



EXECUTIVE CHAMBERS
HONOLULU

NEIL ABERCROMBIE
GOVERNOR

June 27, 2013

GOV. MSG. NO. 1314

The Honorable Donna Mercado Kim,
President
and Members of the Senate
Twenty-Seventh State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki,
Speaker and Members of the
House of Representatives
Twenty-Seventh State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kim, Speaker Souki, and Members of the Legislature:

This is to inform you that on June 27, 2013, the following bill was signed into law:

SB1087 SD2 HD3 CD1

RELATING TO GREEN INFRASTRUCTURE
ACT 211 (13)

Sincerely,

NEIL ABERCROMBIE
Governor, State of Hawaii

Approved by the Governor

on JUN 27 2013

THE SENATE
TWENTY-SEVENTH LEGISLATURE, 2013
STATE OF HAWAII

ACT 211
S.B. NO. 1087
S.D. 2
H.D. 3
C.D. 1

A BILL FOR AN ACT

RELATING TO GREEN INFRASTRUCTURE.

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

1 SECTION 1. The legislature finds that building Hawaii's
2 clean energy infrastructure at the lowest possible cost is vital
3 to the State's reaching its seventy per cent clean energy goal
4 in 2030.

5 The legislature finds that significant investment in
6 infrastructure installations is required to achieve the State's
7 goals of energy self-sufficiency, greater energy security, and
8 greater energy diversification, and to support the achievement
9 of the renewable portfolio standards and energy efficiency
10 portfolio standards, as established in chapter 269, Hawaii
11 Revised Statutes. These green infrastructure investments are to
12 support Hawaii's evolving energy market and ecosystem and to
13 provide affordable energy options for all of Hawaii's consumers.
14 Further, these infrastructure installations will require
15 significant amounts of capital, and it is in the public interest
16 to minimize these costs. A key component to minimizing costs is
17 reducing the cost of capital required to finance infrastructure
18 installations.



1 The legislature further finds that the upfront costs of
2 green infrastructure equipment are a barrier preventing many
3 electric utility customers from investing in these
4 infrastructure installations. Existing programs and incentives
5 do not serve the entire spectrum of the customer market,
6 particularly those customers who lack access to capital or who
7 cannot afford the large upfront costs required, thus creating an
8 underserved market. It is in the public interest to make cost-
9 effective green infrastructure equipment options accessible and
10 affordable to customers in an equitable way.

11 A green infrastructure financing program administered by
12 the State that capitalizes on existing ratepayer contributions
13 for green infrastructure equipment can serve a critical role in
14 ensuring all Hawaii electricity ratepayers receive the greatest
15 opportunity for affordable and clean energy. The legislature
16 further finds that the State would be best served by a State-
17 administered green infrastructure financing program that:

- 18 (1) Focuses on providing an alternative means of low-cost
19 financing for green infrastructure equipment for
20 Hawaii ratepayers, particularly those ratepayers not
21 currently able to obtain such technology on reasonable
22 financing terms;



1 (2) Utilizes excess loan program funds as a funding source
2 to finance additional green infrastructure
3 installations, subject to regulatory guidelines and
4 approval; and

5 (3) Establishes clearly defined program procedures and
6 targets that encourage effective coordination among
7 state agencies, industry, investors, and other
8 critical energy industry stakeholders in order to help
9 the State achieve its clean energy policy mandates and
10 to provide customers affordable energy options.

11 The legislature further finds that the impact and reach of
12 proven clean energy financing programs, such as on-bill
13 financing or on-bill repayment, can be greatly enhanced through
14 the use of low-cost capital made available through the green
15 infrastructure financing program established by this Act.

16 The purpose of this Act is to establish a regulatory
17 financing structure that authorizes the public utilities
18 commission and the department of business, economic development,
19 and tourism to acquire and provide alternative low-cost
20 financing, to be deployed through a financing program to make
21 green infrastructure installations accessible and affordable for



1 Hawaii's consumers, achieve measurable cost savings, and achieve
2 Hawaii's clean energy goals.

3 SECTION 2. Chapter 196, Hawaii Revised Statutes, is
4 amended by adding a new part to be appropriately designated and
5 to read as follows:

6 "PART . GREEN INFRASTRUCTURE LOANS

7 §196-A Definitions. As used in this part:

8 "Authority" means the Hawaii green infrastructure authority
9 as established under section 196-C.

10 "Bond" means any bond, note, and other evidence of
11 indebtedness that is issued by the State pursuant to part of
12 chapter 269.

13 "Clean energy technology" means any technology as defined
14 in section 269-121(b).

15 "Department" means the department of business, economic
16 development, and tourism, or any successor by law.

17 "Director" means the director of business, economic
18 development, and tourism, or the director's designee.

19 "Financing order" means the same as defined in section
20 269-A.

21 "Financing party" means the same as defined in section
22 269-A.



1 "Green infrastructure bond fund" means the special fund
2 created pursuant to section 196-G.

3 "Green infrastructure charge" means the on-bill charges for
4 the use and services of the loan program, including the
5 repayment of loans made under the loan program, as authorized by
6 the public utilities commission to be imposed on electric
7 utility customers.

8 "Green infrastructure costs" means costs incurred or to be
9 incurred by the electric utility customers to pay for clean
10 energy technology, demand response technology, and energy use
11 reduction and demand side management infrastructure including,
12 without limitation, the purchase or installation of green
13 infrastructure equipment, programs, and services authorized by
14 the loan program.

15 "Green infrastructure equipment" means infrastructure
16 improvements, equipment, and personal property to be installed
17 to deploy clean energy technology, demand response technology,
18 and energy use reduction and demand side management
19 infrastructure.

20 "Green infrastructure fee" means the same as defined in
21 section 269-A.



1 "Green infrastructure loan program order" means the same as
2 defined in section 269-A.

3 "Green infrastructure property" means the same as defined
4 in section 269-A.

5 "Green infrastructure special fund" means the special fund
6 created pursuant to section 196-E.

7 "Loan program" and "green infrastructure loans" means the
8 program established by this part and loans made to finance the
9 purchase or installation of green infrastructure equipment for
10 clean energy technology, demand response technology, and energy
11 use reduction and demand side management infrastructure,
12 programs, and services as authorized by the public utilities
13 commission using the proceeds of bonds or other proceeds.

