

Honolulu, Hawaii

FEB 17 2011

RE: S.B. No. 772
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2011
State of Hawaii

Sir:

Your Committees on Economic Development and Technology and Energy and Environment, to which was referred S.B. No. 772 entitled:

"A BILL FOR AN ACT RELATING TO BIOFUEL FACILITIES,"

beg leave to report as follows:

The purpose and intent of this measure is to support the production of renewable energy by amending the Ethanol Facility Tax Credit to:

- (1) Change all references from "ethanol" to "biofuel" and expand the facility tax credit to include various biofuels;
- (2) Require a qualifying facility to be located within the State and to utilize locally grown feedstock for at least seventy-five percent of its production output;
- (3) Replace the amount of certified credits from \$12,000,000 to \$20,000,000; and
- (4) Remove the forty million gallon per year production cap.

Your Committees received testimony in support of this measure from Hawaiian Electric Company, Inc.; Hawaii BioEnergy, LLC; Pacific Biodiesel, Inc.; and Blue Planet Foundation. Your Committees received comments on this measure from the Department



of Business, Economic Development, and Tourism; Department of Taxation; and Tax Foundation of Hawaii.

Your Committees find that the Ethanol Facility Tax Credit was established in 2004, and since that time the production costs of both ethanol and biofuel have risen significantly. In particular, the biofuel industry has been struggling under recent economic conditions as well as fluctuating petroleum prices, and many biodiesel production facilities throughout the United States are running at reduced capacity or have shut down entirely.

In testimony presented to your Committees, current estimates of industry-wide costs for biodiesel facility construction are between \$2 and \$3 per gallon of production capacity, depending on the technology. In addition, operational costs are increasing due to rising costs for supplies, materials, labor, feedstock collection and processing, insurance, and other expenses.

Your Committees are supportive of this measure as a means of increasing renewable energy production in Hawaii, for the benefit of the consumer and the industry alike. Your Committees are mindful of the need to encourage higher levels of renewable energy production, while at the same time balancing possible tax revenue losses against revenue gains and growth from industry expansion. As such, your Committees are working closely with the Department of Taxation, the Department of Business, Economic Development, and Tourism, and with key industry leaders, to aggressively support industry growth in this area.

Your Committees have amended this measure by:

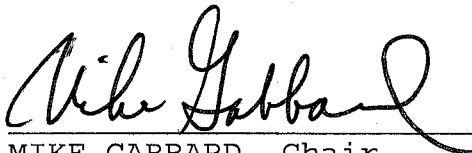
- (1) Changing the annual allowable amount of the Biofuel Production Facility Tax Credit from thirty percent of nameplate capacity to 30 cents per gallon of production;
- (2) Deleting proposed amendments to the qualifying production dates;
- (3) Amending the definitions of "qualifying biofuel production" and "qualifying biofuel production facility" to expand and clarify the terms;
- (4) Replacing the proposed \$20,000,000 cap on the certified credits with an unspecified amount;




- (5) Requiring the biofuel production reporting to include the type of biofuel produced;
- (6) Inserting an effective date of January 1, 2050, to allow for further discussion; and
- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Economic Development and Technology and Energy and Environment that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 772, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 772, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Economic
Development and Technology and
Energy and Environment,


MIKE GABBARD, Chair


CAROL FUKUNAGA, Chair



The Senate
 Twenty-Sixth Legislature
 State of Hawai'i

Record of Votes
Committee on Economic Development and Technology
EDT

Bill / Resolution No.:* SB 772	Committee Referral: EDT/ENE,WAM	Date: 2/11/11		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
WAKAI, Glenn (VC)	✓			
BAKER, Rosalyn H.	✓			
SOLOMON, Malama	✓			
SLOM, Sam	✓			
TOTAL	5	0	0	0
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Twenty-Sixth Legislature
State of Hawai'i

Record of Votes
Committee on Energy and Environment
ENE

Bill / Resolution No.:* SB 772	Committee Referral: EDT/ENE, WAM	Date: 10 Feb 2011		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	/			
ENGLISH, J. Kalani (VC)	/			
GREEN, M.D., Josh	/			
IHARA, Jr., Les				/
SLOM, Sam				/
TOTAL	3			2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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