A BILL FOR AN ACT

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.

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 unavailability 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 the time lag between the issuance of the bond and expenditures for improvements 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 to part IV a new section 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.

(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 to make 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) Moneys in the fund shall be expended by the authority. The authority may contract with other public or private entities for the provisions 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 sub-funds within the fund as necessary."

SECTION 3. Section 196-61, Hawaii Revised Statutes, is amended by adding 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 $aver on-bill program" means the tariff-based on-bill repayment mechanism approved for the exclusive use of the authority by the Hawaii public utilities commission.

"Green infrastructure loan program" or "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 the green energy market securitization bonds.

"Limited liability company" shall have the same meaning as in section 428-101.

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

"Qualified security" shall have the same meaning as in section 211F-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" means a legal entity created to fulfill a narrow, specific, or temporary objectives.

"Sub-fund" means a separate fund established within the clean energy revolving loan fund for a specific purpose."

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

"[§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 as established by 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 $aver 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 limited liability companies under the laws of the State as single purpose entities to isolate financial risks;

(4) Acquire, hold, and sell qualified securities;

(5) Utilize the employees of the authority, including the executive director, to perform its duties;

(6) Enter into contracts for the service of consultants for rendering professional and technical assistance and advice, as well as any other contracts that are necessary and proper for the implementation of the revolving loan program;

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

(8) Establish loan 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;]

[(5)] (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

[(6)] (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.

"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 provisions 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 part of the fund.

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

SECTION 7. There is appropriated out of the clean energy
revolving loan fund of the State of Hawaii the sum of $5,000,000
or so much thereof as may be necessary for fiscal year 2020-2021
to provide loans or other financial assistance to make clean
ergy investments or other authorized uses.

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

SECTION 8. Statutory material to be repealed is bracketed
and stricken. New statutory material is underscored.
SECTION 9. This Act, upon its approval, shall take effect on July 1, 2020.

INTRODUCED BY: [Signature]

BY REQUEST
Report Title:
Building Energy Efficiency Revolving Loan Fund; Clean Energy Revolving Loan Fund; Hawaii Green Infrastructure Authority

Description:
Repeals the Building Energy Efficiency Revolving Loan Fund under the State Energy Office and creates a Clean Energy Revolving Loan Fund under the administration of the Hawaii Green Infrastructure Authority.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.
DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO CLEAN ENERGY FINANCING.

PURPOSE: Repeals the building energy efficiency revolving loan fund under the State Energy Office, creates a Clean Energy Revolving Loan Fund under the Hawaii Green Infrastructure Authority, and appropriates $5,000,000 to provide appropriation to lend loans for clean energy investments.

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: To use public funds in a sustainable manner 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.

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: Access to the Clean Energy Revolving Loan Fund will be available to any public entity to finance the installation of clean energy technology.

GENERAL FUND: None.

OTHER FUNDS: $5,000,000.
PPBS PROGRAM DESIGNATION: BED 138.

OTHER AFFECTED AGENCIES: Any state department.

EFFECTIVE DATE: July 1, 2020.