
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 Additional investment is also needed to meet the renewable
6 portfolio and energy efficiency portfolio standards in
7 chapter 269, Hawaii Revised Statutes, as well as the Hawaii
8 Clean Energy Initiative's 2030 target of 165,000,000 gallons of
9 petroleum used per year for ground transportation. The current
10 aggregate level of green infrastructure investment is in excess
11 of \$15,350,000,000.

12 The legislature also finds that green infrastructure
13 investment supports Hawaii's evolving energy market and provides
14 affordable options for the State's ratepayers. Due to the
15 significant amount of capital required for green infrastructure
16 investment, the State must leverage private investment with
17 limited public funds. Growth in the clean energy market will



1 reduce the cost of clean energy for ratepayers, drive job
2 creation, and save billions of taxpayer dollars currently being
3 spent on importing petroleum oil.

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

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



1 investment multiplier effect throughout the green technology
2 industry.

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

19 Furthermore, the coronavirus disease 2019 (COVID-19)
20 pandemic has had significant negative impacts on Hawaii's
21 tourist industry and economy, resulting in projections of severe



1 state budgetary shortfalls over the next four years. With only
2 a limited number of financing mechanisms available for state
3 agencies to install solar photovoltaic systems, state agencies
4 have historically lowered their energy costs by entering into
5 energy performance contracts and power purchase agreements with
6 private partners to install and own energy retrofits and solar
7 photovoltaic systems on their behalf. While individual results
8 are dependent on the negotiated terms of the consummated energy
9 performance contract or power purchase agreement, many of these
10 arrangements have successfully reduced the cost of energy for
11 the State.

12 Additionally, most agreements include an option for state
13 agencies to purchase the installed equipment during the term of
14 the agreement. For example, an actual power purchase agreement
15 executed on September 30, 2016, between a state agency and an
16 investor is estimated to reduce the agency's energy cost by
17 forty-two per cent over the twenty-year term of the agreement.
18 However, if this state agency had access to financing under
19 section 196-62.5, Hawaii Revised Statutes, to exercise its
20 purchase option over the same twenty-year term of the power
21 purchase agreement, it is estimated the agency would reduce its



1 energy cost by sixty-one per cent. This sixty-one per cent,
2 which includes the loan repayment and ongoing equipment
3 maintenance costs, would create a new source of cash flow for
4 the agency.

5 With the number of energy performance contracts and power
6 purchase agreements in existence throughout the State, there is
7 a tremendous opportunity for additional energy savings --
8 savings that can be utilized to finance the conversion of the
9 State's retiring internal combustion fleet to short-term leases
10 on electric vehicles and install electric vehicle charging
11 systems, while remaining budget neutral. Using the example
12 above, this agency could install one level 3 charging system and
13 lease seven electric vehicles with its savings.

14 The purpose of this Act is to strengthen the Hawaii green
15 infrastructure authority's ability to support investment in
16 clean energy technology, including electric vehicles and
17 electric vehicle charging systems and infrastructure, by:

- 18 (1) Creating a clean energy and energy efficiency
19 revolving loan fund to finance a broad range of clean
20 energy technologies;



1 (2) Expanding the objective of the \$50,000,000 sub-fund to
 2 allow state agencies to finance their purchase options
 3 under existing energy performance contracts and power
 4 purchase agreements to further reduce and stabilize
 5 future energy costs, with the option to utilize
 6 savings to finance the installation of electric
 7 vehicle charging systems and lease or purchase
 8 electric vehicles;

9 (3) Repealing the building energy efficiency revolving
 10 loan fund; and

11 (4) Appropriating funds out of the clean energy and energy
 12 efficiency revolving loan fund to make clean energy
 13 investment loans or for other approved uses.

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

17 "§196- Clean energy and energy efficiency revolving
 18 loan fund. (a) There is created within the Hawaii green
 19 infrastructure special fund created in section 196-65 the clean
 20 energy and energy efficiency revolving loan fund, which shall be
 21 administered by the authority as a revolving line of credit.



