

**HB 2643,  
HD2, SD1  
Testimony**



**OFFICE OF THE LIEUTENANT GOVERNOR**

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**JAMES R. AIONA, JR.**  
LIEUTENANT GOVERNOR

**TESTIMONY ON HOUSE BILL 2643 – HD2 SD1**

**A BILL FOR AN ACT RELATING TO  
CLEAN ENERGY BONDS**

**Lieutenant Governor James R. Aiona, Jr.**  
**Office of the Lieutenant Governor**

**SENATE COMMITTEE ON WAYS AND MEANS**  
**Senator Donna Mercado Kim, Chair**  
**Senator Shan S. Tsutsui, Vice Chair**

**Wednesday, March 31, 2010**  
**9:30 A.M., Conference Room 211**

Good Morning Chair Kim, Vice Chair Tsutsui, and Members of the Committee. The Office of the Lieutenant Governor strongly supports H.B. 2643 HD2, SD1, a bill for an act relating to Clean Energy Bonds.

This bill has four important purposes: (1) Defray up-front costs for energy efficiency; (2) Lower electricity bills and save consumers money; (3) Increase competition and create green jobs; and (4) Reduce Hawai'i's reliance on foreign fossil fuel and advances clean energy goals.

In Hawai'i, the up-front money, sometimes in the \$10,000 to \$20,000 range has been a major barrier to middle and low-income households and small businesses taking advantage of economic and environmental benefits of energy efficiency. Increased access to financing removes the barrier to make energy improvements, which will increase demand for services.

In turn, local businesses will need to hire additional staff, and increased property values will be beneficial to the real estate market as well as county governments, which depend upon property taxes for their revenue.

The program being proposed by this bill would allow the proceeds of state-issued bonds to be lent, through professional energy services companies, to commercial and residential property owners for the retrofitting of renewable energy and energy-efficient systems. The loans are then repaid over time through an annual or semi-annual county property tax assessment, which would be amortized over a twenty year repayment period.

For homeowners and business owners, the benefit of participating in this program will be a lower electricity bill and more money in their pocket.

In sum, this “win-win” program creates economic activity and creation of jobs; promotes growth of a local clean energy business sector; and invites consumers to participate in the Hawai`i Clean Energy Initiative.

We ask that the committee pass this measure, which is important to realizing the forward-looking goals of the Hawai`i Clean Energy Initiative. Thank you for the opportunity to testify.

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 2643, H.D. 2, S.D. 1

March 31, 2010

RELATING TO CLEAN ENERGY BONDS

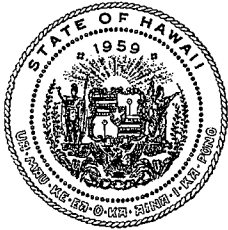
House Bill No. 2643, H.D. 2, S.D. 1, establishes the Hawaii Clean Energy Bond Loan Program and authorizes the Director of Finance to issue an unspecified amount in general obligation bonds for the program.

We support this measure, which is similar to the Administration introduced House Bill No. 2531, which allows the proceeds of state-issued bonds to be loaned to commercial and residential property owners for the installation of renewable energy and energy-efficient systems on their property. Encouraging the installation and use of renewable energy systems through this program will help the State to reach its renewable energy goals. At the same time, this program will also provide the capital necessary to stimulate the economy and create jobs through the renewable energy and construction industries. Given that job creation and renewable energy are the State's most important priorities, this measure has many positive benefits beyond normal general obligation bond-funded projects.

As the program will be funded by General Obligation Reimbursable (GOR) bonds, the full faith and credit of the State is being pledged towards the repayment of the bonds which will allow the program to offer the lowest financing costs available. While the debt service on the GOR bonds will be paid from the general fund, the general fund will be

repaid or reimbursed from the revenues generated through the collection of property taxes from properties participating in this renewable energy retrofit and enhancement program. As such, we support the Department of Business, Economic Development and Tourism's proposed amendment to make liens placed on properties benefiting from the loan program super liens. We defer to the Department of Business, Economic Development and Tourism on all other amendments relating to the loan program.

Thank you for the opportunity to testify on this measure.



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE  
GOVERNOR  
THEODORE E. LIU  
DIRECTOR  
PEARL IMADA IBOSHI  
DEPUTY DIRECTOR

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Statement of  
**THEODORE E. LIU**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Wednesday, March 31 2010  
9:30 AM  
State Capitol, Conference Room 211

in consideration of  
**HB 2643, HD 2, SD 1**  
**RELATING TO CLEAN ENERGY BONDS.**

Chair Kim, Vice Chair Tsutsui, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) strongly supports the property assessed clean energy bond loan program proposed in HB 2643, HD 2, SD 1. This is similar to an Administration measure.

The bond program allows the proceeds of state-issued reimbursable bonds to be loaned through professional energy services companies to commercial and residential property owners for the installation of renewable energy and energy-efficient systems on their property. These loans are repaid over a prescribed time period through an annual or semi-annual assessment on the property taxes of the improved property. As designed, the financial savings resulting from such clean energy improvements will wholly offset the cost of these assessments.

