



FACT SHEET

Governor Linda Lingle

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ENERGY FOR TOMORROW 2008 INITIATIVES

The Lingle-Aiona Administration is proud of the progress the State has made since we launched Energy for Tomorrow in 2006. The State has adopted aggressive targets to reduce our dependence on imported petroleum. A new 30 MW Wind farm began producing electricity on Maui, the E-10 gasoline-ethanol regulations were implemented, solar water systems have been placed in more homes and commercial structures, a large photovoltaic system is planned for Lanai, and on Kauai efforts are underway to use fallow sugar lands to grow fuel crops. These are but a few of the examples of what has been done over the past 18 months.

Building upon these successes, the Administration is proposing an additional set of proposals that encourage more use of alternative energy options, revamp the way the State manages its energy programs, and make it easier for renewable energy growers to obtain land to grow fuel crops.

Installing Renewable Energy Systems

Using a solar water heater is one of the most cost-effective ways for a family to lower their electricity consumption. Currently Hawaii offers a tax credit to homeowners who install solar water heaters in their residence. The amount of the credit is 35% of the installation cost, or \$2,250, whichever is less. The credit is deducted from the income taxes the family owes to the State.

However, lower income households, many seniors, and those living on fixed incomes may not owe the State taxes and, thus, cannot take advantage of this program to put a solar water heater in their homes. The Lingle-Aiona Administration is proposing to remedy this by allowing persons who do not owe taxes to use the solar water heater credit as a refundable tax credit. This means if taxpayers owe less than the value of the credit, they will receive the balance back in the form of a check from the State.

Hawaii already has one of the highest uses of solar water heaters in the United States, boasting a 28% use rate among households in Hawaii. The Governor's proposal will increase this usage further.

A second proposal the Lingle-Aiona Administration is recommending is to expand the successful "pay as you save" solar water heater program to photovoltaic systems. Currently if households install solar water heating, they can pay for the cost of the installation each month through an extra amount that is added to their utility bill. This spreads the costs out as an installment payment plan.

Photovoltaic systems convert sunlight into electricity. They can significantly reduce the kilowatt costs of a household, but are expensive to install, sometimes costing around \$30,000-\$40,000 for a typical home in Hawaii. So that families to do not have to come up with the full installation costs at the outset, the Lingle-Aiona Administration is proposing to allow the "pay-as-you-save" payment program through your utility bill, to apply to these photovoltaic systems, similar to the program for solar water heater installations.

Restructuring Energy Programs

Government has a responsibility to ensure that energy programs receive the priority and prompt attention they deserve. As such, the Lingle-Aiona Administration recognizes that it is time to heighten the significance of alternative energy within the State government structure.

Administratively we will create a new Energy Division within the Department of Business, Economic Development and Tourism. Two legislative proposals will provide this staff with heightened authority to obtain and analyze data from power regeneration facilities and the transportation sector, as well as better determine when and how energy-related shortages and emergencies should be managed.

The Governor's FY 2009 supplemental budget request includes four positions and \$1.6 million in interdepartmental transfer funds from the Environmental Response Revolving Fund to prepare a bio-energy master plan, to appoint a permits facilitator to expedite permitting of bio-energy projects, and to support the State's Lead by Example energy conservation program.

Endowed Chair in Energy and protecting Energy Conservation funds

In recognition of the importance of creating trained experts in Hawaii in the fields of renewable energy, the Lingle-Aiona administration is calling for establishment of the first Endowed Chair in power generation and distribution at the University of Hawaii, College of Engineering. This bill sets aside \$2 million in funds to establish the Chair, to be matched by private donations of an equal amount. The renewed interest and importance in this field will help develop a cadre of university-trained professionals that can lead the State in identifying and developing our power systems for the 21st century.

In 2006 the Lingle-Aiona Administration recognized that it was inconsistent to have utilities, who make their money selling electricity, be responsible for the public fund that encourages energy conservation. As a result, we successfully enacted a law that gave the Public Utilities Commission the authority to select an independent third-party administrator of this fund, called the Public Benefits Fund.

This year the Administration is further clarifying that this Public Benefits Fund should not be subjected to legislative fund raids and will be managed outside of the State treasury since the moneys in the fund come directly from utility ratepayers.

Growing Our Own Energy

Two years ago the Lingle-Aiona Administration's Energy for Tomorrow program included incentives for Hawaii to grow more of the fuel it uses, by including biofuels in the definition of renewable energy. Laws were enacted to allow the Board of Land and Natural Resources to lease public lands to renewable energy producers through direct negotiation.

However, this measure assumed that the growing of the feedstock and the fuels production facility would be co-located. In actuality, fuels may be grown in locations different from the area where the industrial production takes place. The Administration is, therefore, proposing a bill that would expand the definition of renewable energy producer to include growers and producers of organic materials used primarily for the production of biofuels or other fuels. This will allow growers to lease public lands through direct negotiation, rather than public auction, and also allow them to use some of their organically grown materials for other purposes such as mulch or animal feed.