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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE Committee on ENERGY & ENVIRONMENTAL PROTECTION

Tuesday, February 1, 2022
9:00 AM
State Capitol, Conference Room 325

in SUPPORT of
HB 1637
RELATING TO RENEWABLE ENERGY.

Chair Lowen, Vice Chair Marten, and Members of the Committee, the Hawai‘i State Energy Office (HSEO) supports HB 1637, which prohibits the counties from imposing a real property tax on land or land improvements used for the production or storage of renewable energy that is sold to an electric utility, and permits a county to impose an annual fee of up to $1,000 per megawatt of nameplate AC capacity generated by a renewable energy project that is actively producing and selling energy to an electric utility and sited on real property within that county.

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

The State of Hawai‘i achieved a 36% renewable portfolio standard in 2020. The goals of transitioning to 100% renewable energy and achieving net negative carbon emissions by 2045 will require replacing the remaining majority of Hawai‘i’s electricity generation facilities with numerous renewable energy projects.

A recent situation occurred where county property tax assessments were suddenly and dramatically increased on certain renewable energy projects, existing and under development.

Such increases in tax liability significantly impact renewable energy project finances, in turn affecting project viability. In such situations, the developer of the project must either absorb the cost or seek to re-negotiate the contract terms with the electric utility and seek approval from the Public Utilities Commission (PUC). Due to the successful nature of competitive bidding, projects are not able to absorb such sudden and dramatic tax liability increases. This creates a chilling effect on renewable energy project development.

If projects were able to re-negotiate contracts and receive approvals for the cost increases, increased prices would ultimately be passed on to the electricity customer, impacting the electric bills of a given county's residents. Low- and middle-income residents bear a higher burden because they use a greater percentage of their limited funds on electricity and have limited ability to reduce electricity expenses. Moreover, developers are now requesting de-risking of such tax liability in requests for proposals and power purchase agreement negotiations outside of the county in which the sudden tax increase occurred, which translates into higher prices throughout the state. In effect, these types of tax increases on renewable energy projects are regressive taxes on our most vulnerable people throughout Hawai'i.

HSEO supports a long-term solution that provides for tax predictability and does not increase the tax liability that was in place at the time the existing and under-development projects were financed, competitively bid, and approved by the Public Utilities Commission. This bill's approach provides predictability for all parties involved.

HSEO has been and will continue to work with all parties to develop long-term solutions that provide consistency and predictability for both the counties' finances as well as for the contracting and financing of existing and future renewable energy projects needed to replace the fossil fueled electricity generation facilities, protect Hawai'i's most vulnerable ratepayers, and advance the state's renewable energy goals.

HSEO is grateful to everyone involved in these efforts for their support and collaboration to achieve appropriate taxation for renewable energy projects.

Thank you for the opportunity to testify.