1 Funds deposited into the clean energy and energy efficiency
2 revolving loan fund shall not be under the jurisdiction of, nor
3 be subject to approval by, the commission and shall include:

4 (1) Any amounts, up to a total amount not to exceed
5 \$50,000,000, of moneys borrowed by the authority, with
6 the approval of the governor, from federal, county,
7 private, or other funding sources, pursuant to
8 part III of chapter 39;

9 (2) Funds from federal, state, county, private, or other
10 funding sources;

11 (3) Investments from public or private investors;

12 (4) Moneys received as repayment of loans and interest
13 payments; provided that the repayment of loans and
14 interest payments under this paragraph shall not
15 include repayment of loans and interest collected as a
16 result of funds advanced from proceeds of green energy
17 market securitization bonds; and

18 (5) Any fees collected by the authority under this
19 section; provided that moneys collected as a result of
20 the funds advanced from proceeds of green energy
21 market securitization bonds shall be kept separate



1 from fees collected as a result of funds advanced from
2 proceeds of the clean energy and energy efficiency
3 revolving loan fund.

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

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



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

3 (d) All interest earned on the loans, deposits, or
4 investments of the moneys in the clean energy and energy
5 efficiency revolving loan fund shall become part of the fund.

6 (e) The authority may establish subaccounts within the
7 clean energy and energy efficiency revolving loan fund as
8 necessary."

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

12 "Clean energy investments" means the purchase or
13 installation, or both, of clean energy technology, including
14 energy efficiency measures, green transportation infrastructure,
15 and recycling and renewable energy technology.

16 "Electric vehicle" has the same meaning as in section
17 291-71.

18 "Electric vehicle charging system" has the same meaning as
19 in section 291-71.

20 "Energy performance contract" has the same meaning as in
21 section 36-41.



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

4 "Green infrastructure loan program", or "green energy
5 market securitization loan program" means the loan program
6 established under section 196-62 and capitalized by the issuance
7 of green energy market securitization bonds.

8 "Loan fund program" means the clean energy and energy
9 efficiency revolving loan fund program.

10 "Power purchase agreement" means a contract between two
11 parties, one that generates electricity, or the seller, and one
12 that seeks to purchase electricity, or the buyer. The power
13 purchase agreement defines all of the commercial terms for the
14 sale of electricity between the two parties.

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

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

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



1 "Subaccount" means an account under the clean energy and
2 energy efficiency revolving loan fund that is created within
3 another separately established fund and that is reserved for a
4 specific purpose."

5 SECTION 4. Section 196-62.5, Hawaii Revised Statutes, is
6 amended as follows:

7 1. By amending its title and subsections (a) and (b) to
8 read:

9 "~~[+]§196-62.5[+]~~ **Financing for state government agencies.**

10 (a) ~~[With the approval of the governor, a]~~ Any state agency may
11 apply for financing, subject to availability under the revolving
12 line of credit for fiscal year ~~[2018-2019,]~~ 2021-2022, and
13 annually thereafter, from the green infrastructure loan program
14 pursuant to section 196-65(b)(2), upon terms and conditions as
15 are agreed to between the department or agency and the Hawaii
16 green infrastructure authority; provided that the loans shall be
17 issued at an interest rate of 3.5 per cent a year; provided
18 further that the loans shall not adversely affect the
19 sustainability of the sub-fund or Hawaii green infrastructure
20 special fund such that the replenishment of funds requires a



1 higher interest rate in other financing agreements or an
2 appropriation from the general fund.

3 (b) ~~[An]~~ As may be applicable, an agency shall consult
4 with the public benefits fee administrator of the ~~[public~~
5 ~~utilities]~~ commission prior to planning an energy-efficiency
6 measure subject to this section. The agency's proposed energy-
7 efficiency measures shall meet or exceed the public benefits fee
8 administrator's enhanced efficiency levels and requirements to
9 be eligible for the Hawaii green infrastructure loan program.
10 The agency shall coordinate with the public benefits fee
11 administrator throughout the entire project cycle to ensure that
12 energy efficiency is maximized. All supporting documentation
13 required by the public benefits fee administrator shall be
14 provided by the agency to ensure compliance with the State's
15 energy-efficiency portfolio standard under section 269-96."

16 2. By amending subsection (d) to read:

17 "(d) Beginning with fiscal year ~~[2018-2019,]~~ 2021-2022,
18 and annually thereafter, an agency shall repay a loan issued
19 pursuant to subsection (a) using general revenue savings that
20 result from reduced ~~[utility]~~ energy costs due to
21 ~~[implementation of]~~ financing the purchase of solar photovoltaic



1 systems or other clean energy equipment, implementing energy-
2 efficient lighting and other energy-efficiency measures[-], and
3 achieving operational and fuel cost savings due to the
4 conversion of internal combustion vehicles to electric
5 vehicles."

