

JAN 27 2021

A BILL FOR AN ACT

RELATING TO CLEAN ENERGY FINANCING.

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

1 SECTION 1. Significant investment in clean energy
2 technology and infrastructure will be required to achieve the
3 State's goals of energy self-sufficiency, energy security, and
4 energy diversification. Investment is also needed to meet the
5 renewable portfolio and energy efficiency portfolio standards in
6 chapter 269, Hawaii Revised Statutes. The current aggregate
7 level of green infrastructure investment is \$15,350,000.

8 Green infrastructure investment supports Hawaii's evolving
9 energy market and provides affordable options for Hawaii's
10 ratepayers. Due to the significant amount of capital required
11 for green infrastructure investment, the State must leverage
12 private investment with limited public funds. A growth in the
13 clean energy market will reduce the cost of clean energy for
14 ratepayers, drive job creation, and save billions of taxpayer
15 dollars currently being spent on importing petroleum oil.

16 The legislature has made various efforts to invest in green
17 technology. Act 155, Session Laws of Hawaii 2009, established
18 the building energy efficiency revolving loan fund to provide

S.B. NO. 1059

1 low cost financing to eligible public, private and nonprofit
2 borrowers to make energy efficiency improvements to buildings.
3 Act 211, Session Laws of Hawaii 2013, established the Hawaii
4 green infrastructure authority to make cost-effective green
5 infrastructure financing options accessible and affordable to
6 customers under the green energy market securitization loan
7 program.

8 A significant barrier to clean energy adoption has been the
9 unavailability of flexible financing and low-cost capital.
10 Building Hawaii's clean energy infrastructure at the lowest
11 possible cost is vital to reach the State's goal of one hundred
12 per cent clean energy by 2045. Public funds must be used in a
13 sustainable manner to simultaneously spark customer demand for
14 clean energy technology and attract private investment in green
15 technology. It is the State's goal that each public dollar
16 spent will have an investment multiplier effect throughout the
17 green technology industry.

18 A variety of financing options must be available to support
19 Hawaii's clean energy investment. Ratepayer-funded programs,
20 such as energy efficiency rebates and the green energy market
21 securitization loan program, have made progress but do not serve
22 all ratepaying customers or the entire clean energy technology

S.B. NO. 1059

1 market. The green energy market securitization loan program has
2 facilitated over \$110,000,000 in solar photovoltaic and energy
3 efficiency projects, but the program is not able to serve all
4 ratepayers and focuses only on established technology. The
5 green energy market securitization bond was an innovative use of
6 a rate reduction bond, but due to the time lag between the
7 issuance of the bond and expenditures for improvements, using
8 this bond financing was inefficient compared to using revolving
9 loan funds, which are expended annually and in a more expedient
10 manner.

11 The purpose of this Act is to strengthen the Hawaii green
12 infrastructure authority's ability to support investment in
13 clean energy technology and infrastructure by:

- 14 (1) Creating a clean energy and energy efficiency
15 revolving loan fund to finance a broad range of clean
16 energy technologies;
- 17 (2) Repealing the building energy efficiency revolving
18 loan fund; and
- 19 (3) Making an appropriation out of the clean energy and
20 energy efficiency revolving loan fund to make clean
21 energy investment loans or for other approved uses.

S.B. NO. 1059

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

4 "§196- Clean energy and energy efficiency revolving loan

5 fund. (a) There is established in the Hawaii green
6 infrastructure special fund created in section 196-65 the clean
7 energy and energy efficiency revolving loan fund, similar to a
8 revolving line of credit, which shall be administered by the
9 authority. Funds deposited into the clean energy and energy
10 efficiency revolving loan fund shall not be under the
11 jurisdiction of, nor be subject to approval by, the Hawaii
12 public utilities commission and shall also include:

- 13 (1) Any amounts, up to a total amount not to exceed
14 \$50,000,000, of moneys borrowed by the Hawaii green
15 infrastructure authority, with the approval of the
16 governor, from federal, county, private, or other
17 funding sources, pursuant to part III of chapter 39;
18 (2) Funds from federal, state, county, private, or other
19 funding sources;
20 (3) Investments from public or private investors;
21 (4) Moneys received as repayment of loans and interest
22 payments; provided that the repayment of loans and

S.B. NO. 1059

1 interest payments under this paragraph shall not
2 include repayment of loans and interest collected as a
3 result of funds advanced from proceeds of the green
4 energy market securitization bonds; and

5 (5) Any fees collected by the authority under this
6 section; provided that moneys collected as a result of
7 the funds advanced from proceeds of the green energy
8 market securitization bonds be kept separate from fees
9 collected as a result of funds advanced from proceeds
10 of this clean energy and energy efficiency loan fund.

