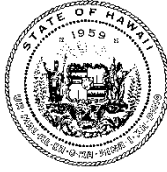


DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
BONNIE KAHAKUI
ASSISTANT ADMINISTRATOR

STATE OF HAWAII
STATE PROCUREMENT OFFICE

P.O. Box 119
Honolulu, Hawaii 96810-0119
Tel: (808) 586-0554
email: state.procurement.office@hawaii.gov
<http://spo.hawaii.gov>
Twitter: [@hawaiispo](https://twitter.com/hawaiispo)

TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE HOUSE COMMITTEE
ON
FINANCE
February 22, 2019, 11:00 AM

HB855 HD1
RELATING TO CLEAN ENERGY FINANCING

Chair Luke, Vice-Chair Cullen, and members of the committee, thank you for the opportunity to submit testimony on HB855 HD1. The State Procurement Office's (SPO) supports the intent of the bill to invest in clean energy technology and infrastructure, but opposes the proposition to exempt the administration of the loan program.

Concern: This bill's purpose per Section 1, Page 3, Line 16, is to expand and improve the building energy efficiency revolving loan fund. However, the additional language is exempting all contracts from procurement. **Loans are already exempt** in the procurement code per HRS 103D-102(H), so the exemption is essentially for everything else. This would mean that office supplies, consulting contracts, security contracts, logistical contracts and operational needs would all be exempt from the procurement code with no explanation, no oversight, and no written policies or procedures.

Section 2, Page 5, Lines 13 to 19 states:

- (4) Enter into contracts for the service of consultants for rendering professional and technical assistance and advice, and any other contracts that are necessary and proper for the implementation of the loan program;*
- (5) Enter into contracts for the administration of the loan program, without the necessity of complying with chapter 103D;*

Section 2, Page 7, Lines 8 to 10 states:

- (4) Enter into contracts for the administration of the loan program, without the necessity of complying with chapter 103D;*

Recommendation: Delete all language pertaining to exempting this office from the procurement code and replace with:

"Enter into contracts for the administration of the loan program, in accordance with HRS chapter 103D."

Public procurement's primary objective is to ensure transparency, oversight and competition in procurement activities. If a government program is free to purchase without checks and balances, procedures or oversight, there is a vastly increased risk of fraud, waste and abuse of taxpayer's monies.

The Hawaii Public Procurement Code (code) is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.



DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

No. 1 Capitol District Building, 250 South Hotel Street, Suite 501, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: gems.hawaii.gov

Telephone: (808) 587-3868
Fax: (808) 587-3896

**Testimony of Gwen Yamamoto Lau, Executive Director
Hawaii Green Infrastructure Authority**
before the
HOUSE COMMITTEE ON FINANCE
Friday, February 22, 2019 at 11:00 A.M.
State Capitol, Conference Room 308

in consideration of
HOUSE BILL NO. 855, HD1
RELATING TO CLEAN ENERGY FINANCING

Chair Luke, Vice Chair Cullen and Members of the Finance Committee:

Thank you for the opportunity to testify and provide comments on House Bill 855, HD1 relating to clean energy financing. This bill proposes to amend and expand the purpose of the Building Energy Efficiency Revolving Loan Fund to a Clean Energy Revolving Loan Fund (RLF) and transfer administration of Clean Energy RLF to the Hawaii Green Infrastructure Authority (HGIA). HGIA **strongly supports** this bill.

Attracting and leveraging private capital with limited public funds in a sustainable manner is critical to support Hawaii's evolving energy market and provide affordable energy options for all ratepayers. Our collective goal is to reduce energy costs, drive job creation and save taxpayers billions of dollars currently spent on importing petroleum.

While our State is still twenty-six (26) years away from our 100% renewable goal by 2045, with the Federal solar tax credit, also known as the investment tax credit ("ITC"), scheduled to start winding down in 2020, solar projects will be forced to rely more heavily on flexible financing options, like those offered by HGIA, especially for projects serving the low-income population and nonprofit organizations.

Thank you for this opportunity to testify and offer support and comments for HB855, HD1.



Environmental Caucus

The Democratic Party of Hawai'i

HOUSE COMMITTEE ON FINANCE

February 22, 2019 11:00 a.m. Room 308

In **SUPPORT** of **HB855 HD1**: Relating to Clean Energy Financing

Aloha Chair Luke, Vice Chair Cullen, and Committee Members,

On behalf of the Environmental Caucus of the Democratic Party of Hawai'i (ECDPH), we **support HB855 HD1**, relating to clean energy financing.

Climate change and efforts to mitigate its effects is the single most pressing issue of our time. Transitioning swiftly to 100% clean energy is imperative to stop climate change in its tracks. Nobody, however, should be left out of this critical landmark transformation.

