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# A BILL FOR AN ACT

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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



1 from general revenue savings from reduced utility costs as a  
2 result of the implementation of energy-efficient lighting and  
3 other energy-efficiency measures.

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

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



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

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



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

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



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

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

(b) The department or agency shall meet with the public benefits fee administrator of the public utilities commission prior to the launch of the project planning phase. The



1 department's or agency's proposed energy-efficiency measures  
2 shall meet or exceed the public benefits fee administrator's  
3 enhanced efficiency levels and requirements in order to be  
4 eligible for the Hawaii green infrastructure loan program. The  
5 department or agency shall work with the public benefits fee  
6 administrator throughout the entire project cycle to ensure  
7 energy efficiency is maximized. All supporting documentation  
8 required by the public benefits fee administrator shall be  
9 provided by the department or agency to ensure proper tracking  
10 towards the State's energy-efficiency portfolio standard as  
11 specified in section 269-96.

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

19 (d) Beginning with fiscal year 2018-2019, and annually  
20 thereafter, the department or agency shall begin to repay the  
21 loan pursuant to subsection (a) using general revenue savings



1 resulting from reduced utility costs as a result of the  
2 implementation of energy-efficient lighting and other energy-  
3 efficiency measures."

4 SECTION 3. Section 196-61, Hawaii Revised Statutes, is  
5 amended by adding three new definitions to be appropriately  
6 inserted and to read as follows:

7 "Energy-efficiency measures" means any type of project  
8 conducted, or technology implemented, to reduce the consumption  
9 of energy in a building. The types of projects implemented can  
10 be in a variety of forms but are usually designed to reduce  
11 electric utility costs.

12 "Revolving line of credit" means a type of credit where  
13 loan advances are made for eligible purposes and where repaid  
14 principal deposited back into the sub-fund can be re-borrowed.

15 "Sub-fund" means a separate fund within the Hawaii green  
16 infrastructure special fund reserved for a specific purpose."

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

19 **"[+]§196-62[+] Hawaii green infrastructure loan program.**

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



1 The program shall be administered by the authority on behalf of  
2 the department in a manner consistent with chapter 39, part III.  
3 This loan program may include loans made to government entities  
4 and private entities, whether corporations, partnerships,  
5 limited liability companies, or other persons, which entities  
6 may lease or provide green infrastructure equipment to electric  
7 utility customers, as well as direct loans to electric utility  
8 customers, on terms approved by the authority."

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

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

14 (1) Making green infrastructure loans, including for  
15 installation costs for energy-efficient lighting and  
16 other energy-efficiency measures [~~related to heat~~  
17 ~~abatement at public schools~~];

18 (2) Creating a \$ \_\_\_\_\_ sub-fund, as a revolving line  
19 of credit under the umbrella of the Hawaii green  
20 infrastructure special fund, for any state agency or





1           department to obtain low-cost financing to install  
2           cost-effective energy-efficiency measures;

3       ~~[-(2)]~~ (3)   Paying administrative costs of the Hawaii green  
4           infrastructure loan program;

5       ~~[-(3)]~~ (4)   Paying any other costs related to the Hawaii  
6           green infrastructure loan program; or

7       ~~[-(4)]~~ (5)   Paying financing costs, as defined in section  
8           269-161, to the extent permitted by the public  
9           utilities commission in a financing order issued  
10          pursuant to section 269-163."

11       SECTION 6.   There is appropriated out of the Hawaii green  
12   infrastructure special fund the sum of \$                   or so much  
13   thereof as may be necessary for fiscal year 2018-2019, for the  
14   purpose of financing the installation costs for energy-efficient  
15   lighting and other energy-efficiency measures for any state  
16   agency or department.

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

19       SECTION 7.   Statutory material to be repealed is bracketed  
20   and stricken.   New statutory material is underscored.

21       SECTION 8.   This Act shall take effect on July 1, 2050.



**Report Title:**

Green Energy Market Securitization; Energy Efficiency;  
Appropriation

**Description:**

Creates a revolving line of credit sub-fund of an unspecified amount under the umbrella of the Hawaii green infrastructure special fund for any state agency or department to finance cost-effective energy-efficiency measures. Effective 7/1/2050.  
(SD1)

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