14 **§196-B Hawaii green infrastructure loan program.** There is
15 established a Hawaii green infrastructure loan program, which
16 shall be a loan program as defined under section 39-51. The
17 program shall be administered by the authority on behalf of the
18 department in a manner consistent with chapter 39, part III.
19 This loan program may include loans made to private entities,
20 whether corporations, partnerships, limited liability companies,
21 or other persons, which entities may lease or provide green
22 infrastructure equipment to electric utility customers, as well



1 as direct loans to electric utility customers, on terms approved
2 by the authority.

3 **§196-C Hawaii green infrastructure authority.** There is
4 established the Hawaii green infrastructure authority as an
5 instrumentality of the State comprising five members. The
6 director, the director of finance, and the energy program
7 administrator of the department shall be members of the
8 authority. The governor shall appoint the other two members,
9 pursuant to section 26-34. The director shall be the
10 chairperson of the authority. The authority shall be placed
11 within the department for administrative purposes, pursuant to
12 section 26-35; provided that until the authority is duly
13 constituted, the department may exercise all powers reserved to
14 the authority and shall perform all responsibilities of the
15 authority.

16 **§196-D Functions, powers, and duties of the authority.**

17 (a) In the performance of, and with respect to the functions,
18 powers, and duties vested in the authority by this part, the
19 authority, as directed by the director and in accordance with a
20 green infrastructure loan program order or orders under section
21 269-K or an annual plan submitted by the authority pursuant to



1 this section, as approved by the public utilities commission
2 may:

- 3 (1) Make loans and expend funds to finance the purchase or
4 installation of green infrastructure equipment for
5 clean energy technology, demand response technology,
6 and energy use reduction and demand side management
7 infrastructure, programs, and services;
- 8 (2) Hold and invest moneys in the green infrastructure
9 special fund in investments as permitted by law and in
10 accordance with approved investment guidelines
11 established in one or more orders issued by the public
12 utilities commission pursuant to section 269-K;
- 13 (3) Hire employees necessary to perform its duties,
14 including an executive director. The executive
15 director shall be appointed by the authority, and the
16 employees' positions, including the executive
17 director's position, shall be exempt from chapter 76;
- 18 (4) Enter into contracts for the service of consultants
19 for rendering professional and technical assistance
20 and advice, and any other contracts that are necessary
21 and proper for the implementation of the loan program;



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

4 (6) Establish loan program guidelines to be approved in
5 one or more orders issued by the public utilities
6 commission pursuant to section 269-K to carry out the
7 purposes of this part;

8 (7) Be audited at least annually by a firm of independent
9 certified public accountants selected by the
10 authority, and provide the results of this audit to
11 the department and the public utilities commission;
12 and

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

15 (b) The authority shall submit to the public utilities
16 commission an annual plan for review and approval no later than
17 ninety days prior to the start of each fiscal year. The annual
18 plan submitted by the authority shall include the authority's
19 projected operational budget for the succeeding fiscal year.

20 **§196-E Hawaii green infrastructure special fund. (a)**

21 There is established the Hawaii green infrastructure special
22 fund into which shall be deposited:



- 1 (1) The proceeds of bonds net of issuance costs and
2 reserves or overcollateralization amounts;
- 3 (2) Green infrastructure charges received for the use and
4 services of the loan program, including the repayment
5 of loans made under the loan program;
- 6 (3) All other funds received by the department or the
7 authority and legally available for the purposes of
8 the green infrastructure special fund;
- 9 (4) Interest earnings on all amounts in the green
10 infrastructure special fund; and
- 11 (5) Such other moneys as shall be permitted by an order of
12 the public utilities commission.

13 The Hawaii green infrastructure special fund shall not be
14 subject to section 37-53. Any amounts received from green
15 infrastructure charges or any other net proceeds earned from the
16 allocation, use, expenditure, or other disposition of amounts
17 approved by the public utilities commission and deposited or
18 held in the Hawaii green infrastructure special fund in excess
19 of amounts necessary for the purposes of subsection (b) shall be
20 credited to electric utility customers as provided in a green
21 infrastructure loan program order or orders. Funds that are
22 transferred back to the electric utility in order to credit



1 electric utility customers under this subsection shall not be
2 considered revenue of the electric utility and shall not be
3 subject to state or county taxes.

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

- 7 (1) Making green infrastructure loans;
- 8 (2) Paying administrative costs of the Hawaii green
9 infrastructure loan program;
- 10 (3) Paying any other costs related to the Hawaii green
11 infrastructure loan program; or
- 12 (4) Paying financing costs, as defined in section 269-A,
13 to the extent permitted by the public utilities
14 commission in a financing order issued pursuant to
15 section 269-C.

16 (c) The authority may invest funds held in the Hawaii
17 green infrastructure special fund in investments as permitted by
18 law, and in accordance with approved investment guidelines
19 established in one or more orders issued by the public utilities
20 commission pursuant to section 269-K. All amounts in the Hawaii
21 green infrastructure special fund shall be exempt from all taxes
22 and surcharges imposed by the State or the counties.



1 §196-F Use of Hawaii green infrastructure special fund;
2 application. (a) The authority shall apply to the public
3 utilities commission for one or more orders to effectuate the
4 Hawaii green infrastructure loan program, pursuant to section
5 269-J.

6 Nothing herein shall preclude the department from applying
7 for a financing order, pursuant to section 269-B, prior to the
8 issuance of an order or orders to effectuate the Hawaii green
9 infrastructure loan program under section 269-K, nor from
10 requesting consolidation of the proceeding for a financing order
11 with such a loan program implementation order.

12 (b) An application shall be submitted by the authority to
13 the public utilities commission in accordance with section
14 269-J.

15 (c) In accordance with an approved green infrastructure
16 loan program order or orders, the authority shall utilize the
17 proceeds of bonds and other amounts deposited in the Hawaii
18 green infrastructure special fund pursuant to 196-E, or to the
19 extent permitted by a financing order, to pay financing costs,
20 as defined in section 269-A.