As the positive effects and benefits of the Property Assessed Clean Energy Program or "PACE" is now adopted by 18 states and growing we would like to strongly emphasize the following:

1. Property Assessed Clean Energy is not a new type of financing concept in that municipalities have utilized public financing to pay for improvements in the public

interest for over 100 years according to PACE Now. Local Governments have long established the right to levy assessments to pursue a valid public purpose. Over 18 states have currently adopted this specific program and are well underway to realizing improved energy efficiency and savings.

2. The PACE program has actually created value for the mortgage lending and real estate industries in that clean energy improvements have raised property values. Specifically, for every \$1000 reduction in an annual utility bill, the value of that subject property increases \$20,000 according to the Appraisal Journal. With energy costs expected to rise, an energy efficient home's value will increase accordingly.
3. The Federal PACE framework protects consumers and lenders. Property owners who wish to participate in the PACE program must meet strict guidelines in that a qualifying property must not be delinquent on mortgage payments and taxes and prospective applicants must meet cost effective tests to achieve increased cash flow from their projected utility savings to cover the increase in tax assessments.

In addition, we would like to provide clarification on the priority lien status of property assessments:

- Lien priority in foreclosure is virtually immaterial, and is offset by the increase in property value in most cases, according to reports from PACE Now. The only way the assessment may affect re-financing is when it factors into the homeowner's debt to income ratio.
- Many banks aren't lending, even to those with decent credit, and this area of clean energy is not currently a market with a great deal of focus for the banking industry. Since the funds are used for property improvements and repayment is tied to the property, risk to the State is low.
- A dollar amount cap on loans to property owners is provided in the corresponding administrative rules, in addition to other safeguards against default. We are aware that this program will not be suitable for every property.
- The program is voluntary, both for the counties and for property owners; the administration of the program structure and mechanics will involve input from the counties by necessity. We look forward to collaborating with the counties in the implementation of the program.

The proposed program will provide home or business owners with the necessary up-front capital to install energy efficiency improvements and renewable energy systems on their property.

Loan repayment will be attached to the property and not the individual and is therefore more secure than traditional loans. In its current form, the loan program authorized by HB 2643, HD2, SD1, will be financed through general obligation reimbursable bonds and therefore does not encumber existing state funds. The bonds will be serviced via property assessment revenue, thus the investment will pay for itself. In addition, property assessments are considered a priority lien which provides an extra level of security for loan repayment.

Moreover, as demand for energy efficiency and renewable energy installation increases, private contractors will need to hire new employees to meet the demand. DBEDT is confident that this program will create jobs at a time when they are sorely needed. This program may also encourage local entrepreneurs to create new businesses in the clean energy sector, thus creating more career opportunities for Hawai'i residents. The program is a win-win-win for property owners, private industry, and government.

DBEDT has been working closely with the U.S. Department of Energy, the National Renewable Energy Lab (NREL) and its consultants to formulate the Hawaii Clean Energy Investment (HCEI) bond program model specifically tailored for Hawai'i. NREL advised government officials that established and implemented both the Berkeley and Boulder programs and have been instrumental in providing DBEDT staff with guidance and analysis relating to this measure. DBEDT staff recently met with NREL representatives and they have committed to continued support and guidance as we work to implement this program. DBEDT's intent is to make participation in this program simple and cost-effective to the consumer, and to the counties.

Several states are currently building the administrative infrastructure required to execute a program of this nature. Boulder is the most fully-developed program in the nation and the statistical and economic data they have provided has assisted DBEDT in steering a Hawai'i specific model. DBEDT worked closely with the State Attorney General's office as well as the



Department of Budget & Finance to craft the Administration's legislation and we will continue to work in partnership to bring this program to fruition.

As stated in the bill, county partnership is essential to the success of this program. Through intergovernmental agreement and co-sponsorship, this program has the potential to invigorate business and economic development across the state. As previously stated, this program will create jobs and business opportunities to Hawai'i which will help put people back to work in all participating counties. In conversations with county officials, it is clear that they are very concerned with the electrical utilities' restriction of distributed energy installation. DBEDT and the Administration are working with the utilities' to resolve this issue and we are confident that it will not be a hindrance to the successful implementation of this program. Moreover, this program is also designed to fund energy efficiency measures which help to reduce demand and leave more room on the grid for renewable energy installation. Too much focus is being placed on photovoltaic installation, when this program makes so many other important improvements available to property owners.

