, February 13, 2024  
3:10 PM  
State Capitol, Conference Room 225 & Videoconference

In Support of  
**SB 2770**

**RELATING TO RENEWABLE ENERGY.**

Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai, and members of the Committees, the Hawai'i State Energy Office (HSEO) supports SB 2770 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 SB 2770 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 SB 2770 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.

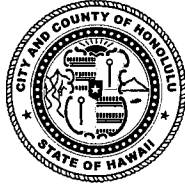
If this measure were to be adopted, HSEO pledges its support to the counties that choose to seek adoption of ordinances for an in-lieu payment program relating to renewable energy projects.

Thank you for the opportunity to testify.

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

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RICK BLANGIARDI  
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ANDREW T. KAWANO  
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PO'O

CARRIE CASTLE  
DEPUTY DIRECTOR  
HOPE PO'O

February 12, 2024

The Honorable Angus L.K. McKelvey, Chair  
The Honorable Mike Gabbard, Vice-Chair  
and Members of the Senate Committee on Government Operations  
415 South Beretania Street  
Honolulu, Hawai'i 96813

The Honorable Lynn DeCoite, Chair  
The Honorable Glenn Wakai, Vice-Chair  
and Members of the Senate Committee on Energy, Economic Development  
and Tourism  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Dear Chairs McKelvey and DeCoite, Vice-Chairs Gabbard and Wakai and  
Committee Members:

**SUBJECT: Testimony in Support of Senate Bill No. 2770 (2024)**  
Hearing: Tuesday, February 13, 2024, 3:10 p.m., Room 225  
via video conference

The Department of Budget and Fiscal Services, City and County of Honolulu supports Senate Bill 2770 (2024) ("SB 2770"), 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 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. The payment in-lieu-of-property-tax

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and Tourism  
February 12, 2024  
Page 2

program described in SB 2770 may provide financial certainty to renewable energy producers under long-term power purchase contracts, while also minimizing lost revenues to the counties.

The City respectfully requests that the Committee pass SB 2770 without amendments. Thank you for the opportunity to offer these comments.

Sincerely,

  
Andrew T. Kawano  
Director

APPROVED:

  
Michael D. Formby  
Managing Director



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEES ON GOVERNMENT OPERATIONS AND ENERGY, ECONOMIC DEVELOPMENT, &  
TOURISM

Tuesday, February 13, 2024 — 3:10 p.m.

**Ulupono Initiative supports SB 2770, Relating to Renewable Energy.**

Dear Chair McKelvey, Chair DeCoite, and Members of the Committees:

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 SB 2770**, 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.<sup>1</sup> 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

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<sup>1</sup> 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>



Senator Angus McKelvey, Chair  
Senator Mike Gabbard, Vice Chair  
Committee on Government Operations

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair  
Committee on Energy, Economic Development, and Tourism

Tuesday, February 13, 2024; 3:10 p.m.  
Conference Room 225 & Videoconference

**RE: SB 2770 Relating to Renewable Energy – In Support**

Aloha Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai and members of the Committees:

I am writing to express my support for SB 2770, 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 SB 2770. 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](mailto:wren.wescoatt@longroadenergy.com)  
808-780-1000



**Hawaiian  
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEES  
ON GOVERNMENT OPERATIONS  
AND  
ENERGY, ECONOMIC DEVELOPMENT, & TOURISM**

**SB 2770  
Relating to Renewable Energy**

Tuesday, February 13, 2024  
3:10 PM  
State Capitol, Conference Room 225

Greg Shimokawa  
Director, Renewable Acquisition  
Hawaiian Electric

Dear Chair McKelvey, Chair DeCoite, Vice Chair Gabbard, Vice Chair Wakai, and  
Members of the Committees,

My name is Greg Shimokawa and I am testifying on behalf of Hawaiian  
Electric in **support** of SB 2770, 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 SB 2770, 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 SB 2770.

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



February 12, 2024

Via Electronic Submittal

Senator Angus McKelvey, Chair  
Senator Mike Gabbard, Vice Chair  
Senate Government Operations Committee

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair  
Senate Energy, Economic Development, and Tourism Committee

Tuesday, February 13, 2024; 3:10 p.m.  
Conference Room 225 & Videoconference

**RE: SB 2770 - Relating to Renewable Energy – In Support**

Aloha Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai and members of the Committees:

Clearway Energy Group (“Clearway”) is in strong support of SB 2770, 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



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February 12, 2024

## TESTIMONY ON SB 2770, RELATING TO RENEWABLE ENERGY

### SUPPORT

Senator Angus L.K. McKelvey, Chair  
Senator Mike Gabbard, Vice Chair  
Committee on Government Operations

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair  
Committee on Energy, Economic Development, and Tourism

Hearing: February 13, 2024, at 3:10PM, Conf Room 225

Aloha Chairs McKelvey and DeCoite, Vice Chairs Gabbard and Wakai and Members of the Committees,

Pacific Biodiesel supports SB 2770 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 provides the counties to gives 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**

*renewable • sustainable • community-based*

**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.**

Mahalo,



Robert A. King, President  
Pacific Biodiesel Technologies, LLC

Statement of  
**Stanley J. Osserman Jr., President**  
Tigershark, LLC  
Before the  
**Senate Committee on Government Operations**  
**AND**  
**Senate Committee on Energy, Economic Development and Tourism**  
13 February 2024  
3:10 pm  
State Capitol Conference Room #225  
In consideration of  
**SB2770**  
**Relating to Renewable Energy**

Chair McKelvey

Vice Chair Gabbard and Distinguished Committee Members:

Chair DeCoite

Vice Chair Wakai and Distinguished Committee Members:

I stand in support of this bill.

As the former director of the Hawaii Center for Advanced Transportation Technologies (HCATT; 2013 to 2019), Hawaii Department of Business, Economic Development and Tourism (DBEDT), I continue to serve our state by promoting, among other things, clean renewable energy solutions. This testimony is NOT being given for compensation of any kind by any corporate or commercial entity. I am presenting to you today as a concerned "Life-Long" citizen of the State of Hawaii with extensive professional experience in energy systems, retail and wholesale business, military matters, international commerce, aviation, construction, maritime operations, and public safety, among others. My goal is to help our government leaders, local, state, and federal, make good strategic choices.

Hawaii has struggled to aggressively meet our Renewable Portfolio Standard (RFP). Finding innovative options to incentivize distributed generation options that help reach our goals is critical, and this bill will help in that effort! With increasing interest rates and challenges in obtaining "start-up" capital. Bills like this help a lot.

Hawaii is "Late to need" in moving away from fossil fuels to cleaner power generation options. Thanks for helping us catch up by including practical options to build and finance more private sector clean energy!!!

Brigadier General, Stanley J. Osserman Jr. (USAF Ret.)

President, Tigershark, LLC