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# A BILL FOR AN ACT

RELATING TO CLEAN ENERGY FINANCING.

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

1           SECTION 1. The legislature finds that significant  
2 investment in clean energy technology and infrastructure will be  
3 required to achieve the State's goals of energy self-  
4 sufficiency, energy security, and energy diversification.  
5 Investment is also needed to meet the renewable portfolio and  
6 energy efficiency portfolio standards in chapter 269, Hawaii  
7 Revised Statutes. The current aggregate level of green  
8 infrastructure investment is \$12,800,000,000.

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



1           The legislature has made various efforts to invest in green  
2 technology. Act 155, Session Laws of Hawaii 2009, established  
3 the building energy efficiency revolving loan fund to provide  
4 low cost financing to eligible public, private and nonprofit  
5 borrowers to make energy efficiency improvements to buildings.  
6 Act 211, Session Laws of Hawaii 2013, established the Hawaii  
7 green infrastructure authority to make cost-effective green  
8 infrastructure financing options accessible and affordable to  
9 customers under the green energy market securitization loan  
10 program.

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



1           The legislature also finds that a variety of financing  
2 options must be available to support Hawaii's clean energy  
3 investment. Ratepayer-funded programs, such as energy  
4 efficiency rebates and the green energy market securitization  
5 loan program, have made progress but do not serve all ratepaying  
6 customers or the entire clean energy technology market. The  
7 green energy market securitization loan program has facilitated  
8 over \$110,000,000 in solar photovoltaic and energy efficiency  
9 projects, but the program is not able to serve all ratepayers  
10 and focuses only on established technology. The green energy  
11 market securitization bond was an innovative use of a rate  
12 reduction bond, but the time lag between the issuance of the  
13 bond and expenditures for improvements, using this bond  
14 financing was inefficient compared to using revolving loan  
15 funds, which are expended annually and in a more expedient  
16 manner.

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



- 1           (1)   Creating a clean energy and energy efficiency
- 2                    revolving loan fund to finance a broad range of clean
- 3                    energy technologies;
- 4           (2)   Repealing the building energy efficiency revolving
- 5                    loan fund; and
- 6           (3)   Making an appropriation out of the clean energy and
- 7                    energy efficiency revolving loan fund to make clean
- 8                    energy investment loans or for other approved uses.

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

12           "§196-       Clean energy and energy efficiency revolving  
13 loan fund. (a) There is established in the state treasury the  
14 clean energy and energy efficiency revolving loan fund, similar  
15 to a revolving line of credit, which shall be administered by  
16 the authority, and into which shall be deposited:

- 17           (1)   The portion of the environmental response, energy, and
- 18                    food security tax specified under section 243-3.5;
- 19           (2)   Funds from federal, state, county, private, or other
- 20                    funding sources;
- 21           (3)   Investments from public or private investors;



1       (4) Moneys received as repayment of loans and interest  
2           payments; and

3       (5) Any fees collected by the authority under this  
4           section.

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

16       (c) Appropriations or authorizations from the fund shall  
17       be expended by the authority. The authority may contract with  
18       other public or private entities for the provisions of all or a  
19       portion of the services necessary for the administration and  
20       implementation of the loan fund program. The authority may set  
21       fees or charges for fund management and technical site



1 assistance provided under this section. The authority may adopt  
2 rules pursuant to chapter 91 to carry out the purposes of this  
3 section.

4 (d) All interest earned on the loans, deposits, or  
5 investments of the moneys in the fund shall become part of the  
6 fund.

7 (e) The authority may establish subaccounts within the  
8 fund as necessary."

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

12 "Clean energy investments" means the purchase or  
13 installation, or both, of energy efficiency measures and  
14 renewable energy technology.

15 "Green energy money saver on-bill program" means the  
16 tariff-based on-bill repayment mechanism approved for the  
17 exclusive use of the authority by the Hawaii public utilities  
18 commission.

19 "Green infrastructure loan program", "green energy market  
20 securitization loan program", or "GEMS loan program" means the  
21 loan program established under Act 211, Session Laws of Hawaii



1 2013, capitalized by the issuance of the green energy market  
2 securitization bonds.

3 "Limited Liability Company", also known as "LLC", shall  
4 have the same meaning as in section 428-101.

