



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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

Wednesday, March 16, 2022
3:00 PM
State Capitol, Conference Room 224 & Videoconference

**SUPPORT
HB 1637 HD1
RELATING TO RENEWABLE ENERGY.**

Chairs Wakai and Moriwaki, Vice Chairs Misalucha and Dela Cruz, and Members of the Committees, the Hawai'i State Energy Office (HSEO) supports HB 1637 HD1, which authorizes a county to impose an annual in-lieu fee on land or improvements on land that are actively used to produce or store renewable energy that is sold to an electric utility, under certain conditions.

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.

A recent situation occurred where county property tax assessments were suddenly and dramatically increased on certain renewable energy projects on O'ahu. Such increases in tax liability significantly impact renewable energy project finances, in turn affecting project viability for renewable energy projects that are currently operational and projects under-development which were selected during a competitive procurement process.

While the situation was partially remedied by the City and County of Honolulu's adoption of [Ordinance 21-32](#), HSEO has outstanding concerns due to the ordinance's ambiguity. Therefore, 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. HB 1637 HD1's approach provides predictability for all parties involved if adopted by each of the counties. Additionally, if adopted by the counties, the bill provides tax certainty that will encourage more renewable energy development throughout the state in the future.

HSEO understands various amendments have been recommended for consideration in the bill, of which HSEO is generally supportive and believes further discussion and consideration would be helpful. 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 looks forward to working with the counties to adopt an appropriate in-lieu fee for renewable energy projects within their respective real property tax ordinances. This bill, or subsequent draft substantially similar in nature and effect, will provide the first step in adoption at the county level across the state.

Thank you for the opportunity to testify.