There are several benefits of a State run program in Hawai'i. First, state general obligation reimbursable bonds typically have a higher grade than other types of bonds and are almost always graded higher than municipal bonds. A higher grade means they are less risky to investors and therefore can be offered at a lower interest rate. This is important because the principle, interest and any fees will need to be paid by the consumer through the assessment; so the lower the interest payment the lower the cost to the consumer. Second, with the state taking responsibility for administering and financing the program, there is no cost to the counties. The counties will not have to take on any more debt or expend resources to implement this program. The counties will only need to assist and accommodate the program administrator with software changes and perhaps some information regarding demographics and records. Third, the state takes on all of the risk in the event of default and/or litigation. Furthermore, a state-run program

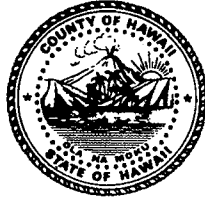
creates an economy of scale. Through extensive research into this subject, it is clear that the populations of three of Hawaii's counties are too small to cost-effectively support this type of program. The administration costs would be too high for any one county to be able to offer loans at competitive interest rates. This is why smaller municipalities on the mainland have partnered or have chosen to opt-in to larger, neighboring county's programs rather than to go it alone. Finally, improvements made to property may also benefit the counties through increase in property values.

In order to get this program started as soon as possible, the administrative rules drafted in anticipation of the passage of this measure have been written into SD 1 and DBEDT requests that they be subsequently written into statute. DBEDT will work on drafting permanent rules, pursuant to Chapter 91 Hawaii Revised Statutes which will then replace those in statute as permanent rules.

DBEDT urges the Committee and the Legislature to pass this bill for the above stated reasons. The program proposed by this bill will create jobs and contribute to the State's goal of realizing a clean energy future. DBEDT has already begun reaching out to the counties to inform them about the bill and its potential benefits and also to ask for their support and participation moving forward. DBEDT will continue working with the counties on this initiative and will assist them as needed as this program takes shape. In order to establish this program as expediently as possible, DBEDT will begin drafting a request for proposals for a program administrator as soon as this bill is passed.

Thank you for the opportunity to offer these comments.

William P. Kenoi  
Mayor



Randall M. Kurohara  
Director

Laverne R. Omori  
Deputy Director

## County of Hawaii

### DEPARTMENT OF RESEARCH AND DEVELOPMENT

25 Aupuni Street, Room 1301 • Hilo, Hawaii 96720-4252  
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March 30, 2010

The Honorable Donna Mercado Kim, Chairperson  
Vice Chair Shan S. Tsutsui  
and Members of the Senate Ways and Means Committee  
State Capitol, Conference Room 211  
Honolulu, Hawai'i, 96800

RE: HB 2643, HD2, SD1 – Relating to Clean Energy Bonds

Dear Chairperson Mercado Kim and Vice Chair Tsutsui:

The County of Hawai'i is supportive of the concept behind the proposed PACE (Property Assessed Clean Energy) Bonds and its desired outcome of facilitating more residential and commercial energy efficiency throughout the State, and particularly for the County of Hawai'i. This initiative will bolster our County's efforts toward the Hawai'i Clean Energy goals while also serving as an economic stimulus providing additional jobs in this industry.

While the County of Hawai'i agrees with the intent behind this proposal, we are concerned about the actual cost of implementation and potential burden it may have upon our County. We have both our Real Property Tax division and Department of Finance team on task to forecast critical concerns involved in administering a program such as this.

There are also technical issues which we need to resolve as well. While much of this program is to promote more residential and commercial solar hot water as well as photovoltaic systems (distributed renewable energy generation), we are not clear as to our utilities ability to accept more of this type of power onto their grid. We have been notified that HELCO is presently doing a six (6) month study to determine their grid capacity for such renewable energy.

Therefore, as a joint request with other counties and in efforts toward a solution, we are asking for \$500,000 of the American Recovery and Reinvestment Act (ARRA) funds to be made available to each county for the purpose of grid stability.

The Honorable Donna Mercado Kim, Chairperson  
Vice Chair Shan S. Tsutsui  
and Members of the Senate Ways and Means Committee  
March 30, 2010  
Page 2

The County of Hawai'i requests the Senate Committee on Ways and Means support this bill subject to resolving the important issues addressed such that the intent of this program can be realized.

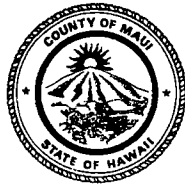
Mahalo for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Randall M. Kurohara", with a horizontal line extending to the right.

Randall M. Kurohara  
Director

CHARMAINE TAVARES  
MAYOR



200 South High Street  
Wailuku, Hawaii 96793-2155  
Telephone (808) 270-7855  
Fax (808) 270-7870  
e-mail: mayors.office@mauicounty.gov

**OFFICE OF THE MAYOR**  
County of Maui  
Statement of

**CHARMAINE TAVARES**  
Mayor

County of Maui  
before the  
**SENATE COMMITTEE ON WAYS AND MEANS**  
Wednesday March 31, 2010  
9:30am  
State Capitol, Conference Room 211

for consideration of  
**HB 2643, HD2, SD1**  
**RELATING TO CLEAN ENERGY BONDS.**

The Honorable Chair Donna Mercado Kim, Vice Chair Shan S. Tsutsui, and Members of the Committee.

