

---

---

# A BILL FOR AN ACT

RELATING TO ENERGY EFFICIENCY.

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

1           SECTION 1. The legislature finds that green infrastructure  
2 financing was established in the public interest to make cost-  
3 effective green infrastructure equipment options accessible and  
4 affordable to customers in order to achieve Hawaii's clean  
5 energy goals while benefitting from measureable cost savings.

6           The legislature further finds that \$46,400,000 was  
7 appropriated out of the Hawaii green infrastructure special fund  
8 for fiscal year 2017-2018 for the purpose of financing the  
9 installation costs for energy-efficient lighting and other  
10 energy efficiency measures related to heat abatement at public  
11 schools. Similarly, the department of education, with the  
12 approval of the governor, was authorized to borrow the sum of  
13 \$46,400,000 for fiscal year 2017-2018 from the green  
14 infrastructure loan program upon such terms and conditions as  
15 are agreed to between the department of education and the Hawaii  
16 green infrastructure authority; provided that the loan shall be  
17 issued free of interest charges. Repayment of the loan will be



1 from general revenue savings from reduced utility costs as a  
2 result of the implementation of energy-efficient lighting and  
3 other energy efficiency measures.

4 Further, while the department of education's energy  
5 efficiency plan utilizing Hawaii green infrastructure financing  
6 initially included only light emitting diode lighting retrofits,  
7 the legislature finds that this financing mechanism, coupled  
8 with innovative implementation strategies, will enable the  
9 department of education to implement deeper retrofits to include  
10 other energy efficiency measures.

11 EnerNoc Utility Solutions Consulting Inc. prepared and  
12 presented the "*State of Hawaii Energy Efficiency Potential*  
13 *Study, Project #1448*" (Study) to the Hawaii public utilities  
14 commission on January 15, 2014. The Study categorized Hawaii's  
15 2012 energy consumption into five sectors: residential (thirty-  
16 two per cent), military (eleven per cent), water and wastewater  
17 (four per cent), street lighting (0.5 per cent) and commercial  
18 (fifty-two per cent). The Study found that the commercial  
19 sector, which includes the government, consumes over half of  
20 statewide electricity use, and concluded that the majority of  
21 the statewide energy efficiency savings potential is found in



1 the commercial sector. Of the twenty-five state agencies  
2 participating in the department of business, economic  
3 development, and tourism report to the legislature titled "*Lead*  
4 *by Example State of Hawaii Agencies' Energy Initiatives FY 2013-*  
5 *2014*", even though the department of education was the second  
6 largest consumer of electricity, consuming over 130 million kWh  
7 per year from fiscal year 2004-2005 through fiscal year 2013-  
8 2014 at an average cost of \$38,000,000 per year, there are a  
9 number of other state agencies and departments that would  
10 benefit from a similar financing arrangement. Reducing energy  
11 consumption in state buildings would significantly and  
12 positively contribute to the achievement of Hawaii's energy  
13 efficiency portfolio standard, while reducing and controlling  
14 costs for Hawaii's taxpayers.

15       Though government agencies were not named as underserved by  
16 the Hawaii public utilities commission in the green energy  
17 market securitization program, the Hawaii public utilities  
18 commission acknowledged that the green energy market  
19 securitization program was not intended to be exclusively  
20 dedicated to underserved customers. The legislature notes that  
21 while state agencies constitute a significant component of



1 energy consumption in Hawaii, investment in energy efficiency  
2 improvements by government agencies has been limited. Further,  
3 government agencies can be classified with those ratepayers who  
4 are hard-to-reach with traditional market-competitive financing  
5 agreements due to procurement limitations and the obligation to  
6 include contractual provisions that make the continuation of  
7 contracts contingent upon the allocation of funds. For these  
8 reasons, the use of the green energy market securitization  
9 program funds to provide low-cost financing to enable energy  
10 efficiency retrofits for state government agencies fills a gap  
11 not served by the capital market.

12 The purpose of this Act is to provide all state agencies  
13 and departments the opportunity to obtain low-cost financing  
14 from the green energy market securitization program, at an  
15 interest rate of 3.50 per cent per annum, to reduce energy costs  
16 and consumption by installing energy efficiency measures. This  
17 Act creates a sub-fund under the umbrella of the green energy  
18 market securitization loan fund and converts \$50,000,000 into a  
19 revolving line of credit for any state agency or department to  
20 finance energy efficiency measures, subject to sub-fund  
21 availability, on an on-going basis.



