

JAN 24 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 customers in order to achieve Hawaii's clean  
5 energy goals while benefitting from measureable 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 such terms and conditions as  
15 are 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

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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*  
12 *Study, Project #1448*" (the "Study") to the Hawaii public  
13 utilities commission on January 15, 2014. The Study categorized  
14 Hawaii's 2012 energy consumption into five sectors: residential  
15 (32 per cent), military (11 per cent), water and wastewater (4  
16 per cent), street lighting (.5 per cent) and commercial (52 per  
17 cent). According to the Study, the commercial sector (which  
18 includes government) consumes over half of statewide electricity  
19 use, and concluded that the majority of the statewide energy  
20 efficiency savings potential is found in the commercial sector.  
21 Of the twenty-five state agencies participating in a department  
22 of business, economic development, and tourism report to the

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1 legislature, *"Lead by Example State of Hawaii Agencies' Energy*  
2 *Initiatives FY 2013-2014,"* while the department of education was  
3 the second largest consumer of electricity, 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, there  
6 are a number of other state agencies and departments that would  
7 benefit from a similar financing arrangement. Reducing energy  
8 consumption in state buildings would significantly and  
9 positively contribute to the achievement of Hawaii's energy  
10 efficiency portfolio standard, while reducing and controlling  
11 costs for Hawaii's taxpayers.

12        Though government agencies were not named as underserved by  
13 the Hawaii public utilities commission in the green energy  
14 market securitization program, the Hawaii public utilities  
15 commission acknowledged that the green energy market  
16 securitization program was not intended to be exclusively  
17 dedicated to underserved customers. The legislature notes that  
18 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. Further,  
21 government agencies can be classified with those ratepayers who  
22 are hard-to-reach with traditional market-competitive financing

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

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

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

21       ""Energy efficiency measures" means any type of project  
22 conducted, or technology implemented, to reduce the consumption

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1 of energy in a building. The types of projects implemented can  
2 be in a variety of forms but are usually designed to reduce  
3 electric utility costs.

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

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

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

11 "[+]§196-62[+] **Hawaii green infrastructure loan program.**

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

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

16 This loan program may include loans made to government entities  
17 and private entities, whether corporations, partnerships,  
18 limited liability companies, or other persons, which entities  
19 may lease or provide green infrastructure equipment to electric  
20 utility customers, as well as direct loans to electric utility  
21 customers, on terms approved by the authority."

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

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

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

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

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

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

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

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

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

9       SECTION 6. With the approval of the governor, interested  
10 state agencies and departments may apply for financing, subject  
11 to availability under the revolving line of credit for fiscal  
12 year 2018-2019, and annually thereafter, from the green  
13 infrastructure loan program for the purposes of this Act upon  
14 such terms and conditions as are agreed to between the  
15 department or agency and the Hawaii green infrastructure  
16 authority; provided that the loan(s) shall be issued at an  
17 interest rate of 3.50 per cent per annum.

18       SECTION 7. The department or agency shall meet with the  
19 public benefits fee administrator prior to the launch of the  
20 project planning phase. The department or agency's proposed  
21 energy efficiency measure(s) shall meet or exceed the public  
22 benefits fee administrator's enhanced efficiency levels and

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1 requirements in order to be eligible for the Hawaii green  
2 infrastructure loan program. The department or agency shall  
3 work with the public benefits fee administrator throughout the  
4 entire project cycle to ensure energy efficiency is maximized.  
5 All supporting documentation required by the public benefits fee  
6 administrator shall be provided by the department or agency to  
7 ensure proper tracking towards the State's Energy Efficiency  
8 Portfolio Standard as specified in section 269-96, Hawaii  
9 Revised Statutes.

10 SECTION 8. The department or agency shall submit an  
11 expenditure plan to the Hawaii green infrastructure authority  
12 executive director, who shall serve as the fiscal administrator  
13 for the loan(s) issued pursuant to section 6 and shall make  
14 payment on behalf of the department or agency, as appropriate,  
15 upon submission of requests for payment from the department or  
16 agency.

17 SECTION 9. Beginning with fiscal year 2018-2019, and  
18 annually thereafter, the department or agency shall begin to  
19 repay the loan pursuant to section 6 using general revenue  
20 savings resulting from reduced utility costs as a result of the  
21 implementation of energy efficient lighting and other energy  
22 efficiency measures.



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

3       SECTION 11. This Act, upon its approval, shall take effect  
4 on July 1, 2018.

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INTRODUCED BY:



7

BY REQUEST

# S.B. NO. 2752

**Report Title:**

Green Energy Market Securitization

**Description:**

Creates a \$50,000,000 revolving line of credit sub-fund under the umbrella of the Green Energy Market Securitization (GEMS) 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.*

## JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO ENERGY EFFICIENCY.

PURPOSE: Creates a sub-fund under the umbrella of the Green Energy Market Securitization (GEMS) Loan Fund and converts \$50,000,000 into a revolving line of credit for any state agency or department to finance energy efficiency measures.

MEANS: Amend sections 196-61, 196-62, and 196-65(b), Hawaii Revised Statutes.

JUSTIFICATION: To enable other state agencies and departments, in addition to the Department of Education, the opportunity to obtain low-cost financing to reduce energy costs and consumption by installing energy efficiency measures, on an on-going basis.

Impact on the public: Decreased utility bill expenses for state agencies. Net utility bill savings, after repayment of GEMS principal, can be utilized for additional government programs and services.

Impact on the department and other agencies: The opportunity to reduce energy consumption and lower energy costs for any state agency or department.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM DESIGNATION: BED 138.

OTHER AFFECTED AGENCIES: All State departments.

EFFECTIVE DATE: July 1, 2018.