21 (d) Within the order or orders issued by the public
22 utilities commission under section 269-K, the authority shall



1 obtain approval from the public utilities commission requiring
2 the electric utilities to serve as agents to bill and collect
3 the green infrastructure charge imposed to repay green
4 infrastructure costs and transfer all green infrastructure
5 charges collected to the authority on behalf of the department.
6 Notwithstanding anything to the contrary, electric utilities
7 shall not be obligated to bill, collect, or remit green
8 infrastructure charges from non-utility customers.

9 **§196-G Hawaii green infrastructure bond fund.** (a) There
10 is established the Hawaii green infrastructure bond fund as a
11 special fund into which all proceeds of the green infrastructure
12 fee established pursuant to section 269-F and any other proceeds
13 of green infrastructure property shall be paid. The Hawaii
14 green infrastructure bond fund may also receive other moneys as
15 the department may determine and as provided in a financing
16 order, including, without limitation, green infrastructure
17 charges.

18 (b) Moneys in the Hawaii green infrastructure bond fund
19 shall be impressed with the lien created by, and shall be used
20 solely for purposes set forth in, section 269-D. Upon payment
21 or defeasance of all bonds and financing costs, moneys in the
22 fund, at the direction of the department, may be transferred



1 into the Hawaii green infrastructure special fund established
2 pursuant to section 196-E or other purpose as the department
3 shall specify.

4 (c) The Hawaii green infrastructure bond fund shall be
5 audited at least annually by a firm of independent certified
6 public accountants selected by the department, and the results
7 of this audit shall be provided to the department and the public
8 utilities commission.

9 (d) Pursuant to section 39-68, the department shall
10 appoint a trustee to receive, hold, and disburse all amounts
11 required to be held in the Hawaii green infrastructure bond fund
12 upon terms and conditions as set forth in a certificate,
13 indenture, or trust agreement.

14 The Hawaii green infrastructure bond fund shall not be
15 subject to section 37-53.

16 **§196-H Compliance with revenue bond law.** For purposes of
17 assuring conformity of and compliance with part III of chapter
18 39, it is determined as follows:

19 (1) For purposes of section 39-51, "revenues" shall
20 include the green infrastructure fee and the proceeds
21 of green infrastructure property; "loan program" shall
22 include the loan program authorized under section



1 196-B; and "undertaking" shall include financing of
2 the loan program through the issuance of green
3 infrastructure revenue bonds;

4 (2) In addition and supplemental to any covenants
5 recognized under section 39-60, any resolution,
6 certificate, or indenture approved by the department
7 may have additional or alternative covenants as may be
8 consistent with this chapter, and the department may
9 enter into a trust indenture, servicing agreement, or
10 other financing documents having terms and conditions
11 consistent with the financing order issued under
12 section 269-C;

13 (3) In addition and supplemental to the power to impose
14 rates, rentals, fees, or charges required under
15 section 39-61, the department shall impose, adjust,
16 and collect the green infrastructure fee as provided
17 in section 269-F and the financing order issued
18 pursuant thereto; and

19 (4) In addition and supplemental to the uses specified in
20 section 39-62, the green infrastructure fee shall be
21 applied as provided in this chapter, the financing
22 order, the certificate issued by the department, and



1 any financing documents executed by the department in
2 connection with the bonds.

3 §196-I Reporting; annual report. The authority shall
4 submit a report to the legislature on the authority's activities
5 in administering the loan program no later than twenty days
6 prior to the convening of each regular session beginning with
7 the regular session of 2015. The report shall include a
8 description and uses of the loan program; summary information
9 and analytical data concerning the implementation of the loan
10 program; summary information and analytical data concerning
11 deployment of clean energy technology, demand response
12 technology, and energy use reduction and demand side management
13 infrastructure, programs, and services; and repayments made or
14 credits provided to electric utility customers under this part
15 or chapter 269, part .

16 §196-J Severability. If any provision of this part is
17 held to be invalid or is superseded, replaced, repealed, or
18 expires for any reason:

- 19 (1) That occurrence shall not affect any action allowed
20 under this part that is taken prior to that occurrence
21 by the public utilities commission, an electric
22 utility, the department, the authority, a bondholder,

1 or any financing party, and any such action shall
2 remain in full force and effect; and
3 (2) The validity and enforceability of the rest of this
4 part shall remain unaffected."

5 SECTION 3. Chapter 269, Hawaii Revised Statutes, is
6 amended by adding a new part to be appropriately designated and
7 to read as follows:

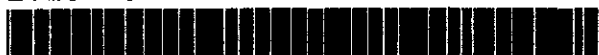
8 **"PART . GREEN INFRASTRUCTURE BONDS**

9 **§269-A Definitions.** As used in this part:

10 "Ancillary agreement" means any bond insurance policy,
11 letter of credit, reserve account, surety bond, swap
12 arrangement, hedging arrangement, liquidity or credit support
13 arrangement, or other related bond document or other similar
14 agreement or arrangement entered into in connection with the
15 issuance of bonds that is designed to promote the credit quality
16 and marketability of the bonds or to mitigate the risk of an
17 increase in interest rates.

18 "Authority" means the Hawaii green infrastructure authority
19 established under section 196-C.

20 "Bond" or "green infrastructure bond" means any bond, note
21 or other evidence of indebtedness that is issued by the State,
22 acting through the department, under a financing order, the



1 proceeds of which are used directly or indirectly to recover,
2 finance, or refinance financing costs of clean energy
3 technology, demand response technology, and energy use reduction
4 and demand side management infrastructure, programs, and
5 services, and that are secured by or payable from green
6 infrastructure property.

7 "Bondholder" means any holder or owner of a bond.

8 "Clean energy technology" means any technology as defined
9 in section 269-121(b).

10 "Department" means the department of business, economic
11 development, and tourism, or any successor by law.

12 "Electric utilities" means all electric utilities subject
13 to billing, collecting, and remitting the public benefits fee,
14 or the green infrastructure fee, at the time the financing order
15 becomes final, and any other electric utility designated in the
16 financing order.

