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# A BILL FOR AN ACT

RELATING TO ENERGY EFFICIENCY.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that green infrastructure  
2 financing was established in the public interest to make cost-  
3 effective green infrastructure equipment options accessible and  
4 affordable to customers in order to achieve Hawaii's clean  
5 energy goals while benefitting from measurable cost savings.

6           The legislature further finds that \$46,400,000 was  
7 appropriated out of the Hawaii green infrastructure special fund  
8 for fiscal year 2017-2018 for the purpose of financing the  
9 installation costs for energy-efficient lighting and other  
10 energy-efficiency measures related to heat abatement at public  
11 schools. Similarly, the department of education, with the  
12 approval of the governor, was authorized to borrow the sum of  
13 \$46,400,000 for fiscal year 2017-2018 from the green  
14 infrastructure loan program upon terms and conditions as are  
15 agreed to between the department of education and the Hawaii  
16 green infrastructure authority; provided that the loan shall be  
17 issued free of interest charges. Repayment of the loan will be  
18 from general revenue savings from reduced utility costs as a



1 result of the implementation of energy-efficient lighting and  
2 other energy-efficiency measures.

3 Further, while the department of education's energy-  
4 efficiency plan utilizing Hawaii green infrastructure financing  
5 initially included only light emitting diode lighting retrofits,  
6 the legislature finds that this financing mechanism, coupled  
7 with innovative implementation strategies, will enable the  
8 department of education to implement deeper retrofits to include  
9 other energy-efficiency measures.

10 EnerNoc Utility Solutions Consulting Inc. prepared and  
11 presented the *State of Hawaii Energy Efficiency Potential Study,*  
12 *Project #1448* (study) to the Hawaii public utilities commission  
13 on January 15, 2014. The study categorized Hawaii's 2012 energy  
14 consumption into five sectors: residential (thirty-two per  
15 cent), military (eleven per cent), water and wastewater (four  
16 per cent), street lighting (0.5 per cent), and commercial  
17 (fifty-two per cent). The study found that the commercial  
18 sector, which includes the government, consumes over half of  
19 statewide electricity use, and concluded that the majority of  
20 the statewide energy-efficiency savings potential is found in  
21 the commercial sector. Of the twenty-five state agencies



1 participating in the department of business, economic  
2 development, and tourism's report to the legislature titled *Lead*  
3 *by Example State of Hawaii Agencies' Energy Initiatives FY 2013-*  
4 *2014*, the department of education was the second largest  
5 consumer of electricity, consuming over 130,000,000 kWh per year  
6 from fiscal year 2004-2005 through fiscal year 2013-2014 at an  
7 average cost of \$38,000,000 per year. There are a number of  
8 other state agencies and departments that would benefit from a  
9 similar financing arrangement. Reducing energy consumption in  
10 state buildings would significantly and positively contribute to  
11 the achievement of Hawaii's energy-efficiency portfolio  
12 standard, while reducing and controlling costs for Hawaii's  
13 taxpayers.

14       Though government agencies were not named as underserved by  
15 the Hawaii public utilities commission in the green energy  
16 market securitization program, the Hawaii public utilities  
17 commission acknowledged that the green energy market  
18 securitization program was not intended to be exclusively  
19 dedicated to underserved customers. The legislature notes that  
20 while state agencies constitute a significant component of  
21 energy consumption in Hawaii, investment in energy-efficiency



1 improvements by government agencies has been limited. Further,  
2 government agencies can be classified with those ratepayers who  
3 are hard-to-reach with traditional market-competitive financing  
4 agreements due to procurement limitations and the obligation to  
5 include contractual provisions that make the continuation of  
6 contracts contingent upon the allocation of funds. For these  
7 reasons, the use of the green energy market securitization  
8 program funds to provide low-cost financing to enable energy-  
9 efficiency retrofits for state government agencies fills a gap  
10 not served by the capital market.

11 The purpose of this Act is to provide all state agencies  
12 and departments the opportunity to obtain low-cost financing  
13 from the green energy market securitization program, at an  
14 interest rate of 3.5 per cent a year, to reduce energy costs and  
15 consumption by installing energy-efficiency measures. This Act  
16 creates a sub-fund within the Hawaii green infrastructure  
17 special fund and converts \$50,000,000 into a revolving line of  
18 credit for any state agency or department to finance energy-  
19 efficiency measures, subject to sub-fund availability, on an on-  
20 going basis. The department of education's outstanding loan  
21 balance shall be included under this revolving line of credit.



1 SECTION 2. Chapter 196, Hawaii Revised Statutes, is  
2 amended by adding a new section to part IV to be appropriately  
3 designated and to read as follows:

4 "§196- Financing for state government agencies. (a)

5 With the approval of the governor, a state agency may apply for  
6 financing, subject to availability under the revolving line of  
7 credit for fiscal year 2018-2019, and annually thereafter, from  
8 the green infrastructure loan program pursuant to section  
9 196-65(b)(2), upon terms and conditions as are agreed to between  
10 the department or agency and the Hawaii green infrastructure  
11 authority; provided that the loans shall be issued at an  
12 interest rate of 3.5 per cent a year; provided further that the  
13 loans shall not adversely affect the sustainability of the sub-  
14 fund or Hawaii green infrastructure special fund such that the  
15 replenishment of funds requires a higher interest rate in other  
16 financing agreements or an appropriation from the general fund.