11 (b) Moneys in the clean energy and energy efficiency
12 revolving loan fund shall be used to provide low-cost loans at
13 below-market rates or other authorized financial assistance to
14 eligible public, private, and nonprofit borrowers for clean
15 energy investments or other authorized uses or both, on terms
16 approved by the authority. Moneys from the fund may be used to
17 cover administrative and legal costs of fund management and
18 management associated with individual loans, to include
19 personnel, services, technical assistance, data collection and
20 reporting, materials, equipment, and travel for the purposes of
21 this section.

S.B. NO. 1059

1 (c) Appropriations or authorizations from the clean energy
2 and energy efficiency revolving loan fund shall be expended by
3 the authority. The authority may contract with other public or
4 private entities for the provision of all or a portion of the
5 services necessary for the administration and implementation of
6 the loan fund program. The authority may set fees or charges
7 for fund management and technical site assistance provided under
8 this section. The authority may adopt rules pursuant to chapter
9 91 to carry out the purposes of this section.

10 (d) All interest earned on the loans, deposits, or
11 investments of the moneys in the fund shall become part of the
12 fund.

13 (e) The authority may establish subaccounts within the
14 fund as necessary."

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

18 "Clean energy investments" means the purchase or
19 installation, or both, of clean energy technology, including
20 energy efficiency measures, green transportation infrastructure,
21 recycling and renewable energy technology.

S.B. NO. 1059

1 "Green energy money saver on-bill program" means the
2 tariff-based on-bill repayment mechanism approved for the
3 exclusive use of the authority by the Hawaii public utilities
4 commission.

5 "Green infrastructure loan program", "green energy market
6 securitization loan program", or "GEMS loan program" means the
7 loan program established under part IV and capitalized by the
8 issuance of the green energy market securitization bonds.

9 "Limited liability company", also known as "LLC", shall
10 have the same meaning as in section 428-101.

11 "Loan fund program" means the clean energy and energy
12 efficiency revolving loan fund program.

13 "Qualified security" shall have the same meaning as in
14 section 227D-1.

15 "Renewable energy" shall have the same meaning as in
16 section 269-91.

17 "Renewable energy technology" means the equipment and
18 related accessories required to generate or produce renewable
19 energy.

20 "Special purpose entity", also known as "SPE", means a
21 legal entity created to fulfill a narrow, specific, or temporary

S.B. NO. 1059

1 objectives and typically used by companies to isolate the firm
2 from financial risk.

3 "Subaccount" means a fund that is established within but
4 separate from another fund and is reserved for a specific
5 purpose."

6 SECTION 4. Section 196-64, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "[~~§~~196-64~~§~~] **Functions, powers, and duties of the**
9 **authority.** (a) In the performance of, and with respect to the
10 functions, powers, and duties vested in the authority by this
11 part, the authority, as directed by the director and in
12 accordance with a green infrastructure loan program order or
13 orders under section 269-171 or an annual plan submitted by the
14 authority pursuant to this section, as approved by the public
15 utilities commission, for the green energy market securitization
16 loan program, may:

17 (1) Make loans and expend funds to finance the purchase or
18 installation of green infrastructure equipment for
19 clean energy technology, demand response technology,
20 and energy use reduction and demand side management
21 infrastructure, programs, and services;

S.B. NO. 1059

- 1 (2) Hold and invest moneys in the green infrastructure
2 special fund in investments as permitted by law and in
3 accordance with approved investment guidelines
4 established in one or more orders issued by the public
5 utilities commission pursuant to section 269-171;
6 (3) Hire employees necessary to perform its duties,
7 including an executive director. The executive
8 director shall be appointed by the authority, and the
9 employees' positions, including the executive
10 director's position, shall be exempt from chapter 76;
11 (4) Enter into contracts for the service of consultants
12 for rendering professional and technical assistance
13 and advice, and any other contracts that are necessary
14 and proper for the implementation of the loan program;
15 (5) Enter into contracts for the administration of the
16 loan program, without the necessity of complying with
17 chapter 103D;
18 (6) Establish loan program guidelines to be approved in
19 one or more orders issued by the public utilities
20 commission pursuant to section 269-171 to carry out
21 the purposes of this part;

S.B. NO. 1059

1 (7) Be audited at least annually by a firm of independent
2 certified public accountants selected by the
3 authority, and provide the results of this audit to
4 the department and the public utilities commission;
5 and

6 (8) Perform all functions necessary to effectuate the
7 purposes of this part.

