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

Friday, March 18, 2022
3:10 PM
State Capitol, Conference Room 224 and via Videoconference

**SUPPORT
HB 2090 HD2
RELATING TO ZERO EMISSION TRANSPORTATION.**

Chairs Wakai and Lee, Vice Chairs Misalucha and Inouye, and Members of the Committees, the Hawai'i State Energy Office (HSEO) supports HB 2090 HD2, which establishes a zero-emission transportation rebate program within the Public Utilities Commission (PUC) to enable low- and moderate-income (LMI) families greater access to zero-emission vehicles by providing a rebate on the point-of-sale purchase price of zero-emission vehicles.

HB 2090 HD2 supports the proliferation of zero-emission transportation options, including micro-mobility options, which increase transportation efficiency and can reduce fossil-fuel powered vehicle miles traveled and related transportation emissions.

For Hawai'i to achieve its goal of a net-negative carbon economy as soon as practicable but no later than 2045 it is essential that everyone is afforded the opportunity to participate in the net-negative carbon economy from an equity, economic, and technical perspective.

Program funding available for rebates is estimated to be roughly \$1 million per year. This is a relatively small program designed to make a difference to a specific market segment that is often overlooked. Given the size of the program and importance

of the market segment it is important to move forward expeditiously to implement the program.

The relatively small size of the program mitigates concerns that the rebate program would disrupt the EV market here in Hawai'i. DBEDT's monthly energy trends, which reports the number of active registrations of taxable vehicles, shows an increase of approximately 4,300 electric vehicles in 2021. If one hundred percent of the funds from the program were used for EV rebates and the rebate was set at \$5,000 per vehicle, approximately 200 vehicles could receive a rebate. At a \$10,000 rebate per vehicle, approximately 100 vehicles could receive a rebate. While small relative to the growing EV market, it is a critically important program in reaching the LMI community, as exposure is one of the key components for acceptance of clean transportation options. When more consumers see adoption of vehicles in their neighborhoods, acceptance will likely increase. Programs such as this one help to provide equity and opportunity for more individuals to participate as Hawai'i moves to decarbonize the transportation sector.

HSEO supports the Motor Vehicle Industry Licensing Board suggested amendment to the definition of "Qualifying vehicle" to address concerns related to the requirements for licensure set forth in Hawai'i Revised Statutes Chapter 437 provided in testimony to the House Committee on Finance.

In response to concerns raised in previous committee hearings, in particular by the House Committee on Consumer Protection & Commerce in its [Standing Committee Report 599-22](#) regarding the potential tension between flexibility and specificity on the rebate amounts, income requirements, eligible vehicles, and the potential for rebate recipients to quickly resell the vehicle for profit, HSEO offers the following comments with a note for the preference to maintain as much flexibility as reasonable to the program administrator.

Oregon's Charge Ahead Rebate, part of the Oregon Clean Vehicle Rebate Program¹ has required amendments to the original statute for criteria such as income requirements, and rebate amounts, and increased the pool of eligible applicants,

¹ <https://www.oregon.gov/deq/aq/programs/Pages/ZEV-Rebate.aspx>

highlighting the issue of amending program requirements in statute and the ability of those statutory requirements to keep up with a rapidly evolving market such as electric vehicles.

If the Legislature prefers specificity in statute for the rebate amount for qualifying vehicles, HSEO recommends that the amount be set “up to” a maximum amount such as \$10,000, to allow the program administrator the flexibility to set the amount lower if found necessary to ensure success of the program. HSEO would also recommend that no rebates be allowed in excess of 50% of the sale price of any qualifying vehicle. This ensures that the rebates are available for a greater number of recipients.

If the Legislature prefers specificity in statute for qualifying vehicles, HSEO recommends the new or used vehicle selling price for eligible vehicles to be connected to a maximum MSRP or selling price, such as set similarly to Oregon’s Charge Ahead Rebate, which recently raised the MSRP for eligible new vehicles to be up to \$60,000. Used vehicle eligibility could be based on the original MSRP or sale price, whichever is lower.

If the Legislature prefers specificity in statute for income requirements, HSEO recommends that the requirement be set at up to 400% of the federal poverty limit. Using the federal poverty limit provides consistent application across the state regardless of where a rebate recipient lives. One of the goals of the program is to incentivize the marginal buyer to choose an EV over an internal combustion engine vehicle. Including the language of “up to” when setting limits allows the program administrator the flexibility necessary to adjust the program to capture the marginal buyer.

If the Legislature prefers specificity in statute to reduce the likelihood for a rebate recipient to quickly resell the vehicle for profit, HSEO suggests adding the following language:

If a rebate recipient intends to sell the qualifying vehicle or terminate the qualifying vehicle lease before the end of 24 months, the rebate recipient shall notify the administrator of the program of the recipient’s intent to sell the vehicle or

terminate the lease and shall reimburse the administrator for the entire rebate amount.

HSEO would also support prorating the reimbursement amount to reduce the potential burden on rebate recipients.

The flexible approach proposed in HB 2090 HB2 is applying lessons learned from Hawai'i's own existing EV Supply Equipment (EVSE) rebate, which was first established in Act 142 (Session Laws of Hawai'i 2019). By establishing the program at the PUC, the PUC was able to develop an effective, successful program with input from stakeholders in a public process. The PUC has demonstrated that they can effectively administer rebate programs.

Should the Legislature establish a low- to moderate-income zero-emission vehicle rebate program, as proposed in this measure, HSEO supports adding appropriation language for this program as proposed by the PUC:

There is appropriated out of the zero-emission vehicle subaccount within the public utilities commission special fund the sum of \$1,500,000 or so much thereof as may be necessary for fiscal year 2022-2023 for the low- to moderate-income zero-emission vehicle rebate program established pursuant to sections 269- and 269-73, Hawaii Revised Statutes.

HSEO defers to the appropriate agencies for comment on the administration and fiscal impacts of this program addition.

Thank you for the opportunity to testify.