RELATING TO CLEAN ENERGY FINANCING.

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

SECTION 1. The legislature finds that significant investment in clean energy technology and infrastructure will be required to achieve the State's goals of energy self-sufficiency, energy security, and energy diversification.

Investment is also needed to meet the renewable portfolio and energy efficiency portfolio standards in chapter 269, Hawaii Revised Statutes. The current aggregate level of green infrastructure investment is $12,800,000.

The legislature also finds that green infrastructure investment supports Hawaii's evolving energy market and provides affordable options for Hawaii's ratepayers. Due to the significant amount of capital required for green infrastructure investment, the State must leverage private investment with limited public funds. A growth in the clean energy market will reduce the cost of clean energy for ratepayers, drive job creation, and save billions of taxpayer dollars currently being spent on importing petroleum oil.
The legislature has made various efforts to invest in green technology. Act 155, Session Laws of Hawaii 2009, established the building energy efficiency revolving loan fund to provide low cost financing to eligible public, private, and nonprofit borrowers to make energy efficiency improvements to buildings. Act 211, Session Laws of Hawaii 2013, established the Hawaii green infrastructure authority to make cost-effective green infrastructure financing options accessible and affordable to customers under the green energy market securitization loan program.

The legislature further finds that a significant barrier to clean energy adoption has been the availability of flexible financing and low-cost capital. Building Hawaii's clean energy infrastructure at the lowest possible cost is vital to reach the State's goal of one hundred per cent clean energy by 2045. Public funds must be used in a sustainable manner to simultaneously spark customer demand for clean energy technology and attract private investment in green technology. It is the State's goal that each public dollar spent will have an investment multiplier effect throughout the green technology industry.
The legislature also finds that a variety of financing options must be available to support Hawaii's clean energy investment. Ratepayer-funded programs, such as energy efficiency rebates and the green energy market securitization loan program, have made progress but do not serve all ratepaying customers or the entire clean energy technology market. The green energy market securitization loan program has facilitated over $110,000,000 in solar photovoltaic and energy efficiency projects, but the program is not able to serve all ratepayers and focuses only on established technology. The green energy market securitization bond was an innovative use of a rate reduction bond, but due to the time lag between the issuance of the bond and expenditures for improvements, using this bond financing was inefficient compared to using revolving loan funds, which are expended annually and in a more expedient manner.

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

(1) Creating a clean energy revolving loan fund to finance a broad range of clean energy technologies;
(2) Repealing the building energy efficiency revolving loan fund; and

(3) Making an appropriation out of the clean energy revolving loan fund to make clean energy investment loans or for other approved uses.

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

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

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

(2) Investments from public or private investors;

(3) Moneys received as repayment of loans and interest payments; and

(4) Any fees collected by the authority under this section; provided that the fees collected under this section shall not include moneys collected as a result
of tariffs approved by the commission or moneys meant 
for repaying the public benefits fee.
(b) Moneys in the clean energy revolving loan fund shall 
be used to provide low-cost loans at below-market rates or other 
authorized financial assistance to eligible public, private, and 
nonprofit borrowers for clean energy investments or other 
authorized uses, or both, on terms approved by the authority. 
Moneys from the fund may be used to cover administrative and 
legal costs of fund management and management associated with 
individual loans, to include personnel, services, technical 
assistance, data collection and reporting, materials, equipment, 
and travel for the purposes of this section.
(c) Appropriations or authorizations from the fund shall 
be expended by the authority. The authority may contract with 
other public or private entities for the provision of all or a 
portion of the services necessary for the administration and 
implementation of the loan fund program. The authority may set 
fees or charges for fund management and technical site 
assistance provided under this section. The authority may adopt 
rules pursuant to chapter 91 to carry out the purposes of this 
section.
(d) All interest earned on the loans, deposits, or investments of the moneys in the fund shall become part of the fund.