8 (b) The authority shall submit to the public utilities
9 commission an annual plan for the green energy market
10 securitization loan program for review and approval no later
11 than ninety days prior to the start of each fiscal year. The
12 annual plan submitted by the authority shall include the
13 authority's projected operational budget for the succeeding
14 fiscal year.

15 (c) In the performance of, and with respect to the
16 functions, powers, and duties vested in the authority by this
17 part, the authority shall administer the clean energy and energy
18 efficiency revolving loan fund pursuant to section 196- , and
19 may:

20 (1) Make loans and expend funds to finance the purchase or
21 installation of clean energy technology and services;

S.B. NO. 1059

- 1 (2) Implement and administer loan programs on behalf of
2 other state departments or agencies through a
3 memorandum of agreement, and expend funds appropriated
4 to said department or agency for purposes authorized
5 by the Legislature;
- 6 (3) Utilize all repayment mechanisms, including the green
7 energy money saver on-bill program, financing tools,
8 servicing and other arrangements, and sources of
9 capital available to the authority;
- 10 (4) Exercise powers to organize and establish special
11 purpose entities as limited liability companies under
12 the laws of the State;
- 13 (5) Acquire, hold, and sell qualified securities;
- 14 (6) Pledge unencumbered net assets, loan receivable,
15 assigned agreements, and security interests over
16 equipment financed, as collateral for the authority's
17 borrowings from federal, county, or private lenders or
18 agencies;
- 19 (7) Utilize the employees of the authority, including the
20 executive director;
- 21 (8) Enter into contracts for the service of consultants
22 for rendering professional and technical assistance

S.B. NO. 1059

1 and advice, and any other contracts that are necessary
2 and proper for the implementation of the loan fund
3 program;

4 (9) Enter into contracts for the administration of the
5 loan fund program, without the necessity of complying
6 with chapter 103D;

7 (10) Establish loan fund program guidelines;

8 (11) Be audited at least annually by a firm of independent
9 certified public accountants selected by the
10 authority, and provide the results of this audit to
11 the department and the legislature; and

12 (12) Perform all functions necessary to effectuate the
13 purposes of this part.

14 (d) The authority shall submit an annual report for the
15 clean energy and energy efficiency revolving loan fund to the
16 legislature no later than twenty days prior to the convening of
17 each regular session describing the projects funded and the
18 projected energy impacts."

19 SECTION 5. Section 201-12.8, Hawaii Revised Statutes, is
20 amended by amending subsection (b) to read as follows:

21 "(b) Subject to legislative appropriation, moneys from the
22 fund may be expended by the Hawaii state energy office for the

S.B. NO. 1059

1 following purposes and used for no other purposes, except for
2 those set forth in this section:

3 (1) To support the Hawaii clean energy initiative program
4 and projects that promote and advance dependable and
5 affordable energy, renewable energy, energy
6 efficiency, energy self-sufficiency, and greater
7 energy security and resiliency for the State and
8 public facilities;

9 (2) To fund, to the extent possible, the climate change
10 mitigation and adaptation commission and the
11 greenhouse gas sequestration task force;

12 (3) To support achieving the zero emissions clean economy
13 target set forth in section 225P-5;

14 [~~(4)~~ To fund the building energy efficiency revolving loan
15 fund established in section 201-20;

16 ~~(5)]~~ (4) To fund projects and incentives to promote the
17 adoption of clean transportation technologies, develop
18 clean vehicle charging infrastructure, and upgrade
19 infrastructure to support the development of clean
20 vehicle charging infrastructure; and

21 ~~(6)]~~ (5) To fund, to the extent possible, the duties of
22 the state building code council in section 107-24, as

S.B. NO. 1059

1 they relate to the development of energy conservation
2 codes."