17 "Financing costs" means any of the following:

- 18 (1) Principal and interest payable on bonds;
- 19 (2) Any payment required under an ancillary agreement;
- 20 (3) Any amount required to fund or replenish a reserve
- 21 account or another account established under any



- 1 indenture, ancillary agreement, or other financing
2 document relating to the issuance of bonds;
- 3 (4) Any redemption or call premium or cost of redeeming or
4 refunding any existing debt of the department in
5 connection with either the issuance of, or the use of
6 proceeds from, bonds;
- 7 (5) Any costs incurred by the department to modify or
8 amend any indenture, financing agreement, security
9 agreement, or similar agreement or instrument securing
10 any bond or any ancillary agreement;
- 11 (6) Any costs incurred by the department to obtain any
12 consent, release, waiver, or approval from any
13 bondholder or of any party to an ancillary agreement
14 that are necessary to be incurred for the department
15 to issue bonds;
- 16 (7) Any costs related to issuing or servicing bonds or
17 related to obtaining a financing order, including
18 servicing fees and expenses, trustee fees and
19 expenses, legal, accounting, or other professional
20 fees and expenses, administrative fees, placement
21 fees, underwriting fees and discounts, capitalized
22 interest and equity, and rating-agency fees; or loan



1 program administration costs as authorized for
2 recovery under a financing order or orders; or
3 (8) Any other similar costs incident to the issuance,
4 administration, or servicing of the bonds that the
5 department finds appropriate.

6 "Financing order" means an order issued at the request of
7 the department by the public utilities commission under this
8 part that has become final as provided by law, and that
9 authorizes the issuance of bonds and the imposition, adjustment
10 from time to time, and collection of green infrastructure fees.

11 "Financing party" means:

12 (1) Any trustee, collateral agent, or other person acting
13 for the benefit of a bondholder; or

14 (2) Any party to an ancillary agreement, the rights and
15 obligations of which relate to or depend upon the
16 existence of green infrastructure property and green
17 infrastructure fees, the enforcement and priority of a
18 security interest in green infrastructure property,
19 the timely collection and payment of green
20 infrastructure fees, or a combination of these
21 factors.



1 "Green infrastructure bond fund" means the special fund
2 created pursuant to section 196-G.

3 "Green infrastructure charge" means the on-bill charges as
4 defined in section 196-A.

5 "Green infrastructure fee" means the nonbypassable fees and
6 charges authorized by section 269-F and in a financing order
7 authorized under this part to be imposed on and collected from
8 all existing and future customers of electric utilities or any
9 successor.

10 "Green infrastructure loan program order" means an order
11 issued by the public utilities commission under section 269-K
12 that establishes the use or other disposition of amounts
13 deposited and held in the Hawaii green infrastructure special
14 fund pursuant to section 196-E.

15 "Green infrastructure property" means the property, rights,
16 and interests created by the public utilities commission under a
17 financing order, including the right to impose, charge, and
18 collect from electric utility customers the green infrastructure
19 fee that shall be used to pay and secure the payment of bonds
20 and financing costs, including the right to obtain adjustments
21 to the green infrastructure fee, and any revenues, receipts,
22 collections, rights to payment, payments, moneys, claims, or



1 other proceeds arising from the rights and interests created by
2 the public utilities commission under any financing order.

3 "Green infrastructure special fund" means the special fund
4 created pursuant to section 196-E.

5 "Successor" means, with respect to any electric utility,
6 another electric utility or other entity that succeeds
7 voluntarily or by operation of law to the rights and obligations
8 of the first electric utility or other entity pursuant to any
9 bankruptcy, reorganization, restructuring, or other insolvency
10 proceedings; any merger, acquisition, or consolidation; or any
11 sale or transfer of assets, regardless of how any of these
12 actions occurred.

13 "Trustee" means any trustee or fiscal agent appointed under
14 an indenture or certificate of the director executed in
15 connection with the issuance of bonds pursuant to section 39-68.

16 **§269-B Applications to issue bonds and authorize green**
17 **infrastructure fee.** (a) In connection with the issuance of
18 bonds, the department may apply to the public utilities
19 commission for one or more financing orders, each of which
20 financing orders authorizes the following:

21 (1) The imposition, charging, and collection on behalf of
22 the department of the green infrastructure fee, to

1 become effective upon the issuance of the bonds, and
2 the adjustment of the green infrastructure fee on
3 behalf of the department in accordance with an
4 adjustment mechanism requested by the department under
5 this part in amounts sufficient to pay the principal
6 of and interest on bonds and all related financing
7 costs on a timely basis;

8 (2) The creation of green infrastructure property under
9 the financing order; and

10 (3) The deposit of the net proceeds of the bonds into the
11 green infrastructure special fund.

12 (b) The application shall include all of the following:

13 (1) The principal amount of the bonds proposed to be
14 issued;

15 (2) An estimate of the date each series of bonds is
16 expected to be issued;

17 (3) The expected term, not to exceed thirty years, during
18 which term the green infrastructure fee associated
19 with the issuance of each series of bonds is expected
20 to be imposed and collected;

21 (4) An estimate of the financing costs associated with the
22 issuance of each series of bonds;



- 1 (5) An estimate of the amount of the green infrastructure
2 fee revenues necessary to pay principal and interest
3 on the bonds and related financing costs as set forth
4 in the application and the calculation for that
5 estimate, which calculation shall take into account
6 the estimated date or dates of issuance and the
7 estimated principal amount of each series of bonds;
- 8 (6) A proposed methodology for allocating the green
9 infrastructure fee among electric utilities and
10 customer classes within each electric utility;
- 11 (7) A description of a proposed formulaic adjustment
12 mechanism for the adjustment of the green
13 infrastructure fee to ensure the timely payment of
14 principal and interest on the bonds and related
15 financing costs; and
- 16 (8) Any other information required by the public utilities
17 commission.

18 **§269-C Green infrastructure financing order.** (a) The
19 public utilities commission shall issue its financing order as
20 final or if a finding in subsection (b) cannot be made, its
21 denial of a financing order, as expeditiously as possible and in



1 any event within ninety days from the date the completed
2 application is submitted.

3 (b) The public utilities commission may issue a financing
4 order if the public utilities commission finds that the creation
5 of the green infrastructure property to secure the payment of
6 the bonds, including the imposition of the green infrastructure
7 fee, will facilitate the acquisition of low-cost financing,
8 pursuant to an application under section 269-B.