The County of Maui supports the concept of Property Assessed Clean Energy (PACE) Bonds. Its intent is to overcome the initial cost of energy efficiency improvements in homes and buildings, and the installation of distributed energy generation systems in customer-owned sites. This mechanism will facilitate Maui County's, as well as the State's clean energy goal. In addition, the anticipated increased business activity that would result from this program would create jobs and be good for the local economy.

While the County agrees with this premise, there are concerns that need to be addressed before the County could participate in the program. Our Finance Director and the Real

Property Tax Division have expressed concerns about the true burden on the counties. The major software upgrade to support special assessment, seniority of loans attached to the property, priority treatment of received payments, authority for lien filing, and any other issues need to be fully clarified. As a County jurisdiction, any rule that could adversely impact real property tax administration has to be fully understood.

Aside from the administrative challenge, technical issues need to be overcome as well. Our biggest concern is a seeming disconnect between the program (what the state hopes to do) and the lack of available distribution circuit capacity (what the utilities can do) when customer-owned systems attempt to connect with the utility, particularly on the neighbor islands. Why pursue funding for distributed renewable energy systems if the utilities are limiting DG (distributed generation) interconnection? The recent filing and the subsequent withdrawal of the filing by the HECO companies requesting the PUC to approve a moratorium on interconnection attests to the validity of this legitimate concern. For a solution, we respectfully request that \$500,000 of American Recovery and Reinvestment Act (ARRA) funds be made available in each county for grid stability.

The County of Maui requests the Senate Committee on Ways and Means support this bill subject to resolving these important issues so that the true purpose of the PACE program can be fully realized in Maui County and the State of Hawaii.

Mahalo for your consideration.

## kim5 - Deborah

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 30, 2010 12:38 AM  
**To:** WAM Testimony  
**Cc:** kuaibrad@hotmail.com  
**Subject:** Testimony for HB2643 on 3/31/2010 9:30:00 AM

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Testimony for WAM 3/31/2010 9:30:00 AM HB2643

Conference room: 211  
Testifier position: support  
Testifier will be present: No  
Submitted by: Brad Parsons  
Organization: Aloha Analytics  
Address:  
Phone:  
E-mail: [kuaibrad@hotmail.com](mailto:kuaibrad@hotmail.com)  
Submitted on: 3/30/2010

Comments:  
TESTIMONY IN STRONG SUPPORT OF HB 2643 HD2 SD1

Aloha Senators:

We agree with Blue Planet Foundation. We strongly support House Bill 2643 HD2 SD1, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

We appreciate the amendments made by the previous Committee and ask that this measure be forwarded with its current amount of bond financing. We support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached.

This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills.

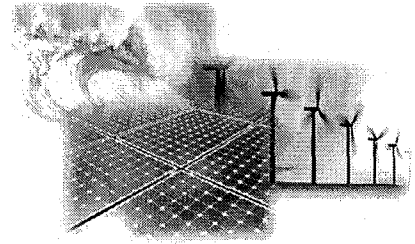
This measure will not only assist in stabilizing the cost of living for Hawaii residents, but it will also create numerous jobs in the electrical and plumbing, solar and energy efficiency construction industries.

Moving this measure with bond funding in the bill is critical to start making progress now on this necessary transformation in Hawaii.

Please forward HB 2643 HD2 SD1 in its current form.

Thank you for the opportunity to testify.

Mahalo,  
Brad Parsons,  
Aloha Analytics



**SENATE COMMITTEE ON WAYS AND MEANS**

March 31, 2010, 9:30 A.M.

Room 211

**(Testimony is 2 pages long)**

**TESTIMONY IN STRONG SUPPORT OF HB 2643 HD2 SD1**

Chair Kim and members of the Committee:

The Blue Planet Foundation strongly supports House Bill 2643 HD2 SD1, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

**We greatly appreciate the amendments made by the previous Committee and ask that this measure be forwarded with its current amount of bond financing.**

The establishment of such a financing program, frequently called "property assessed clean energy"—or PACE, overcomes the biggest barrier to energy efficiency and clean energy investment: the up-front cost. The concept behind PACE is to make bond funding available for residential efficiency improvements and clean energy installations. The bond financing is then repaid over time through the investing residents' property tax bills. Residents benefit by having a lower total cost of home ownership immediately; the state benefits with an increase in efficiency and clean energy; and the economy benefits from having steady growth in high-tech clean energy and efficiency jobs.

Consumers have proven to be terribly short-sighted in their purchasing decisions when it comes to energy saving technologies. Despite the environmental and long-term economic advantages of converting to solar water heating, for example, only one in four Hawai'i homes take advantage of this technology. By eliminating the up-front cost and enabling residents to pay for the investment through the energy savings over time, adoption of efficiency and clean energy will accelerate. The PACE model makes such financing even easier by enabling the investment payback to be integrated in the residential property tax—keeping the default rate low.

