

JAN 17 2018

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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 Hawaii consumers.

5       The legislature further finds that Act 57, Session Laws of  
6 Hawaii 2017 (Act 57), appropriated \$46,400,000 out of the Hawaii  
7 green infrastructure special fund for fiscal year 2017-2018 for  
8 the purpose of financing the installation costs for energy-  
9 efficient lighting and other energy efficiency measures related  
10 to heat abatement at public schools. Act 57 also authorized the  
11 department of education, with the approval of the governor, to  
12 borrow \$46,400,000 for fiscal year 2017-2018 from the green  
13 infrastructure loan program. Pursuant to Act 57, repayment of  
14 the loan, which is to be issued free of interest charges, will  
15 be from general revenue savings from reduced utility costs as a  
16 result of the implementation of energy-efficient lighting and  
17 other energy efficiency measures.



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

8 The legislature notes that EnerNOC Utility Solutions  
9 Consulting prepared and presented the *State of Hawaii Energy*  
10 *Efficiency Potential Study: Project #1448* (Study) to the Hawaii  
11 public utilities commission on January 15, 2014. The Study  
12 categorized Hawaii's 2012 energy consumption into five sectors:  
13 residential (thirty-two per cent), military (eleven per cent),  
14 water and wastewater (four per cent), street lighting (0.5 per  
15 cent) and commercial (fifty-two per cent). According to the  
16 Study, the commercial sector, which includes government, is the  
17 sector with the majority of the statewide energy efficiency  
18 savings potential.

19 The legislature also notes that in a 2015 report to the  
20 legislature on behalf of the department of business, economic  
21 development, and tourism, titled *Lead by Example: State of*



1 *Hawaii Agencies' Energy Initiatives FY 2013-2014*, the department  
2 of education was found to be the second largest consumer of  
3 electricity amongst state departments, consuming over 135  
4 million kWh per year from fiscal year 2004-2005 through fiscal  
5 year 2013-2014 at an average cost of \$38,000,000 per year.

6 However, there are a number of other state agencies and  
7 departments that would benefit from a similar financing  
8 arrangement. Reducing energy consumption in state buildings  
9 would significantly and positively contribute to the achievement  
10 of Hawaii's energy efficiency portfolio standard, while reducing  
11 and controlling costs for Hawaii's taxpayers.

12 The legislature additionally finds that although government  
13 agencies were not named as underserved by the Hawaii public  
14 utilities commission in the green energy market securitization  
15 program, the commission has acknowledged that the green energy  
16 market securitization program was not intended to be exclusively  
17 dedicated to underserved customers. The legislature also notes  
18 that while state agencies constitute a significant component of  
19 energy consumption in Hawaii, investment in energy efficiency  
20 improvements by government agencies has been limited.  
21 Furthermore, government agencies can be classified with those



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

10 Accordingly, the purpose of this Act is to provide all  
11 state agencies and departments the opportunity to obtain low-  
12 cost financing from the green energy market securitization  
13 program, at an interest rate of 3.50 per cent per annum, to  
14 reduce energy costs and consumption by installing energy  
15 efficiency measures. This Act also creates a sub-fund under the  
16 umbrella of the green energy market securitization loan fund and  
17 converts \$50,000,000 into a revolving line of credit for any  
18 state agency or department to finance energy efficiency  
19 measures, subject to sub-fund availability, on an on-going  
20 basis.



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

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

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

"Sub-fund" means a separate fund within the green energy market securitization fund reserved for a specific purpose."

SECTION 3. Section 196-62, Hawaii Revised Statutes, is amended to read as follows:

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

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

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

This loan program may include loans made to government entities



1 and private entities, whether corporations, partnerships,  
2 limited liability companies, or other persons, which entities  
3 may lease or provide green infrastructure equipment to electric  
4 utility customers, as well as direct loans to electric utility  
5 customers, on terms approved by the authority."

6 SECTION 4. Section 196-65, Hawaii Revised Statutes, is  
7 amended by amending subsection (b) to read as follows:

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

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

15 (2) Creating a \$50,000,000 sub-fund, as a revolving line  
16 of credit under the umbrella of the green energy  
17 market securitization loan fund, for any state agency  
18 or department to obtain low-cost financing to install  
19 energy efficiency measures;

20 [+2+] (3) Paying administrative costs of the Hawaii green  
21 infrastructure loan program;



1       ~~[(3)]~~ (4)   Paying any other costs related to the Hawaii  
2                   green infrastructure loan program; or

3       ~~[(4)]~~ (5)   Paying financing costs, as defined in section  
4                   269-161, to the extent permitted by the public  
5                   utilities commission in a financing order issued  
6                   pursuant to section 269-163."

7       SECTION 5.   There is appropriated out of the Hawaii green  
8   infrastructure special fund the sum of \$50,000,000 or so much  
9   thereof as may be necessary for fiscal year 2018-2019 for the  
10   purpose of financing the installation costs for energy-efficient  
11   lighting and other energy efficiency measures for any state  
12   agency or department.

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

15       SECTION 6.   With the approval of the governor, interested  
16   state agencies and departments may apply for financing, subject  
17   to availability under the revolving line of credit for fiscal  
18   year 2018-2019, and annually thereafter, from the green  
19   infrastructure loan program for the purposes of this Act, upon  
20   such terms and conditions as are agreed to between the  
21   department or agency and the Hawaii green infrastructure



1 authority; provided that the loans shall be issued at an  
2 interest rate of 3.50 per cent per annum.

3       SECTION 7. The department or agency shall meet with the  
4 public benefits fee administrator prior to the launch of the  
5 project planning phase. The department or agency's proposed  
6 energy efficiency measures shall meet or exceed the public  
7 benefits fee administrator's enhanced efficiency levels and  
8 requirements in order to be eligible for the Hawaii green  
9 infrastructure loan program. The department or agency shall  
10 work with the public benefits fee administrator throughout the  
11 entire project cycle to ensure energy efficiency is maximized.  
12 All supporting documentation required by the public benefits fee  
13 administrator shall be provided by the department or agency to  
14 ensure proper tracking toward the State's energy-efficiency  
15 portfolio standard, as specified in section 269-96, Hawaii  
16 Revised Statutes.

17       SECTION 8. The department or agency shall submit an  
18 expenditure plan to the Hawaii green infrastructure authority's  
19 executive director, who shall serve as the fiscal administrator  
20 for the loans issued pursuant to section 6 of this Act and shall  
21 make payment on behalf of the department or agency, as





# S.B. NO. 2018

1 appropriate, upon submission of requests for payment from the  
2 department or agency.

3 SECTION 9. Beginning with fiscal year 2018-2019, and  
4 annually thereafter, the department or agency shall begin to  
5 repay the loan pursuant to section 6 of this Act using general  
6 revenue savings resulting from reduced utility costs as a result  
7 of the implementation of energy efficient lighting and other  
8 energy efficiency measures.

9 SECTION 10. Statutory material to be repealed is bracketed  
10 and stricken. New statutory material is underscored.

11 SECTION 11. This Act shall take effect on July 1, 2018.

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INTRODUCED BY:

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# S.B. NO. 2018

**Report Title:**

Energy Efficiency; Green Infrastructure Loan Program; Green  
Energy Market Securitization Loan Fund; Sub-Fund

**Description:**

Creates a \$50,000,000 revolving line of credit sub-fund under  
the umbrella of the green energy market securitization loan fund  
for any state agency or department to finance energy efficiency  
measures.

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