9 (c) The public utilities commission shall include all of
10 the following in a financing order:

11 (1) The maximum amount of bonds to be issued by the State
12 acting through the department under the financing
13 order;

14 (2) A description of the green infrastructure property,
15 the creation of which property is authorized by the
16 financing order;

17 (3) A description of the financing costs that will be
18 recoverable through green infrastructure fees,
19 including any reserves or overcollateralization
20 amounts required by the department to secure payment
21 of the bonds;



- 1 (4) A description of the methodology to be applied by the
2 public utilities commission, on behalf of the
3 department, for calculating the green infrastructure
4 fee, including the allocation of financing costs among
5 electric utilities and customer classes;
- 6 (5) A description of the formulaic adjustment mechanism to
7 be used by the public utilities commission, on behalf
8 of the department, to adjust the green infrastructure
9 fee in order to ensure that the amount of the green
10 infrastructure fee projected to be collected shall be
11 sufficient to pay the principal and interest on the
12 bonds, and all related financing costs on a timely
13 basis, including the funding or maintenance of any
14 reserves required to be maintained by the department;
- 15 (6) The term of the bonds, as proposed by the department,
16 during which term the green infrastructure fee shall
17 continue to be collected and pledged to pay the bonds,
18 which term shall automatically be extended by the term
19 of any refunding bonds, as approved in a subsequent
20 financing order, issued in such principal amounts as
21 the department may determine to be necessary to refund



- 1 the bonds that are the subject of the original
2 financing order;
- 3 (7) A requirement that the electric utilities, including
4 any successors, serve as agents to collect the green
5 infrastructure fee and transfer those surcharges to
6 the trustee or other financing party as required by
7 the financing order and any agreements with the
8 department;
- 9 (8) The procedures to be followed by the electric
10 utilities in the event of non-payment or partial
11 payment of the green infrastructure fee by the
12 electric utilities' customers, which procedures shall
13 be consistent with the public utilities commission
14 approved procedures for non-payment and partial
15 payment of rates, charges, and fees under the electric
16 utilities' tariffs;
- 17 (9) The distribution of the total amounts collected by the
18 electric utilities for amounts billed to customers for
19 the electric utilities' rates, fees, the green
20 infrastructure fee, other public utilities commission
21 approved fees, and for associated taxes, in the event
22 of partial payments of the billed amounts;



1 (10) Terms satisfactory to the public utilities commission
2 to ensure that the green infrastructure fee shall be
3 nonbypassable and will be paid by all existing and
4 future customers of an electric utility or any
5 successor; and

6 (11) Any other provision the public utilities commission
7 considers appropriate to ensure the full and timely
8 imposition, charging, collection, and adjustment,
9 pursuant to an approved adjustment mechanism, of the
10 green infrastructure fee described in this subsection.

11 The electric utilities serving as billing and collecting
12 agents shall be parties to the proceedings in which the
13 financing order or orders are issued.

14 (d) The public utilities commission, in a financing order,
15 may permit the department flexibility in establishing the terms
16 and conditions for the bonds to accommodate changes in market
17 conditions, including repayment schedules, interest rates,
18 financing costs, collateral requirements, required debt service
19 and other reserves, and the ability of the department, at its
20 option, to effect a series of issuances of bonds and correlated
21 assignments, sales, pledges, or other transfers of green
22 infrastructure property. Any changes made under this section to



1 terms and conditions for the bonds shall be in conformance with
2 the financing order.

3 (e) At the request of the department, the public utilities
4 commission shall determine, in accordance with the adjustment
5 mechanism set forth in the financing order, the initial green
6 infrastructure fee after the determination of the final terms of
7 each series of bonds, so that the green infrastructure fee shall
8 be final and effective upon issuance of the bonds.

9 (f) Any adjustment to the green infrastructure fee made by
10 the public utilities commission pursuant to the adjustment
11 mechanism approved in the financing order shall be a ministerial
12 act of the public utilities commission.

13 **§269-D Green infrastructure property.** (a) The green
14 infrastructure property shall be created simultaneously with the
15 issuance of the bonds and shall immediately vest in the
16 department, which shall pledge and create a lien on the
17 property, together with all other money in the green
18 infrastructure bond fund, solely and exclusively in favor of
19 bondholders and financing parties, to secure the payment of
20 bonds, amounts payable to financing parties and bondholders,
21 amounts payable under any ancillary agreement, and other
22 financing costs as provided in the financing documents executed



1 by the department. Subject to this subsection, the lien and
2 charge on green infrastructure property and all other moneys in
3 the green infrastructure bond fund for the benefit of any
4 financing party shall be governed by section 39-63.

5 (b) An electric utility shall have no ownership or
6 beneficial interest in nor any claim or right to the green
7 infrastructure fee, green infrastructure property, green
8 infrastructure equipment, or green infrastructure charge other
9 than the obligation to bill and collect the green infrastructure
10 fee and green infrastructure charge as agent for the department
11 or any financing party and remit the collected revenue to the
12 department or such financing party entitled to receive those
13 surcharges in accordance with the financing order. The public
14 utilities commission shall ensure that all reasonable costs
15 incurred by electric utilities to implement the green
16 infrastructure fee may be recovered as part of the electric
17 utility's revenue requirement, including necessary billing
18 system adjustments, costs arising out of the billing and
19 collection of the green infrastructure fee, and any costs for
20 the green infrastructure fee that are not recovered otherwise.
21 The green infrastructure fee or green infrastructure property
22 shall not be considered revenue of any electric utility.



1 (c) The obligation of any electric utility customer to pay
2 the green infrastructure fee or green infrastructure charge and,
3 notwithstanding subsection (b), the obligation of the electric
4 utility to collect and remit the green infrastructure fee or
5 green infrastructure charge shall not be subject to any setoff,
6 counterclaim, surcharge, or defense by the electric utility or
7 by any electric utility customer, or in connection with a
8 bankruptcy of any electric utility or any electric utility
9 customer.

10 **§269-E Bonds financing order.** (a) A financing order
11 shall remain in effect until the bonds issued under the
12 financing order and all financing costs related to the bonds
13 have been paid in full or defeased by their terms. A financing
14 order shall remain in effect and unabated notwithstanding the
15 bankruptcy, reorganization, or insolvency of any electric
16 utility or any affiliate of the electric utility or the
17 commencement of any judicial or nonjudicial proceeding on the
18 financing order.