The program works like this: proceeds from the PACE bond are lent to residential property owners to finance efficiency improvements and small renewable energy systems. Owners then

**Jeff Mikulina, executive director • [jeff@blueplanetfoundation.org](mailto:jeff@blueplanetfoundation.org)**

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repay their loans over a prescribed time period via an annual assessment on their property tax bill. The liability to repay the bond is attached to the property, rather than to the individual, as an assessment on real property.

*"PACE bonds are also very attractive to political leaders. As opt-in solutions, they raise taxes only for the property owners who choose to take loans. Other constituents' pocketbooks are unaffected...What politician would not want to lay claim to a program that increased property values, lowered monthly utility costs, and created jobs?"*

*- Harvard Business Review, Jan 2010*

PACE bonds were ranked one of the Top 10

"Breakthrough Ideas for 2010" by Harvard Business Review. Sixteen other states have already established property assessed clean energy bond financing or loan programs and two other states have pending legislation.

This bond financing with property tax repayment for clean energy projects and efficiency investments in Hawai'i will provide jobs as well as long-term energy, environmental, and economic benefits. The PACE program will increase energy security, encourage economic diversification, provide increased career opportunities for Hawai'i residents, and attract funding and investment into the State.

Please forward HB 2643 HD2 SD1 in its current form.

Thank you for the opportunity to testify.

**DOWLING  
COMPANY, INC**

March 30, 2010

Hearing on HB2643 HD2 SD1, Relating to Clean Energy Bonds  
Before the Committee on Ways and Means  
on Thursday, March 11, 2010 at 9:30 a.m. in Conference Room 211

Dear Chair Kim and members of the Committee:

I am writing on behalf of Dowling Company in support of House Bill No. 2643 HD2 SD1. Dowling Company is a Maui-based real estate development company that is committed to green building practices and sustainable development.

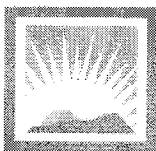
As Project Coordinator and LEED Accredited Professional, I support the general provisions of this bill. Establishing a clean energy bond program in Hawaii will have two significantly beneficial effects. First, a clean energy bond program will pave the way for a robust clean energy economy in our state, creating jobs retrofitting homes and commercial buildings with energy efficient improvements and solar, wind, and other renewable energy system installations. Second, a clean energy bond program will increase the amount of renewable energy serving the Hawaii's grid systems and thus reduce our state's reliance on imported fossil fuel. I applaud you for taking the initiative on this measure and ask that you vote in favor of its adoption.

Thank you for the opportunity to testify on this important measure.

Sincerely,



Tia Ferguson



**Hawaii Solar Energy Association**  
*Serving Hawaii Since 1977*

**March 31, 2010**  
**9:30 A.M.**

**Senate**  
**COMITTEE ON WAYS AND MEANS**

**Mark Duda**  
**President**

**HB 2643 HD2 SD1**

**TESTIMONY IN STRONG SUPPORT**

Aloha Chair Kim, Vice Chair Tsutsui, and Members of the Committee:

HSEA and its member companies sell the majority of solar systems, both PV and hot water, in the state. As a result, HSEA is highly attuned to the solar marketplace, and well positioned to understand the challenges and limitations that exist in that marketplace. From this perspective, we strongly support the intent of this bill as well as a number of its specific provisions.

HSEA notes that the most apparent financing need in our market exists with respect to residential PV. Many customers that seek to purchase residential PV systems are either unable or unwilling to meet the up front cost of these systems, even if they are then reimbursed for a significant portion of this cost through state and federal tax credits. Meanwhile, the private market has not done a good job of filling his vacuum, either with standard home equity lines and loans, or with solar-specific lending products. There is a tremendous unmet need for financing among middle class homeowners that we expect to increase with time.

In the residential solar water heating market, this need is also significant. I personally was involved in an effort to give away ten solar hot water systems where Oahu families had only to advance about \$3,000 per system (the precise value of the tax credits they would later receive) for a few months in order to get the systems for free. A surprising number of the selected winners declined because they did not have the \$3,000 required. From this I learned that the unmet need for financing also exists on these relatively more affordable systems.

Where HSEA has concerns about the need for the program is for commercial systems. While not every commercial customer that wanted a PV system in 2009 was able to find suitable bank financing, the commercial lending market is much more fully developed than the residential one for buyers wishing to purchase PV systems. HSEA urges the committee to investigate the extent to which the commercial provisions might duplicate effort in the private market. HSEA believes that the full program amount can be deployed on residential PV, hot water and energy efficiency.

Thank you for the opportunity to testify on this measure.

Mark Duda  
President, Hawaii Solar Energy Association

**About Hawaii Solar Energy Association**

*Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financiers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.*

**Honeywell Utility Solutions**  
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Honolulu, HI 96813  
Office (808) 537-5552  
Fax (808) 537-5592

SENATE COMMITTEE ON WAYS AND MEANS

March 31, 2010, 9:30 A.M.

Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING

Chair Kim and members of the Committee:

Honeywell Utility Solutions (Honeywell) strongly supports House Bill 2643 HD2 SD1, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

We have been operating customer facing energy efficiency programs in Hawai'i for the past 15 years, including the highly successful solar water heating rebate program, and across the country for over 30 years. The upfront capital investment is the primary barrier to customer participation in every program we operate. Despite the environmental and long-term economic advantages of converting to solar water heating, for example, only one in four Hawai'i homes take advantage of this technology. By eliminating the up-front cost and enabling residents to pay for the investment through the energy savings over time, adoption of efficiency and clean energy will accelerate.

The Property Assessed Clean Energy (PACE) concept was justifiably described as one of "10 Breakthrough Ideas for 2010" by Harvard Business Review. It could fund clean energy projects - like photovoltaic and solar water heaters - for everyday residents and small businesses. This program allows average citizens to save on their electric bill while moving Hawai'i towards its clean energy goals.

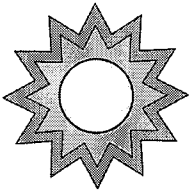
This bond financing with property tax repayment for clean energy projects and efficiency investments in Hawai'i will provide jobs as well as long-term energy, environmental, and economic benefits. The PACE program will increase energy security, encourage economic diversification, provide increased career opportunities for Hawai'i residents, and attract funding and investment into the State.

We greatly appreciate the amendments made by the previous Committee and ask that this measure be forwarded with its current amount of bond financing. **Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program. Please forward HB 2643 HD2 SD1 in its current form.** Should you have any questions on this matter, please feel free to call me at (808) 237-6853. Thank you for the opportunity to testify.

Sincerely,



Yvette Maskrey  
District Manager



# INTER-ISLAND SOLAR SUPPLY

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Testimony of Inter-Island Solar Supply  
In Support of HB 2643, HD2, SD 1  
Before the Senate Committee on Ways & Means  
Conference Room 211  
Wednesday, March 31, 2010

Chair Kim, Vice-Chair Tsutsui and members of the committee, my name is Richard Reed and I am the President of Inter-Island Solar Supply. Inter-Island Solar Supply strongly supports the passage of HB 2643, HD2, SD 1.

There is no panacea in Hawaii's continuing quest to minimize our dependence on polluting fossil fuels to generate electricity. For photovoltaic and wind energy systems to become as commonplace as solar hot water systems in Hawaii our citizens and businesses must have access to a large pool of affordable capital that presently does not exist. It is the purpose of HB 2643, HD 2, SD 1 to establish this indispensable capital pool.

As a long-time industry participant, we are in close communication with our contractor customers and the general public. The inability to finance deals has vexed contractors, homeowners, and businesses for years, but has become particularly acute over the past two years. In order to achieve the clear statutory requirements established by the Hawaii Clean Energy Initiative, we must minimize or eliminate each of the impediments that continue to stand in the way of the mainstream adoption of renewable energy technologies. The lack of access to affordable capital remains one such impediment.

In our view the \$50 million in reimbursable bond financing proposed in HB 2643, HD 2, SD 1 is a good start. It won't be nearly enough to get the job done, but it adds a timely and much need arrow to our financial quiver.

Thank you for the opportunity to provide this testimony.

**kim2 - Jo Ann**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Tuesday, March 30, 2010 11:39 AM  
**To:** WAM Testimony  
**Cc:** lanthony@shellvacationsllc.com  
**Subject:** Testimony for HB2643 on 3/31/2010 9:30:00 AM

Testimony for WAM 3/31/2010 9:30:00 AM HB2643

Conference room: 211  
Testifier position: support  
Testifier will be present: No  
Submitted by: Linda Lee Anthony  
Organization: Shell Management Hawaii, Inc.  
Address: 75-5706 Kuakini Hwy., Ste. 101 Kailua-Kona, Hi 96740  
Phone: 808 327-1280, ext. 234  
E-mail: [lanthony@shellvacationsllc.com](mailto:lanthony@shellvacationsllc.com)  
Submitted on: 3/30/2010

**Comments:**

Shell Management Hawaii, Inc. manages three timeshare resorts in West Hawaii. All three have been interested in pursuing photo-voltaic projects in order to reduce electricity expenses. Due to the high up front costs and current unavailability of PV lease options with local banking institutions we have been unable to move forward. HB2643 would finally give us the opportunity to pursue these projects in a way that the timeshare associations could afford.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Clean energy bond loan program

BILL NUMBER: HB 2643, SD-1

INTRODUCED BY: Senate Committee on Energy and Environment

BRIEF SUMMARY: Adds a new chapter to HRS to establish a Hawaii clean energy bond loan program to finance renewable energy systems and energy efficiency improvements on residential and commercial properties to be administered by the department of business, economic development, and tourism (DBEDT). The program shall begin on July 1, 2010 and end on December 31, 2030.

Establishes a clean energy bond loan revolving fund to make loans to residential and commercial property owners, repay the general fund for debt service on the G.O. bonds deposited into the revolving fund, and administrative expenses relating to the operation of the fund and the program.