17 (b) An agency shall consult with the public benefits fee  
18 administrator of the public utilities commission prior to  
19 planning an energy-efficiency measure subject to this section.  
20 The agency's proposed energy-efficiency measures shall meet or  
21 exceed the public benefits fee administrator's enhanced



1 efficiency levels and requirements to be eligible for the Hawaii  
2 green infrastructure loan program. The agency shall coordinate  
3 with the public benefits fee administrator throughout the entire  
4 project cycle to ensure that energy efficiency is maximized.  
5 All supporting documentation required by the public benefits fee  
6 administrator shall be provided by the agency to ensure  
7 compliance with the State's energy-efficiency portfolio standard  
8 under section 269-96.

9 (c) An agency shall submit an expenditure plan to the  
10 executive director of the Hawaii green infrastructure authority,  
11 who shall serve as the fiscal administrator for the loans issued  
12 pursuant to subsection (a) and shall make payment on behalf of  
13 the agency, as appropriate, upon submission of requests for  
14 payment from the agency.

15 (d) Beginning with fiscal year 2018-2019, and annually  
16 thereafter, an agency shall repay a loan issued pursuant to  
17 subsection (a) using general revenue savings that result from  
18 reduced utility costs due to implementation of energy-efficient  
19 lighting and other energy-efficiency measures."



1 SECTION 3. Section 196-61, Hawaii Revised Statutes, is  
2 amended by adding four new definitions to be appropriately  
3 inserted and to read as follows:

4 "Cost-effective" means that utility bill savings are  
5 achieved by the installation of an energy-efficiency measure;  
6 provided that the utility bill savings exceed the energy-  
7 efficiency measure's installation and carrying costs in an  
8 amount sufficient to repay a loan issued pursuant to section  
9 196- and in the manner required by that section.

10 "Energy-efficiency measure" means any type of project  
11 conducted, or technology implemented, to reduce the consumption  
12 of energy in a public building. The types of projects conducted  
13 or technology implemented may be in a variety of forms but shall  
14 be designed to reduce electric utility costs.

15 "Revolving line of credit" means a type of credit in which  
16 loan advances are made for eligible purposes and where repaid  
17 principal deposited back into the sub-fund may be re-borrowed.

18 "Sub-fund" means a separate fund established within the  
19 Hawaii green infrastructure special fund for a specific  
20 purpose."



1 SECTION 4. Section 196-62, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "~~§~~196-62~~§~~ Hawaii green infrastructure loan program.

4 There is established a Hawaii green infrastructure loan program,  
5 which shall be a loan program as defined under section 39-51.

6 The program shall be administered by the authority on behalf of  
7 the department in a manner consistent with chapter 39, part III.

8 This loan program may include loans made to government entities

9 and private entities, whether corporations, partnerships,

10 limited liability companies, or other persons, which entities

11 may lease or provide green infrastructure equipment to electric

12 utility customers, as well as direct loans to electric utility

13 customers, on terms approved by the authority."

14 SECTION 5. Section 196-65, Hawaii Revised Statutes, is  
15 amended by amending subsection (b) to read as follows:

16 "(b) Moneys in the Hawaii green infrastructure special  
17 fund may be used, subject to the approval of the public  
18 utilities commission, for the purposes of:

- 19 (1) Making green infrastructure loans, including for  
20 installation costs for energy-efficient lighting and



1 other energy-efficiency measures [~~related to heat~~  
2 ~~abatement at public schools~~];

3 (2) Creating a \$50,000,000 sub-fund, as a revolving line  
4 of credit within the Hawaii green infrastructure  
5 special fund, for any state agency to obtain financing  
6 to implement cost-effective energy-efficiency  
7 measures;

8 [~~+2~~] (3) Paying administrative costs of the Hawaii green  
9 infrastructure loan program;

10 [~~+3~~] (4) Paying any other costs related to the Hawaii  
11 green infrastructure loan program; or

12 [~~+4~~] (5) Paying financing costs, as defined in section  
13 269-161, to the extent permitted by the public  
14 utilities commission in a financing order issued  
15 pursuant to section 269-163."

16 SECTION 6. There is appropriated out of the Hawaii green  
17 infrastructure special fund the sum of \$50,000,000 or so much  
18 thereof as may be necessary for fiscal year 2018-2019, for the  
19 purpose of financing the installation costs for energy-efficient  
20 lighting and other energy-efficiency measures for any state  
21 agency.



1           The sum appropriated shall be expended by the Hawaii green  
2 infrastructure authority for the purposes of this Act.

3           SECTION 7. Statutory material to be repealed is bracketed  
4 and stricken. New statutory material is underscored.

5           SECTION 8. This Act shall take effect on July 1, 2018.



**Report Title:**

Green Energy Market Securitization; Energy Efficiency;  
Appropriation

**Description:**

Creates a revolving line of credit sub-fund within the Hawaii green infrastructure special fund for a state agency to finance cost-effective energy-efficiency measures. (HB1508 CD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