19 (b) Once a financing order has become final as provided by
20 law, the financing order shall become irrevocable. The public
21 utilities commission may not directly or indirectly, except as
22 provided in the adjustment mechanism approved in the financing



1 order, reduce, impair, postpone, rescind, alter, or terminate
2 the green infrastructure fee authorized in the financing order
3 or impair the green infrastructure property or the collection of
4 the green infrastructure fee so long as any bonds are
5 outstanding or any financing costs remain unpaid.

6 (c) Under a final financing order, the department shall
7 retain sole discretion to cause bonds to be issued, including
8 the right to defer or postpone such issuance, assignment, sale,
9 or transfer.

10 **§269-F Green infrastructure fee; nonbypassable.** (a) The
11 public utilities commission may create, pursuant to a financing
12 order approved pursuant to section 269-C, a utility-wide
13 nonbypassable surcharge, referred to as the green infrastructure
14 fee, which shall be deposited into the green infrastructure bond
15 fund and be pledged to secure and be applied to the repayment of
16 bonds and related financing costs as described in this part.
17 The green infrastructure fee may be a usage-based surcharge, a
18 flat user fee, or a charge based upon customer revenues as
19 determined by the public utilities commission for each customer
20 class in any financing order.

21 (b) The green infrastructure fee may be applied to reduce
22 the public benefits fee to be transferred pursuant to section



1 269-121 if so provided in a financing order. Nothing in this
2 subsection shall affect the right to impose, collect, and adjust
3 from time to time the green infrastructure fee as provided in
4 the financing order and this chapter.

5 (c) As long as any bonds are outstanding and any financing
6 costs have not been paid in full, the green infrastructure fee
7 authorized under any financing order shall be nonbypassable.
8 Subject to any exceptions provided in a financing order, the
9 green infrastructure fee shall be paid by all existing and
10 future customers of electric utilities or any successors.

11 (d) The green infrastructure fee shall be collected by the
12 electric utilities or their successors, as collection agents for
13 the department or the financing parties, in full through a
14 surcharge, fee, or charge that is separate and apart from the
15 electric utilities' rates.

16 §269-G Electric utility successor requirements; default of
17 electric utility. (a) Any successor to an electric utility
18 subject to a financing order shall be bound by the requirements
19 of this part. The successor shall perform and satisfy all
20 obligations of the electric utility under the financing order,
21 in the same manner and to the same extent as the electric
22 utility, including the obligation to collect and pay the green



1 infrastructure fee to the department or to any financing party
2 as required by a financing order.

3 (b) The public utilities commission may require, in the
4 financing order creating the green infrastructure fee and green
5 infrastructure property, that, if a default by the electric
6 utility in remittance of the green infrastructure fee collected
7 arising with respect to green infrastructure property occurs,
8 the public utilities commission, upon the application by the
9 department, and without limiting any other remedies available to
10 the department or any financing party by reason of the default,
11 shall order the sequestration and payment to the beneficiaries
12 of the green infrastructure fee collected arising with respect
13 to the green infrastructure property. Any order shall remain in
14 full force and effect notwithstanding any bankruptcy,
15 reorganization, or other insolvency proceedings with respect to
16 the electric utility.

17 **§269-H Treatment of bonds, fees, and property.** (a) In
18 the furtherance of section 39-65, the ownership, transfer, and
19 pledge of the green infrastructure fee and green infrastructure
20 property and the imposition, charging, collection, and receipt
21 of the green infrastructure fee and green infrastructure charge
22 are exempt from all taxes and surcharges imposed by the State or

1 the counties, including the general excise tax under chapter
2 237, public service company tax under chapter 239, public
3 utility fee under section 269-30, and public utility franchise
4 tax under chapter 240.

5 (b) Bonds issued under a financing order shall not be an
6 obligation of any electric utility. The issuance of bonds shall
7 not directly, indirectly, or contingently obligate the electric
8 utility for payment of the principal of or interest on the
9 bonds.

10 **§269-I Green infrastructure property; non-impairment.** (a)
11 In furtherance of section 39-61, the State pledges to and agrees
12 with the bondholders and any financing parties under a financing
13 order that the State will not take or permit any action that
14 impairs the value of green infrastructure property under the
15 financing order, or reduce, alter, or impair the green
16 infrastructure fee that is imposed, charged, collected, or
17 remitted for the benefit of the bondholders and any financing
18 parties, until any principal, interest, and redemption premium
19 in respect of bonds, all financing costs, and all amounts to be
20 paid to a financing party under an ancillary agreement are paid
21 or performed in full or unless adequate provision has been made



1 by law for the protection of bondholders and other financing
2 parties.

3 (b) In issuing the bonds, the department may include the
4 pledge specified in subsection (a) of this section in the bonds,
5 ancillary agreements, and documentation related to the issuance
6 and marketing of the bonds.

7 §269-J Green infrastructure loan program order;
8 application. (a) The authority shall submit an application to
9 the public utilities commission for the use or other disposition
10 of amounts deposited or held in the green infrastructure special
11 fund pursuant to section 196-E prior to the allocation, use,
12 expenditure, or other disposition of any such amounts; provided
13 that this subsection shall not apply to the expenditure of
14 amounts deposited or held in the green infrastructure special
15 fund that have been reviewed and approved by the public
16 utilities commission for operational or administrative expenses
17 of the authority pursuant to section 196-D.