5 "Loan fund program" means the clean energy revolving loan  
6 fund program.

7 "Qualified security" shall have the meaning as in section  
8 227D-1.

9 "Renewable energy" shall have the same meaning as in  
10 section 269-91.

11 "Renewable energy technology" means the equipment and  
12 related accessories required to generate or produce renewable  
13 energy.

14 "Special purpose entity", also known as "SPE", means a  
15 legal entity created to fulfill narrow, specific, or temporary  
16 objectives and typically used by companies to isolate the firm  
17 from financial risk.

18 "Subaccount" means a fund that is established within but  
19 separate from another fund and is reserved for a specific  
20 purpose."



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

3 "[+]§196-64[+] **Functions, powers, and duties of the**  
4 **authority.** (a) In the performance of, and with respect to the  
5 functions, powers, and duties vested in the authority by this  
6 part, the authority, as directed by the director and in  
7 accordance with a green infrastructure loan program order or  
8 orders under section 269-171 or an annual plan submitted by the  
9 authority pursuant to this section, as approved by the public  
10 utilities commission, for the green energy market securitization  
11 loan program, may:

- 12 (1) Make loans and expend funds to finance the purchase or  
13 installation of green infrastructure equipment for  
14 clean energy technology, demand response technology,  
15 and energy use reduction and demand side management  
16 infrastructure, programs, and services;
- 17 (2) Hold and invest moneys in the green infrastructure  
18 special fund in investments as permitted by law and in  
19 accordance with approved investment guidelines  
20 established in one or more orders issued by the public  
21 utilities commission pursuant to section 269-171;





- 1           (3) Hire employees necessary to perform its duties,  
2           including an executive director. The executive  
3           director shall be appointed by the authority, and the  
4           employees' positions, including the executive  
5           director's position, shall be exempt from chapter 76;
- 6           (4) Enter into contracts for the service of consultants  
7           for rendering professional and technical assistance  
8           and advice, and any other contracts that are necessary  
9           and proper for the implementation of the loan program;
- 10          (5) Enter into contracts for the administration of the  
11          loan program, without the necessity of complying with  
12          chapter 103D;
- 13          (6) Establish loan program guidelines to be approved in  
14          one or more orders issued by the public utilities  
15          commission pursuant to section 269-171 to carry out  
16          the purposes of this part;
- 17          (7) Be audited at least annually by a firm of independent  
18          certified public accountants selected by the  
19          authority, and provide the results of this audit to  
20          the department and the public utilities commission;  
21          and



1           (8) Perform all functions necessary to effectuate the  
2           purposes of this part.

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

10           (c) In the performance of, and with respect to the  
11 functions, powers, and duties vested in the authority by this  
12 part, the authority shall administer the clean energy and energy  
13 efficiency revolving loan fund as defined in section 196- ,  
14 and may:

15           (1) Make loans and expend funds to finance the purchase or  
16 installation of clean energy technology and services;  
17           (2) Utilize all repayment mechanisms, including the green  
18 energy money saver on-bill repayment mechanism,  
19 financing tools, servicing and other arrangements, and  
20 sources of capital available to the authority;



- 1       (3) Exercise powers to organize and establish special  
2       purpose entities as limited liability companies under  
3       the laws of the State;
- 4       (4) Acquire, hold and sell qualified securities;
- 5       (5) Utilize the employees of the authority, including the  
6       executive director;
- 7       (6) Enter into contracts for the service of consultants  
8       for rendering professional and technical assistance  
9       and advice, and any other contracts that are necessary  
10       and proper for the implementation of the loan fund  
11       program;
- 12       (7) Enter into contracts for the administration of the  
13       loan program, without the necessity of complying with  
14       chapter 103D;
- 15       (8) Establish loan program guidelines;
- 16       (9) Be audited at least annually by a firm of independent  
17       certified public accountants selected by the  
18       authority, and provide the results of this audit to  
19       the department and the legislature; and
- 20       (10) Perform all functions necessary to effectuate the  
21       purposes of this part.



1        (d) The authority shall submit an annual report for the  
2 clean energy and energy efficiency revolving loan fund to the  
3 legislature no later than twenty days prior to the convening of  
4 each regular session describing the projects funded and the  
5 projected energy impacts."