1 SECTION 2. Section 196-61, Hawaii Revised Statutes, is  
2 amended by adding new definitions to be appropriately inserted  
3 and to read as follows:

4 "Energy-efficiency measures" means any type of project  
5 conducted, or technology implemented, to reduce the consumption  
6 of energy in a building. The types of projects implemented can  
7 be in a variety of forms but are usually designed to reduce  
8 electric utility costs.

9 "Revolving line of credit" means a type of credit where  
10 loan advances are made for eligible purposes and where repaid  
11 principal deposited back into the sub-fund can be re-borrowed.

12 "Sub-fund" means a separate fund within the green energy  
13 market securitization fund reserved for a specific purpose."

14 SECTION 3. Section 196-62, Hawaii Revised Statutes, is  
15 amended to read as follows:

16 **"[+] §196-62 [+] Hawaii green infrastructure loan program.**

17 There is established a Hawaii green infrastructure loan program,  
18 which shall be a loan program as defined under section 39-51.

19 The program shall be administered by the authority on behalf of  
20 the department in a manner consistent with chapter 39, part III.

21 This loan program may include loans made to government entities



1 and private entities, whether corporations, partnerships,  
2 limited liability companies, or other persons, which entities  
3 may lease or provide green infrastructure equipment to electric  
4 utility customers, as well as direct loans to electric utility  
5 customers, on terms approved by the authority."

6 SECTION 4. Section 196-65, Hawaii Revised Statutes, is  
7 amended by amending subsection (b) to read as follows:

8 "(b) Moneys in the Hawaii green infrastructure special  
9 fund may be used, subject to the approval of the public  
10 utilities commission, for the purposes of:

11 (1) Making green infrastructure loans, including for  
12 installation costs for energy-efficient lighting and  
13 other energy-efficiency measures [~~related to heat~~  
14 ~~abatement at public schools~~];

15 (2) Creating a \$50,000,000 sub-fund, as a revolving line  
16 of credit under the umbrella of the green energy  
17 market securitization loan fund, for any state agency  
18 or department to obtain low-cost financing to install  
19 cost-effective energy-efficiency measures;

20 ~~[-2-]~~ (3) Paying administrative costs of the Hawaii green  
21 infrastructure loan program;





1 authority; provided that the loans shall be issued at an  
2 interest rate of 3.50 per cent per annum; provided further that  
3 the loans shall not adversely affect the sustainability of the  
4 sub-fund or Hawaii green infrastructure special fund such that  
5 the replenishment of funds requires a higher interest rate in  
6 other financing agreements or an appropriation from the general  
7 fund.

8 SECTION 7. The department or agency shall meet with the  
9 public benefits fee administrator prior to the launch of the  
10 project planning phase. The department or agency's proposed  
11 energy-efficiency measures shall meet or exceed the public  
12 benefits fee administrator's enhanced efficiency levels and  
13 requirements in order to be eligible for the Hawaii green  
14 infrastructure loan program. The department or agency shall  
15 work with the public benefits fee administrator throughout the  
16 entire project cycle to ensure energy efficiency is maximized.  
17 All supporting documentation required by the public benefits fee  
18 administrator shall be provided by the department or agency to  
19 ensure proper tracking towards the State's Energy Efficiency  
20 Portfolio Standard as specified in section 269-96, Hawaii  
21 Revised Statutes.





1 SECTION 8. The department or agency shall submit an  
2 expenditure plan to the Hawaii green infrastructure authority  
3 executive director, who shall serve as the fiscal administrator  
4 for the loans issued pursuant to section 6 of this Act and shall  
5 make payment on behalf of the department or agency, as  
6 appropriate, upon submission of requests for payment from the  
7 department or agency.

8 SECTION 9. Beginning with fiscal year 2018-2019, and  
9 annually thereafter, the department or agency shall begin to  
10 repay the loan pursuant to section 6 of this Act using general  
11 revenue savings resulting from reduced utility costs as a result  
12 of the implementation of energy efficient lighting and other  
13 energy-efficiency measures.

14 SECTION 10. Statutory material to be repealed is bracketed  
15 and stricken. New statutory material is underscored.

16 SECTION 11. This Act shall take effect on July 1, 2018.

17



**Report Title:**

Green Energy Market Securitization

**Description:**

Creates a \$50,000,000 revolving line of credit sub-fund under the umbrella of the Green Energy Market Securitization loan fund for any state agency or department to finance cost-effective energy-efficiency measures. (SD1)

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