DBEDT may make loans to qualifying commercial and residential property owners for energy efficiency improvements and small renewable energy systems in a participating county. A participating county is a county within the state that has agreed to take part in the loan program by taking such legal action under its real property tax system to levy a special assessment on the property benefitting from the loan, of an amount necessary to repay each loan financed under the loan program. The participating county shall remit the moneys to the Hawaii clean energy bond loan revolving fund and shall receive reasonable compensation for its services. DBEDT shall record a lien on the property benefitted by the loan. The lien shall attach to the property.

Authorizes the director of finance to issue \$50 million in G.O. bonds for fiscal year 2010-2011 for deposit into the Hawaii clean energy bond loan revolving fund.

Delineates administrative rules to implement the clean energy bond loan program.

Part III of this measure shall be repealed upon the adoption of administrative rules by DBEDT in accordance with HRS chapter 91.

EFFECTIVE DATE: July 1, 2010

STAFF COMMENTS: This measure acknowledges the high cost of the initial capital investment of renewable energy systems or energy efficiency improvements and proposes the establishment of the Hawaii clean energy bond program, wherein bonds are issued and the proceeds used to provide financial assistance to commercial or residential property owners for renewable energy purposes. The bonds are then repaid by an annual real property tax assessment until the loan is repaid.

While this program would provide an alternative to the renewable energy tax credit program to allow taxpayers to install renewable energy systems, if the taxpayer avails himself of the loan program, the



renewable energy credit should not be granted for projects utilizing this loan program as the projects would be granted a double subsidy by the taxpayers of the state. The existing renewable energy conservation tax credits merely become a windfall for those who are able to come up with the up-front costs for such devices. This leaves the poor and lower-middle income families still dependent on fossil fuel energy. This program is a start in the move away from the dependence on tax credits to encourage the use of such alternate energy systems. This Service has advised for years that such a loan program is preferable to the tax credit approach utilized for the last 35 years as the loan program provides access to alternate energy use to a wide spectrum of people rather than only a few who have the up-front capital to make the initial investment.

It should be noted that the repayment of the loan will be through a charge on the real property tax. Since the real property tax is controlled by the counties, this program will need the buy-in of the counties since the collection of the repayment will more than likely be made through the real property administration in each county. Given that the loan repayment will be billed as part of the real property tax bill, there are two issues that need to be addressed. First, if it is billed as part of the real property tax bill, is the amount represented by the loan repayment deductible as real property taxes, deductible as mortgage interest, or not deductible at all? Second, will the counties be willing to tack the cost of the loan repayment on to the individual's real property tax bill when county officials are already sensitive to the size of the real property tax bill? In other words, will this additional cost make it more difficult for county officials to raise real property taxes?

Digested 3/30/10

**From:** Palmer Hafdahl  
**To:** WAM Testimony  
**Subject:** Testimony in support of HB 2643 with bond funding  
**Date:** Tuesday, March 30, 2010 10:08:27 AM

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**SENATE COMMITTEE ON WAYS AND MEANS**

March 31, 2010, 9:30 A.M.  
Room 211

**TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING**

Chair Kim and members of the Committee:

As a practicing Architect Licensed in Hawaii since 1994 I have supported greater energy independence and associated clean energy conservation measures that this Bill will empower. As a resident in Hawaii since 1986, I recognize the advantage of our abundant renewable energy resources and potential benefits to our economy and security.

I believe this Bill will pave the way for a very strong net benefit to our community and the global environment we share.

Thank you for the opportunity to testify.

Palmer W. Hafdahl, AIA  
2361 Akoki St.  
Lihue, HI 96766

**Palmer**  
**808-246-4796**

**kim5 - Deborah**

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**From:** David Spafford [dspaffor@gmail.com]  
**Sent:** Tuesday, March 30, 2010 8:27 AM  
**To:** WAM Testimony  
**Subject:** Testimony in support of HB 2643 with bond funding

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

*Dear Committee*

*Hawaii is the perfect place for solar energy. We can't afford to wait. Let's do everything possible to help homeowners install solar.*

- 1. I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached.*
- 2. This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills.*
- 3. This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries.*
- 4. Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010.*
- 5. Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.*

**From:** John or Karen Hunt  
**To:** WAM Testimony  
**Subject:** Testimony in support of HB 2643 with bond funding  
**Date:** Tuesday, March 30, 2010 7:03:19 AM

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SENATE COMMITTEE ON WAYS AND MEANS  
March 31, 2010, 9:30 A.M.  
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING

Chair Kim and members of the Committee:

This Citizen voter requests that your committee members advance HB 2643 with unanimous support. This sounds like an excellent way to retro-fit the many older homes in Hawaii with energy saving photo voltaic solar systems.