6 SECTION 5. Section 196-64, Hawaii Revised Statutes, is
7 amended to read as follows:

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

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



- 1 (2) Hold and invest moneys in the green infrastructure
2 special fund in investments as permitted by law and in
3 accordance with approved investment guidelines
4 established in one or more orders issued by the
5 [~~public utilities~~] commission pursuant to section
6 269-171;
- 7 (3) Hire employees necessary to perform its duties,
8 including an executive director. The executive
9 director shall be appointed by the authority, and the
10 employees' positions, including the executive
11 director's position, shall be exempt from chapter 76;
- 12 (4) Enter into contracts for the service of consultants
13 for rendering professional and technical assistance
14 and advice, and any other contracts that are necessary
15 and proper for the implementation of the loan program;
- 16 (5) Enter into contracts for the administration of the
17 loan program, without the necessity of complying with
18 chapter 103D;
- 19 (6) Establish loan program guidelines to be approved in
20 one or more orders issued by the [~~public utilities~~]



1 commission pursuant to section 269-171 to carry out
2 the purposes of this part;

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

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

10 (b) The authority shall submit to the [~~public utilities~~]
11 commission an annual plan for the green energy market
12 securitization loan program for review and approval no later
13 than ninety days prior to the start of each fiscal year. The
14 annual plan submitted by the authority shall include the
15 authority's projected operational budget for the succeeding
16 fiscal year.

17 (c) In the performance of, and with respect to the
18 functions, powers, and duties vested in the authority by this
19 part, the authority shall administer the clean energy and energy
20 efficiency revolving loan fund pursuant to section 196- , and
21 shall:



- 1 (1) Make loans and expend funds to finance the purchase or
- 2 installation of clean energy technology and services;
- 3 (2) Implement and administer loan programs on behalf of
- 4 another state department or agency through a
- 5 memorandum of agreement and expend funds appropriated
- 6 to the department or agency for purposes authorized by
- 7 the legislature;
- 8 (3) Utilize all repayment mechanisms, including the green
- 9 energy money saver on-bill program, financing tools,
- 10 servicing and other arrangements, and sources of
- 11 capital available to the authority;
- 12 (4) Exercise powers to organize limited liability
- 13 companies under chapter 428 to serve as special
- 14 purpose entities to fulfill specific, temporary
- 15 objectives as established by the authority;
- 16 (5) Acquire, hold, and sell qualified securities;
- 17 (6) Pledge unencumbered net assets, loans receivable,
- 18 assigned agreements, and security interests over
- 19 equipment financed, as collateral for the authority's
- 20 borrowings from federal, county, or private lenders or
- 21 agencies;



- 1 (7) Utilize the employees of the authority, including the
- 2 executive director;
- 3 (8) Enter into contracts for professional and technical
- 4 services and advice and any other contracts deemed
- 5 necessary for the implementation of the loan fund
- 6 program;
- 7 (9) Enter into contracts that are exempt from chapter 103D
- 8 for the administration of the loan fund program;
- 9 (10) Establish loan fund program guidelines;
- 10 (11) Be audited at least annually by a firm of independent
- 11 certified public accountants selected by the authority
- 12 and provide the results of the audit to the department
- 13 and the legislature; and
- 14 (12) Perform all functions necessary to effectuate the
- 15 purposes of this part.
- 16 (d) The authority shall submit to the legislature, no
- 17 later than twenty days prior to the convening of each regular
- 18 session, an annual report for the clean energy and energy
- 19 efficiency revolving loan fund describing the projects funded
- 20 and the projected energy impacts."