18 (b) An application submitted by the authority to the
19 public utilities commission under this section shall include the
20 following:

21 (1) A description of each project, program, financing
22 agreement, or other arrangement for which the



1 authority seeks to allocate, use, expend, or otherwise
2 dispose of amounts deposited or held in the green
3 infrastructure special fund, including:

4 (A) The clean energy technology, demand response
5 technology, and energy use reduction and demand
6 side management infrastructure, programs, and
7 services to be financed;

8 (B) A description of the parties, both direct and
9 incidental, intended to benefit from any
10 financing made in connection with the green
11 infrastructure special fund amounts requested by
12 the authority in an application submitted to the
13 public utilities commission under this section;

14 (C) A description of the loan programs or other
15 arrangements designed, established, identified,
16 agreed to, agreed to in principle, continued,
17 carried over, or otherwise intended to be
18 effectuated for the use of the green
19 infrastructure special fund amounts requested by
20 the authority in an application submitted to the
21 public utilities commission under this section;
22 and



- 1 (D) Any and all funding or credit sources identified,
2 pledged, dedicated, or otherwise provided to
3 supplement the green infrastructure special fund
4 amounts requested by the authority in an
5 application submitted to the public utilities
6 commission under this section;
- 7 (2) Minimum lending, crediting, or investing criteria in
8 relation to each project, program, financing
9 agreement, or other arrangement described in an
10 application submitted to the public utilities
11 commission under this section;
- 12 (3) A description of the repayment processes, mechanisms,
13 and applicable calculations for each project, program,
14 financing agreement, or other arrangement described in
15 an application submitted to the public utilities
16 commission under this section;
- 17 (4) An explanation of the anticipated impacts and benefits
18 to electric utility ratepayers of any project,
19 program, financing agreement, or other arrangement
20 described under an application submitted by the
21 authority to the public utilities commission under
22 this section; and



1 (5) Any other additional information determined to be
2 necessary by the public utilities commission upon the
3 review of an application submitted or resubmitted by
4 the authority under this section.

5 §269-K Green infrastructure loan program order; issuance.

6 (a) The public utilities commission may issue a program order
7 authorizing the allocation, use, expenditure, or other
8 disposition of any amounts deposited or held in the green
9 infrastructure special fund upon the submission by the authority
10 to the commission of a completed application, as described in
11 this section. A green infrastructure loan program order issued
12 by the public utilities commission shall include the following,
13 where determined necessary and applicable by the commission:

14 (1) An identification and description of each project,
15 program, financing agreement, or other arrangement
16 approved by the public utilities commission for which
17 amounts deposited or held in the green infrastructure
18 special fund may be allocated, used, expended, or
19 otherwise disposed of;

20 (2) Minimum criteria for the lending, crediting, or
21 investing of amounts deposited or held in the green
22 infrastructure special fund;



1 (3) A description of the repayment processes, mechanisms,
2 and applicable calculations for each project, program,
3 financing agreement, or other arrangement approved by
4 the public utilities commission for which amounts
5 deposited or held in the green infrastructure special
6 fund may be allocated, used, expended, or otherwise
7 disposed of;

8 (4) A review of the anticipated impacts and benefits to
9 electric utility ratepayers of any project, program,
10 financing agreement, or other arrangement approved
11 under a green infrastructure loan program order; and

12 (5) Any other provision or information determined to be
13 necessary by the public utilities commission.

14 (b) The public utilities commission shall issue an order
15 under this section as expeditiously as possible upon the receipt
16 from the authority of a completed application submitted pursuant
17 to section 269-J.

18 (c) The order shall specify the following, including:

19 (1) The procedures to be followed by the electric
20 utilities in the event of non-payment or partial
21 payment of the green infrastructure charge by the
22 electric utilities' customers, which procedures shall



1 be consistent with the public utilities commission's
2 approved procedures for non-payment and partial
3 payment of rates, charges, and fees under the electric
4 utilities' tariffs; and

5 (2) The distribution of the total amounts collected by the
6 electric utilities for amounts billed to customers for
7 the electric utilities' rates, fees, and charges, for
8 the green infrastructure charge, for other fees and
9 charges approved by the public utilities commission,
10 and for associated taxes, in the event of partial
11 payments of the billed amounts.

12 The electric utilities serving as billing and collecting
13 agents shall be parties to the proceedings in which the order or
14 orders are issued.

15 **§269-L Electric utilities; cost recovery; billing agent.**

16 (a) The public utilities commission shall ensure that all
17 reasonable costs incurred by electric utilities to start up and
18 implement the loan program may be recovered as part of the
19 electric utility's revenue requirement, including necessary
20 billing system adjustments, costs arising out of the billing and
21 collection of green infrastructure charges, and any costs for
22 green infrastructure charges that are not recovered via

1 participating customers' green infrastructure bill payments, or
2 otherwise.

3 (b) The green infrastructure charge shall not be
4 considered revenue of the electric utilities and accordingly,
5 shall not be subject to state or county taxes, including the
6 general excise tax under chapter 237, the public service company
7 tax under chapter 239, the public utility fee under section
8 269-30, and the public utility franchise tax under chapter 240.

9 (c) The loan program or the act of serving as an agent to
10 bill and to collect the green infrastructure charge shall not
11 cause any electric utility to be subject to the laws that
12 regulate financial institutions, escrow depositories, or
13 collection agencies. An electric utility shall not be
14 responsible for lending, underwriting, and credit
15 determinations.

16 **§269-M Severability.** If any provision of this part is
17 held to be invalid or is superseded, replaced, repealed, or
18 expires for any reason:

19 (1) That occurrence shall not affect any action allowed
20 under this part that is taken prior to that occurrence
21 by the public utilities commission, an electric
22 utility, the department, the authority, a bondholder,

1 or any financing party, and any such action shall
2 remain in full force and effect; and

3 (2) The validity and enforceability of the rest of this
4 part shall remain unaffected.

5 **§269-N Miscellaneous.** Neither the department nor a
6 financing party shall be considered an electric utility or
7 person providing electric service by virtue of engaging in the
8 transactions described in this part.

9 **§269-O Revenue bonds; exclusion from debt limit.** Green
10 infrastructure bonds are revenue bonds issued under article VII,
11 section 12, of the Hawaii state constitution, and chapter 39,
12 part III, as modified by this part, and the department shall
13 ensure that any bonds issued under this part are excluded from
14 the calculation of the State's debt limit pursuant to article
15 VII, section 13, of the Hawaii state constitution.

16 **§269-P Financing order; adjustments to green**
17 **infrastructure fee.** The financing order shall include, without
18 limitation, a procedure to require the public utilities
19 commission, in accordance with a formula set out in the
20 financing order and approved by the department, to expeditiously
21 review and approve periodic adjustments to the green



1 infrastructure fee to ensure the payment of the bonds and
2 related financing costs on a timely basis."