3 SECTION 6. Section 201-20, Hawaii Revised Statutes, is
4 repealed.

5 ~~["§201-20] Building energy efficiency revolving loan~~
6 ~~fund.~~ (a) ~~There is established in the state treasury the~~
7 ~~building energy efficiency revolving loan fund which shall be~~
8 ~~administered by the department, and into which shall be~~
9 ~~deposited:~~

10 ~~(1) Funds from federal, state, county, private, or other~~
11 ~~funding sources;~~

12 ~~(2) Moneys received as repayment of loans and interest~~
13 ~~payments; and~~

14 ~~(3) Any fees collected by the department under this~~
15 ~~section.~~

16 ~~(b) Moneys in the building energy efficiency revolving~~
17 ~~loan fund shall be used to provide low or no interest loans or~~
18 ~~other authorized financial assistance to eligible public,~~
19 ~~private, and nonprofit borrowers to make energy efficiency~~
20 ~~improvements in buildings. Moneys from the fund may be used to~~
21 ~~cover administrative and legal costs of fund management and~~
22 ~~management associated with individual loans, to include~~

S.B. NO. 1059

1 ~~personnel, services, technical assistance, data collection and~~
2 ~~reporting, materials, equipment, and travel for the purposes of~~
3 ~~this section.~~

4 ~~(c) Appropriations or authorizations from the fund shall~~
5 ~~be expended by the department. The department may contract with~~
6 ~~other public or private entities for the provisions of all or a~~
7 ~~portion of the services necessary for the administration and~~
8 ~~implementation of the loan fund program. The department may set~~
9 ~~fees or charges for fund management and technical site~~
10 ~~assistance provided under this section. The department may~~
11 ~~adopt rules pursuant to chapter 91 to carry out the purposes of~~
12 ~~this section.~~

13 ~~(d) All interest earned on the deposit or investment of~~
14 ~~the moneys in the fund shall become part of the fund.~~

15 ~~(e) The department may establish subaccounts within the~~
16 ~~fund as necessary."]~~

17 SECTION 7. There is appropriated out of the clean energy
18 and energy efficiency revolving loan fund the sum of \$50,000,000
19 or so much thereof as may be necessary for fiscal year 2021-2022
20 to provide loans or other financial assistance to eligible
21 borrowers for clean energy investments or other authorized uses.

S.B. NO. 1059

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

3 SECTION 8. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 9. This Act shall take effect upon its approval.

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INTRODUCED BY: *Neil D. Mc*

BY REQUEST

S.B. NO. 1059

Report Title:

Clean Energy and Energy Efficiency Revolving Loan Fund; Building Energy Efficiency Revolving Loan Fund; Hawaii Green Infrastructure Authority; Appropriation

Description:

Creates the clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority. Repeals the building energy efficiency revolving loan fund. Appropriates loan ceiling. Effective upon approval.

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 CLEAN ENERGY FINANCING.

PURPOSE: Create the clean energy and energy efficiency revolving loan fund and provides the Hawaii Green Infrastructure Authority the authority to borrow loan capital from Federal and other sources, repeal the building energy efficiency revolving loan fund, and appropriate lending ceiling funds.

MEANS: Add a new section to chapter 196, amend sections 196-61, 196-64, and 201-12.8(b), and repeal section 201-20, Hawaii Revised Statutes.

JUSTIFICATION: The coronavirus pandemic is expected to negatively impact the State's economy for the next six years. This bill will enable the Hawaii Green Infrastructure Authority to access much needed federal funds to capitalize a clean energy and energy efficiency revolving loan fund and offer financing that attracts, supports, and complements private investment to accelerate clean energy adoption to achieve the State's Renewable Portfolio Standard and Energy Efficiency Portfolio Standard goals.

More importantly, the creation of this loan fund will enable the State to utilize public funds in a sustainable manner while generating much needed state tax revenue and helping to diversify Hawaii's economy.

Impact on the public: Lowering the cost of capital and providing flexible financing options for ratepayers, while driving job creation and preserving taxpayer dollars by recycling, reinvesting, and relending the same public dollar for multiple projects which will ultimately save billions of

dollars annually currently spent on importing petroleum oil.

Impact on the department and other agencies:

Financing will be available to any public entity to finance the installation of clean energy technology. In addition to the positive environmental impacts, the long-term benefit for taxpayers are lower energy costs.

GENERAL FUND: None.

OTHER FUNDS: Up to \$50,000,000 from Federal or other sources.

PPBS PROGRAM DESIGNATION: BED 138.

OTHER AFFECTED AGENCIES: Any state department.

EFFECTIVE DATE: Upon approval.