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

3 "(b) Moneys in the Hawaii green infrastructure special
4 fund may be used, subject to the approval of the [~~public~~
5 ~~utilities~~] commission, for the purposes of:

6 (1) Making green infrastructure loans, including for
7 installation costs for energy-efficient lighting and
8 other energy-efficiency measures[+], to finance the
9 option to purchase solar photovoltaic systems and
10 other clean energy equipment under existing power
11 purchase agreements and energy performance contracts,
12 finance the purchase or lease of electric vehicles, or
13 install electric vehicle charging systems; provided
14 that any option to purchase offers the buyer the
15 option, but not the obligation, to purchase the solar
16 photovoltaic system or other installed equipment at an
17 agreed upon price, prior to the maturity date of the
18 power purchase agreement or energy performance
19 contract;

20 (2) Creating a \$50,000,000 sub-fund, as a revolving line
21 of credit within the Hawaii green infrastructure



1 special fund, for any state agency to obtain financing
 2 to implement cost-effective energy-efficiency
 3 measures[+], finance the option to purchase solar
 4 photovoltaic systems and other clean energy equipment
 5 under existing power purchase agreements and energy
 6 performance contracts, finance the purchase or lease
 7 of electric vehicles, and install electric vehicle
 8 charging systems;

- 9 (3) Paying administrative costs of the Hawaii green
 10 infrastructure loan program;
- 11 (4) Paying any other costs related to the Hawaii green
 12 infrastructure loan program; or
- 13 (5) Paying financing costs, as defined in section 269-161,
 14 to the extent permitted by the [~~public utilities~~]
 15 commission in a financing order issued pursuant to
 16 section 269-163."

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

19 "(b) Subject to legislative appropriation, moneys from the
 20 fund may be expended by the Hawaii state energy office for the



1 following purposes and used for no other purposes, except for
2 those set forth in this section:

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

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

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

14 ~~[(4) To fund the building energy efficiency revolving loan
15 fund established in section 201-20;~~

16 ~~(5)]~~ (4) To fund projects and incentives to promote the
17 adoption of clean transportation technologies, develop
18 clean vehicle charging infrastructure, and upgrade
19 infrastructure to support the development of clean
20 vehicle charging infrastructure; and



1 ~~[(+6)]~~ (5) To fund, to the extent possible, the duties of
2 the state building code council in section 107-24, as
3 they relate to the development of energy conservation
4 codes."

5 SECTION 8. Section 201-20, Hawaii Revised Statutes, is
6 repealed.

7 ~~["~~§201-20~~ Building energy efficiency revolving loan~~

8 ~~fund.~~ (a) ~~There is established in the state treasury the~~
9 ~~building energy efficiency revolving loan fund which shall be~~
10 ~~administered by the department, and into which shall be~~
11 ~~deposited.~~

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

14 ~~(2) Moneys received as repayment of loans and interest~~
15 ~~payments; and~~

16 ~~(3) Any fees collected by the department under this~~
17 ~~section.~~

18 ~~(b) Moneys in the building energy efficiency revolving~~
19 ~~loan fund shall be used to provide low or no interest loans or~~
20 ~~other authorized financial assistance to eligible public,~~
21 ~~private, and nonprofit borrowers to make energy efficiency~~

1 ~~improvements in buildings. Moneys from the fund may be used to~~
2 ~~cover administrative and legal costs of fund management and~~
3 ~~management associated with individual loans, to include~~
4 ~~personnel, services, technical assistance, data collection and~~
5 ~~reporting, materials, equipment, and travel for the purposes of~~
6 ~~this section.~~

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

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

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

20 SECTION 9. Any unencumbered balance in the building energy
21 efficiency revolving loan fund repealed by section 8 of this Act



1 shall be transferred to the credit of the clean energy and
2 energy efficiency revolving loan fund.

3 SECTION 10. There is appropriated out of the clean energy
4 and energy efficiency revolving loan fund the sum of \$
5 or so much thereof as may be necessary for fiscal year 2021-2022
6 and the same sum or so much thereof as may be necessary for
7 fiscal year 2022-2023 to provide loans or other financial
8 assistance to eligible borrowers for clean energy investments or
9 other authorized uses.

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

12 SECTION 11. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 12. This Act shall take effect on July 1, 2050.



Report Title:

Clean Energy and Energy Efficiency Revolving Loan Fund; Building Energy Efficiency Revolving Loan Fund; Energy Financing; State Agencies; Hawaii Green Infrastructure Authority; Appropriation

Description:

Creates the clean energy and energy efficiency revolving loan fund in the Hawaii green infrastructure special fund to be administered by the Hawaii Green Infrastructure Authority. Amends the purpose of the revolving sub-fund to expand financing for state agencies and also includes the electrification of fleet vehicles. Repeals the building energy efficiency revolving loan fund. Appropriates funds from the clean energy and energy efficiency revolving loan fund to make loans for clean energy investments or other authorized uses. Effective 7/1/2050. (SD1)

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