Thank you for the opportunity to testify.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [whitmo17@msu.edu](mailto:whitmo17@msu.edu)  
**Subject:** Testimony for HB2643 on 3/31/2010 9:30:00 AM  
**Date:** Tuesday, March 30, 2010 5:14:46 AM

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Testimony for WAM 3/31/2010 9:30:00 AM HB2643

Conference room: 211  
Testifier position: support  
Testifier will be present: No  
Submitted by: Ron Whitmore  
Organization: Individual  
Address: 113 Alae St. Hilo, HI  
Phone:  
E-mail: [whitmo17@msu.edu](mailto:whitmo17@msu.edu)  
Submitted on: 3/30/2010

Comments:

This is a proven approach to advancing renewable energy improvements and has no cost to the State.  
Please pass this bill.

**From:** [mailinglist@capitol.hawaii.gov](mailto:mailinglist@capitol.hawaii.gov)  
**To:** [WAM Testimony](#)  
**Cc:** [lynnvanleeuwen@gmail.com](mailto:lynnvanleeuwen@gmail.com)  
**Subject:** Testimony for HB2643 on 3/31/2010 9:30:00 AM  
**Date:** Monday, March 29, 2010 1:10:59 PM

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Testimony for WAM 3/31/2010 9:30:00 AM HB2643

Conference room: 211  
Testifier position: support  
Testifier will be present: No  
Submitted by: Lynn VanLeeuwen  
Organization: Individual  
Address:  
Phone:  
E-mail: [lynnvanleeuwen@gmail.com](mailto:lynnvanleeuwen@gmail.com)  
Submitted on: 3/29/2010

Comments:

Please support this bill. It will have a profound impact on the future sustainability of Hawaii. By having improvements attached to the property, it makes renewable projects which previously were not cost effective to be cost effective with this bill. The financial impact to the state seems to be minimal in exchange.

Thank you for considering my testimony.

Lynn VanLeeuwen

DATE: March 29, 2010

TO: Hawai'i State Legislature

FROM: Angela Kang, resident of County of Hawai'i, State of Hawai'i

RE: HB2643 HD2 SB1 – Innovative Funding for Clean Energy

I am writing in support of this bill to issue general obligation bonds to create a lending pool for homeowners to borrow money for home renewable energy systems and have it paid back over time through the property tax mechanism. This mechanism adds to the home's overall value and the debt gets passed along as a home is bought and sold. All costs are paid for by the property owners, so there is no cost to the state for issuing bonds for this program, hence it deserves unequivocal support. It has worked for other communities, and will work for our island communities. The County of Hawaii's Energy Commission has made this a priority recommendation, and I believe that it is a sound one. Please vote in favor of this bill to help our environment and the homeowners of this state.

Sincerely,

Angela S. Kang

**kim5 - Deborah**

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**From:** Carolynn Bell-Tuttle [carolynn.bell@gmail.com]  
**Sent:** Tuesday, March 30, 2010 1:24 AM  
**To:** WAM Testimony  
**Subject:** Testimony in support of HB 2643 with bond funding

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

SENATE COMMITTEE ON WAYS AND MEANS  
March 31, 2010, 9:30 A.M.  
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING  
Chair Kim and members of the Committee:

*I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached. This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills. This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries. Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010. Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.*

Thank you for the opportunity to testify.

Carolynn Bell-Tuttle



**kim2 - Jo Ann**

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**From:** chinnesk@hawaii.rr.com  
**Sent:** Tuesday, March 30, 2010 10:49 AM  
**To:** WAM Testimony  
**Subject:** HB2643

Chair Kim and Members of the Committee,

I strongly support the Clean Energy Bonds Program. (HB2643)

Thank You, Kelli Fern

**kim2 - Jo Ann**

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**From:** Kai Holland [kai\_holland@hotmail.com]  
**Sent:** Tuesday, March 30, 2010 2:22 PM  
**To:** WAM Testimony  
**Subject:** Testimony in support of HB 2643 with bond funding

SENATE COMMITTEE ON WAYS AND MEANS  
March 31, 2010, 9:30 A.M.  
Room 211

TESTIMONY IN STRONG SUPPORT OF HB 2643 WITH FULL BOND FINANCING

Chair Kim and members of the Committee:

1. *I strongly support the clean energy bonds (PACE) program as described in HB 2643 with \$50 million in reimbursable bond financing attached.*
2. *This form of financing is particularly attractive in Hawaii where a large segment of the population lacks access to capital to make the solar and efficiency improvements necessary to reduce their energy bills.*
3. *This measure will not only reduce the cost of living for Hawaii residents, it will create numerous jobs in the high-tech solar and energy efficiency industries.*
4. *Harvard Business Review named PACE one of the "Top 10 Breakthrough Ideas" for 2010.*
5. *Moving this measure with bond funding in the bill is critical to start the program this year and have the ability to leverage federal funding for a Hawaii program.*
6. *I will personally take advantage of this program should it pass.*

Thank you for the opportunity to testify.

Kai Holland  
Kaneohe, HI

Kai Holland  
[kai\\_holland@hotmail.com](mailto:kai_holland@hotmail.com)  
808.277.4225