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

8        "(b) Subject to legislative appropriation, moneys from the  
9 fund may be expended by the Hawaii state energy office for the  
10 following purposes and used for no other purposes, except for  
11 those set forth in this section:

12        (1) To support the Hawaii clean energy initiative program  
13            and projects that promote and advance dependable and  
14            affordable energy, renewable energy, energy  
15            efficiency, energy self-sufficiency, and greater  
16            energy security and resiliency for the State and  
17            public facilities;

18        (2) To fund, to the extent possible, the climate change  
19            mitigation and adaptation commission and the  
20            greenhouse gas sequestration task force;



- 1           (3) To support achieving the zero emissions clean economy  
2           target set forth in section 225P-5;
- 3           (4) To fund the [~~building~~] clean energy and energy  
4           efficiency revolving loan fund established in section  
5           [~~201-207~~] 196- ;
- 6           (5) To fund projects and incentives to promote the  
7           adoption of clean transportation technologies, develop  
8           clean vehicle charging infrastructure, and upgrade  
9           infrastructure to support the development of clean  
10          vehicle charging infrastructure; and
- 11          (6) To fund, to the extent possible, the duties of the  
12          state building code council in section 107-24, as they  
13          relate to the development of energy conservation  
14          codes."

15          SECTION 6. Section 243-3.5, Hawaii Revised Statutes, is  
16          amended by amending subsection (a) to read as follows:

17          "(a) In addition to any other taxes provided by law,  
18          subject to the exemptions set forth in section 243-7, there is  
19          hereby imposed a state environmental response, energy, and food  
20          security tax on each barrel or fractional part of a barrel of  
21          petroleum product sold by a distributor to any retail dealer or



1 end user of petroleum product, other than a refiner. The tax  
2 shall be \$1.05 on each barrel or fractional part of a barrel of  
3 petroleum product that is not aviation fuel; provided that of  
4 the tax collected pursuant to this subsection:

5 (1) 5 cents of the tax on each barrel shall be deposited  
6 into the environmental response revolving fund  
7 established under section 128D-2;

8 (2) 5 cents of the tax on each barrel shall be deposited  
9 into the energy security special fund established  
10 under section 201-12.8;

11 (3) 10 cents of the tax on each barrel shall be deposited  
12 into the energy systems development special fund  
13 established under section 304A-2169.1; [and]

14 (4) 15 cents of the tax on each barrel shall be deposited  
15 into the agricultural development and food security  
16 special fund established under section 141-10[-]; and

17 (5)       cents of the tax on each barrel shall be deposited  
18 into the clean energy and energy efficiency revolving  
19 loan fund established under section 196-      .

20 The tax imposed by this subsection shall be paid by the  
21 distributor of the petroleum product."



1 SECTION 7. Section 201-20, Hawaii Revised Statutes, is  
2 repealed.

3 ~~["§201-20] Building energy efficiency revolving loan~~  
4 ~~fund.~~ (a) ~~There is established in the state treasury the~~  
5 ~~building energy efficiency revolving loan fund which shall be~~  
6 ~~administered by the department, and into which shall be~~  
7 ~~deposited:~~

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

10 (2) ~~Moneys received as repayment of loans and interest~~  
11 ~~payments; and~~

12 (3) ~~Any fees collected by the department under this~~  
13 ~~section.~~

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



1 ~~reporting, materials, equipment, and travel for the purposes of~~  
2 ~~this section.~~

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

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

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

16 SECTION 8. There is appropriated out of the clean energy  
17 and energy efficiency revolving loan fund the sum of \$  
18 or so much thereof as may be necessary for fiscal year 2020-2021  
19 to provide loans or other financial assistance to eligible  
20 borrowers for clean energy investments or other authorized uses.





# H.B. NO. 1844

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

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

5 SECTION 10. This Act shall take effect on July 1, 2020.  
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INTRODUCED BY: Nicole E. Louren

My n. Alder

Tim Windgen

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Ch Todd

Sirdeschnig

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H.B. NO. 1844

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Amy Peruso

JAN 16 2020



# H.B. NO. 1844

**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. Allocates a portion of the barrel tax to the clean energy and energy efficiency revolving loan fund. Appropriates funds.

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