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

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

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

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

"Green infrastructure loan program", "green energy market securitization loan program", or "GEMS loan program" means the loan program established under Act 211, Session Laws of Hawaii 2013, capitalized by the issuance of green energy market securitization bonds.
"Limited liability company", also known as "LLC", means a legal entity distinct from its members.

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

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

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

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

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

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

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

2020-1032 SB2564 SD1 SMA.doc
"[§196-64] Functions, powers, and duties of the authority. (a) In the performance of, and with respect to the functions, powers, and duties vested in the authority by this part, the authority, as directed by the director and in accordance with a green infrastructure loan program order or orders under section 269-171 or an annual plan submitted by the authority pursuant to this section, as approved by the public utilities commission, for the green energy market securitization loan program, may:

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

(2) Hold and invest moneys in the green infrastructure special fund in investments as permitted by law and in accordance with approved investment guidelines established in one or more orders issued by the public utilities commission pursuant to section 269-171;

(3) Hire employees necessary to perform its duties, including an executive director. The executive
director shall be appointed by the authority, and the employees' positions, including the executive director's position, shall be exempt from chapter 76;

(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;

(6) Establish loan program guidelines to be approved in one or more orders issued by the public utilities commission pursuant to section 269-171 to carry out the purposes of this part;

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

(8) Perform all functions necessary to effectuate the purposes of this part.
(b) The authority shall submit to the public utilities commission an annual plan for the green energy market securitization loan program for review and approval no later than ninety days prior to the start of each fiscal year. The annual plan submitted by the authority shall include the authority's projected operational budget for the succeeding fiscal year.

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

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

(2) Utilize all repayment mechanisms, including the green energy money saver on-bill repayment mechanism, financing tools, servicing and other arrangements, and sources of capital available to the authority;

(3) Exercise powers to organize and establish special purpose entities as limited liability companies under the laws of the State;

(4) Acquire, hold, and sell qualified securities;
(5) Utilize the employees of the authority, including the executive director;

(6) 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 fund program;

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

(8) Establish loan fund program guidelines;

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

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

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

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

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

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

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

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

(4) To fund the building energy efficiency revolving loan fund established in section 201-20;"
(4) To fund projects and incentives to promote the adoption of clean transportation technologies, develop clean vehicle charging infrastructure, and upgrade infrastructure to support the development of clean vehicle charging infrastructure; and

(5) To fund, to the extent possible, the duties of the state building code council in section 107-24, as they relate to the development of energy conservation codes."

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

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

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

(2) Moneys received as repayment of loans and interest payments, and
(3) Any fees collected by the department under this section.

(b) Moneys in the building energy efficiency revolving loan fund shall be used to provide low or no interest loans or other authorized financial assistance to eligible public, private, and nonprofit borrowers to make energy efficiency improvements in buildings. Moneys from the fund may be used to cover administrative and legal costs of fund management and management associated with individual loans, to include personnel, services, technical assistance, data collection and reporting, materials, equipment, and travel for the purposes of this section.

(c) Appropriations or authorizations from the fund shall be expended by the department. The department may contract with other public or private entities for the provision of all or a portion of the services necessary for the administration and implementation of the loan fund program. The department may set fees or charges for fund management and technical site assistance provided under this section. The department may adopt rules pursuant to chapter 91 to carry out the purposes of this section.
(d) All interest earned on the deposit or investment of the moneys in the fund shall become a part of the fund.

(e) The department may establish subaccounts within the fund as necessary.

SECTION 7. There is appropriated out of the general revenues of the State of Hawaii the sum of $ or so much thereof as may be necessary for fiscal year 2020-2021 to be deposited into the clean energy revolving loan fund.

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

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

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

SECTION 10. This Act shall take effect on July 1, 2020.
Report Title:
Building Energy Efficiency Revolving Loan Fund; Clean Energy Revolving Loan Fund; Hawaii Green Infrastructure Authority; Appropriation

Description:
Repeals the building energy efficiency revolving loan fund and creates a clean energy revolving loan fund under the administration of the Hawaii green infrastructure authority. Makes an appropriation into the clean energy revolving loan fund. (SD1)

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