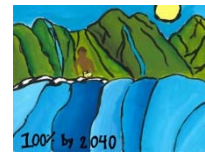
Hawai'i Revised Statutes section 269-92 mandates a 100% renewable energy portfolio standard (RPS) by 2045. HB855 HD1 would strengthen and expand the state's efforts to ensure *an equitable* transition to our 100% clean energy future. The policy changes outlined in HB855 HD1 will help to accelerate the adoption of renewable energy and energy efficiency, and help businesses and families who are currently underserved by existing market-based clean energy solutions--thus effectively addressing the needs of low-income and moderate-income energy customers. Everyone deserves access to sustainable energy and transportation as we move collectively toward our reachable goal to be net zero emissions by 2045.

Mahalo for the opportunity to testify in **support of HB855 HD1**.

Kimiko LaHaela Walter

Interim Chair, Energy and Climate Change Subject Committee, Environmental Caucus of the Democratic Party of Hawai'i

State Central Committee Representative, Environmental Caucus of the Democratic Party of Hawai'i



HOUSE COMMITTEE ON FINANCE

February 22, 2019, 11:00 A.M.

Room 308

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 855 HD1

Aloha Chair Luke, Vice Chair Cullen, and Committee members:

Blue Planet Foundation supports HB 855 HD1, which strengthens and expands the state's efforts to ensure an equitable transition to our 100% clean energy future.

This measure contains three key elements:

1. Reinvigorating the dormant and unused building energy efficiency revolving loan fund by moving oversight of the fund to the active Hawaii Green Infrastructure Authority (HGIA);
2. Amending (and renaming) the revolving loan fund to expand the potential clean energy technologies that it can support; and
3. Making an appropriation to kick-start the clean energy revolving loan fund.

These policy changes will help to accelerate the adoption of renewable energy and energy efficiency and help businesses and families who are currently underserved by existing market-based clean energy solutions.

The HGIA is an effective entity to implement the clean energy revolving loan fund. The Green Energy Market Securitization (GEMS) loan program—which is governed by the HGIA—was developed as a way to fill underserved gaps and lower the cost of clean energy financing. Moreover, the program has been pointed squarely at addressing the needs of low-income and moderate-income energy customers. While the program initially was hampered with regulatory and marketplace challenges, GEMS is now successfully achieving its mission. According to their most recent quarterly report (October 1, 2018 - December 31, 2018), the HGIA has committed approximately \$76 million in GEMS funds. Nearly 80% of the energy upgrades financed by GEMS have been provided for the benefit of low-income and middle-income consumers. Additional program benefits, according to HGIA's most recent report are detailed in the table below.

Excess Revenues over Expenses – YTD FY2019 ¹	\$1,683,593
Jobs Created / Retained	904.5
State of Hawaii Tax Revenues Generated	\$11,161,009
Total Estimated kWh Production / Reduction Over Lifetime	745,676,011
Total Petroleum Displaced Over Lifetime (Estimated Barrels)	457,976
Total Greenhouse Gas Avoided Over Lifetime (Metric Tons CO ₂)	224,906
Percent Underserved Households Served	78.0%

House Bill 855 HD1 would provide additional funds for HGIA to expand this effective loan program.

The HGIA has a little over \$50 million of the original bond available to lend for approved clean energy projects. Once the bond is exhausted, however, the GEMS program will not be able to continue its effective work, as the funds returned will go to repaying the bond (unless another bond is sought). This measure proposes to continue the GEMS success by overseeing a revolving clean energy loan program, where the repaid funds can then be re-loaned to benefit more businesses and residents. This enables the GEMS loan program—with its requirement to serve at least 51% low- and moderate-income—to continue sustainably.

Finally, the existing, dormant revolving loan fund allows for the receipt of funds from any source, including private sources. This could enable the GEMS program to operate in partnership with philanthropic or other private interests who support accelerating the just transition to 100% clean energy through a proven loan program.

Blue Planet Foundation supports HB 855 HD1 as a smart policy to strengthen and expand Hawaii's ability to help us all move together toward 100% clean energy.

Thank you for the opportunity to testify.

¹ NOTE: Excess Revenue over Expenses before loan repayments returned to the PUC / Public Benefits Fee Administrator per Order No. 34930 Amending Decision and Order No. 32318 By Changing the Priority uses of GEMS Program Loan Repayments.

HB-855-HD-1

Submitted on: 2/21/2019 9:24:43 AM

Testimony for FIN on 2/22/2019 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Malachy Grange	Individual	Oppose	No

Comments:

Please do the right thing for our grandkids and their grandkids! Their futures are at stake. Don't let this utility company continue to pollute our environment.

Malachy Grange

Kahala, Honolulu

HB-855-HD-1

Submitted on: 2/22/2019 6:57:23 AM

Testimony for FIN on 2/22/2019 11:00:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Andrea Quinn	Individual	Support	No

Comments:

Dear Honorable Committee Members:

Please support HB855 to vote in favor of Hawaii's environment.

Sincerely,

Andrea Quinn

Kihei