3 SECTION 4. Section 269-5, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§269-5 Annual report and register of orders. The public
6 utilities commission shall prepare and present to the governor,
7 through the director of finance, in the month of January in each
8 year a report respecting its actions during the preceding fiscal
9 year. This report shall include summary information and
10 analytical, comparative, and trend data concerning major
11 regulatory issues acted upon and pending before the commission;
12 cases processed by the commission, including their dispositions;
13 utility company operations, capital improvements, and rates;
14 utility company performance in terms of efficiency and quality
15 of services rendered; financing orders issued, adjustments made
16 to the public benefits fee, and repayments or credits provided
17 to electric utility customers pursuant to part or chapter
18 196, part ; environmental matters having a significant impact
19 upon public utilities; actions of the federal government
20 affecting the regulation of public utilities in Hawaii; long and
21 short-range plans and objectives of the commission; together
22 with the commission's recommendations respecting legislation and



1 other matters requiring executive and legislative consideration.
2 Copies of the annual reports shall be furnished by the governor
3 to the legislature. In addition, the commission shall establish
4 and maintain a register of all its orders and decisions, which
5 shall be open and readily available for public inspection, and
6 no order or decision of the commission shall take effect until
7 it is filed and recorded in this register."

8 SECTION 5. Section 269-121, Hawaii Revised Statutes, is
9 amended by amending subsection (b) to read as follows:

10 "(b) The public benefits fee shall be used to support
11 [energy efficiency] clean energy technology, demand response
12 technology, and energy use reduction and demand-side management
13 infrastructure, programs, and services, subject to the review
14 and approval of the public utilities commission. These moneys
15 shall not be available to meet any current or past general
16 obligations of the State; provided that the State may
17 participate in any [energy efficiency or] clean energy
18 technology, demand response technology, or energy use reduction
19 and demand-side management infrastructure, programs, and
20 services on the same basis as any other electric consumer.

21 "Clean energy technology" means any commercially available
22 technology that enables the State to meet the renewable



1 portfolio standards under section 269-92, or the energy
2 efficiency portfolio standards under section 269-96, and
3 approved by the public utilities commission by rule or order."

4 SECTION 6. (a) The legislature finds and declares that
5 the issuance of revenue bonds under this Act is in the public
6 interest and for the public health, safety, and welfare.

7 (b) The department of business, economic development, and
8 tourism is authorized to issue revenue bonds pursuant to part
9 III of chapter 39, Hawaii Revised Statutes, as amended and
10 supplemented by this Act, in a principal amount not to exceed
11 \$200,000,000 to establish and administer the Hawaii green
12 infrastructure loan program pursuant to section 196-B, Hawaii
13 Revised Statutes.

14 (c) The department of business, economic development, and
15 tourism is authorized to issue from time to time refunding bonds
16 in such principal amounts as the department shall determine to
17 be necessary to refund the green infrastructure bonds authorized
18 under this Act, to the extent permitted by the financing
19 documents.

20 (d) To the extent there is any conflict between this Act
21 and part III of chapter 39, Hawaii Revised Statutes, this Act
22 shall prevail.



1 SECTION 7. There is appropriated out of the Hawaii green
2 infrastructure special fund established pursuant to section
3 196-E, Hawaii Revised Statutes, the sum of \$100,000,000 or so
4 much thereof as may be necessary for fiscal year 2013-2014 and
5 the same sum or so much thereof as may be necessary for fiscal
6 year 2014-2015.

7 The sums appropriated shall be expended by the department
8 of business, economic development, and tourism for the purposes
9 of this Act.

10 SECTION 8. There is appropriated out of the Hawaii green
11 infrastructure bond fund established pursuant to section 196-G,
12 Hawaii Revised Statutes, the sum of \$10,000,000 or so much
13 thereof as may be necessary for fiscal year 2013-2014 and the
14 sum of \$20,000,000 or so much thereof as may be necessary for
15 fiscal year 2014-2015.

16 The sums appropriated shall be expended by the department
17 of business, economic development, and tourism for the purposes
18 of this Act.

19 SECTION 9. The department of business, economic
20 development, and tourism, with the assistance of the Hawaii
21 green infrastructure authority, shall submit a report on the
22 status of the Hawaii green infrastructure authority's



1 activities, including approved loan program description and
2 uses; summary information and analytical data concerning
3 implementation of the loan program; summary information and
4 analytical data concerning the deployment of clean energy
5 technology, demand response technology, and energy use reduction
6 and demand-side management infrastructure, programs, and
7 services; and repayments made or credits provided to electric
8 utility customers under section 196-E and part of chapter
9 269, Hawaii Revised Statutes, no later than twenty days prior to
10 the convening of the regular session of 2014.

11 SECTION 10. The Hawaii green infrastructure authority
12 shall conduct a study in the 2015 calendar year to determine:

13 (1) The extent to which the Hawaii green infrastructure
14 authority's activities have benefitted the State by
15 advancing the State's renewable energy goals and
16 reducing energy costs for consumers by providing
17 affordable alternative energy options; and

18 (2) Whether the loan program shall be extended,
19 eliminated, or otherwise modified beginning July 1,
20 2016.

21 The Hawaii green infrastructure authority shall submit a report
22 of its findings from the study to the Legislature no later than



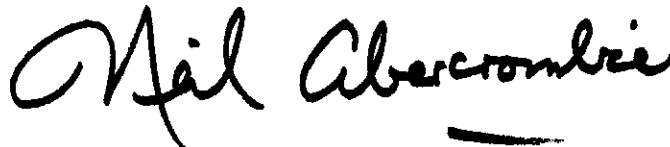
1 twenty days prior to the convening of the regular session of
2 2016.

3 SECTION 11. In codifying the new part added to chapter
4 196, Hawaii Revised Statutes, by section 2 of this Act and the
5 new part added to chapter 269, Hawaii Revised Statutes, by
6 section 3 of this Act, the revisor of statutes shall substitute
7 appropriate section numbers for the letters used in designating
8 and referring to the new sections in this Act.

9 SECTION 12. Statutory material to be repealed is bracketed
10 and stricken. New statutory material is underscored.

11 SECTION 13. This Act shall take effect upon its approval;
12 provided that sections 7 and 8 shall take effect on July 1,
13 2013.

APPROVED this 27 day of JUN, 2013



GOVERNOR OF THE STATE OF HAWAII