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HAWAII GREEN INFRASTRUCTURE AUTHORITY

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**Testimony of Gwen Yamamoto Lau, Executive Director
Hawaii Green Infrastructure Authority**
before the
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
Tuesday, February 5, 2019 at 8:45 A.M.
State Capitol, Conference Room 325

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

Chair Lowen, Vice Chair Wildberger and Members of the Energy & Environmental Protection Committee:

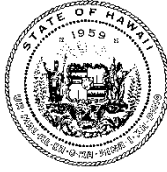
Thank you for the opportunity to testify and provide comments on House Bill 855, relating to clean energy financing. This bill proposes to amend and expand the purpose of the Building Energy Efficiency Revolving Loan Fund to a Clean Energy Revolving Loan Fund (RLF) and transfer administration of Clean 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 HGIA appreciates an appropriation of general funds to capitalize the Clean Energy RLF, of utmost priority is the passage of this bill to afford HGIA an opportunity to seek private and other capital to leverage our state's limited public dollars. As such, in order to avoid potential budgetary obstacles, we respectfully request that you eliminate the request for general funds in Section 4. However, please leave the \$5.0 million lending ceiling in Section 5, which will be needed to make loans if HGIA is successful in attracting private capital.

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

DAVID Y. IGE
GOVERNOR



SARAH ALLEN
ADMINISTRATOR
BONNIE KAHAKUI
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

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**TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE**

**TO THE HOUSE COMMITTEE
ON
ENERGY & ENVIRONMENTAL PROTECTION
February 5, 2019, 8:45 A.M.**

**HB855
RELATING TO CLEAN ENERGY FINANCING**

Chair Lowen, Vice-Chair Wildeberger, and members of the committee, thank you for the opportunity to submit testimony on HB855. 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 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 8-10 states:

- (4) Enter into contracts for the administration of the 9 loan program, without the necessity of complying with 10 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



RODERICK K. BECKER
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE**

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HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
ON
HOUSE BILL NO. 855

**February 5, 2019
8:45 a.m.
Room 325**



RELATING TO CLEAN ENERGY FINANCING

House Bill (H.B.) No. 855: amends and expands the purpose of the Building Energy Efficiency Revolving Loan Fund to a Clean Energy Revolving Loan Fund (CERLF) - similar to a revolving line of credit; transfers administration of the CERLF to the Hawaii Green Infrastructure Authority (HGIA); authorizes the HGIA to establish sub-accounts within the CERLF as necessary; appropriates \$5,000,000 in general funds for FY 20 for deposit into the CERLF to finance the installation costs for clean energy technology and infrastructure for eligible borrowers; and appropriates \$5,000,000 out of the CERLF for FY 20 to provide loans or other financial assistance to make clean energy investments or other authorized uses.

The department generally does not support, as a matter of general policy, the creation of revolving funds and/or sub-accounts within revolving funds that do not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process;

- 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue;
- 3) provide an appropriate means of financing for the program or activity; and
- 4) demonstrate the capacity to be financially self-sustaining. In regards to H.B. No. 855, it is difficult to determine whether the revolving fund would be self-sustaining.

Thank you for your consideration of our comments.



LATE

Statement of Theodore A. Peck
CEO and Lead Developer, Holu Energy

before the HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Tuesday, February 5, 2019 8:45 a.m.
State Capitol, Conference Room 325

in consideration of HB 855 RELATING TO CLEAN ENERGY FINANCING.

Chair Lowen, Vice Chair Wildberger, and Members of the
Energy & Environmental Protection Committee:

My name is Ted Peck. I served as the State Energy Administrator from 2008 through 2011, leading the State Energy Office during the inception of the Hawaii Clean Energy Initiative, and have been developing third party funded power purchase agreements for the difficult-to-penetrate market (non-profits, multiunit dwellings, and small businesses) since 2012.

I strongly support HB 855. The Hawaii Green Infrastructure Authority and the GEMS program have been instrumental in opening up investment opportunities in green energy in Hawaii for middle class taxpaying residents, allowing neighbors to invest in their community. HGIA is uniquely positioned to serve the public interest by providing funding with longer amortizations, which allow tax-incented investors to build systems for the difficult-to-penetrate market. HGIA understands the financial sector for green energy, and is uniquely positioned to design a mechanism to enable projects which release private funding and commitments for Hawaii's clean energy future.

This bill accomplishes the following:

- (1) Transfers the administration of the building energy efficiency revolving loan fund to the Hawaii green infrastructure authority

This is a smart use of an existing asset under control of the state that is currently unused. GEMS, once tuned, has been a successful policy initiative, but is not an evergreen fund. Allowing HGIA to take the existing revolving fund and repurpose it puts a good vehicle in the right hands with the expertise to make it work.

- (2) Expanding the purpose of the building energy efficiency revolving loan fund to include a broader range of clean energy technologies; and



One of the challenges of GEMS is the long, constrained regulatory process for structure and technologies. Today, more than half of the solar systems being installed in Hawaii have energy storage, but GEMS currently cannot fund energy storage, and moreover it is not a revolving, evergreen fund. Taking the existing building energy efficiency revolving loan fund and repurposing it to a flexible revolving fund for the technologies of today and tomorrow.

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

Seeding funding will enable HGIA to seek other sources of funding to leverage into this fund.

GEMS was a groundbreaking funding mechanism for its time. A Hawaii Clean Energy Revolving Loan Fund is the next step, and now is the time.

Thank you for your consideration of this important issue for Hawaii's clean energy future.

A handwritten signature in black ink, appearing to read "Theodore Peck".

Theodore Peck
Chief Executive Officer
Holu Energy LLC

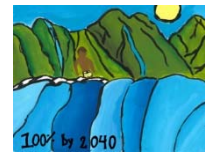
HB-855

Submitted on: 2/1/2019 6:46:37 PM

Testimony for EEP on 2/5/2019 8:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Karen Winslow	Hawaii Farmers Union	Support	No

Comments:



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 5, 2019, 8:45 A.M.

Room 325

(Testimony is 2 pages long)

LATE

TESTIMONY IN SUPPORT OF HB 855

Aloha Chair Lowen, Vice Chair Wildberger, and Committee members:

Blue Planet Foundation supports HB 855, 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:

Excess Revenues over Expenses – YTD FY2019	\$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 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.

Blue Planet Foundation supports HB 855 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.

LATE

HB-855

Submitted on: 2/4/2019 3:47:01 PM

Testimony for EEP on 2/5/2019 8:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

HB-855

Submitted on: 2/2/2019 10:22:32 AM

Testimony for EEP on 2/5/2019 8:45:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Erica Scott	Individual	Support	No

Comments: