



**NEIL ABERCROMBIE**  
GOVERNOR

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LT. GOVERNOR

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DEPUTY DIRECTOR

**TO THE HOUSE COMMITTEE**  
**ON CONSUMER PROTECTION & COMMERCE**

**THE TWENTY-SEVENTH LEGISLATURE**  
**REGULAR SESSION OF 2013**

**MONDAY, FEBRUARY 11, 2013**  
**8:30 A.M.**

**TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF  
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER  
AFFAIRS, TO THE HONORABLE ANGUS L. K. MCKELVEY, CHAIR,  
AND MEMBERS OF THE COMMITTEE**

**HOUSE BILL NO. 856, H.D. 1 - RELATING TO GREEN INFRASTRUCTURE**

**DESCRIPTION:**

This measure proposes to establish a regulatory financing structure that authorizes the Public Utilities Commission ("PUC") and the Department of Business, Economic Development, and Tourism ("DBEDT") to provide low-cost loans for green infrastructure equipment to achieve measurable cost savings and achieve Hawaii's clean energy goals.

**POSITION:**

The Division of Consumer Advocacy supports H.B. No. 856, H. D. 1.

COMMENTS:

H.B. No. 856, H.D. 1 is legislation that will enable the DBEDT to create a securitization process to obtain low cost financing that would be used to fund the purchase and installation of various clean energy and energy efficiency devices, such as solar water heaters and solar photovoltaic (“solar pv”) systems. It contemplates the issuance of bonds that will be secured by a green infrastructure fee that will be collected from the electric utilities’ customers. It is through this legislation that a low interest rate fund would be used for an on bill financing program.

Hawaii’s electricity rates are the highest in the nation. Consumers need access to energy efficient devices that offer real electricity cost savings. Thus far, the upfront cash needed or access to credit to purchase solar hot water heaters and solar pv systems has been an impediment to low to moderate income homeowners and renters from being able to realize the benefits of these devices that will lower monthly electric bills.

The Consumer Advocate believes that clean energy and energy efficiency should not be for the wealthy only. Consumers who work hard and pay their bills, but find it difficult to save enough money or build enough credit to finance a solar hot water heater or solar pv system should not be shut out of this market. On bill financing allows the consumer to pay for these energy systems through the electricity cost savings on their monthly bill. This not only makes available energy cost savings to a greater number of Hawaii’s consumers, but it also means less oil consumed for every kilowatt hour of energy being conserved or replaced by clean energy.

H.B. No. 856, H.D. 1 will make low cost funding available for such an on bill financing program. The Consumer Advocate will work closely with DBEDT, the Hawaiian Electric Companies, the Public Utilities Commission, and all interested parties in designing an on bill financing program that minimizes the financial risk to electric utilities’ ratepayers.

Thank you for this opportunity to testify.



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

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**RICHARD C. LIM**  
**Director**  
Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE**  
Monday, February 11, 2013  
3:30 p.m.  
State Capitol, Conference Room 325

in consideration of  
**HB 856, HD1**  
**RELATING TO GREEN INFRASTRUCTURE.**

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **strongly supports** HB 856, HD1, a priority of the Abercrombie Administration to make affordable low-cost financing available for clean energy infrastructure installations that can immediately reduce utility bills and offer long term savings to consumers. This measure establishes a regulatory financing structure to make low-interest credit available for consumers, including homeowners, renters & landlords, and nonprofits, to invest in green infrastructure today, and repay the costs over time through a charge on their utility bill.

There is strong interest by Hawaii residents for such low-cost financing. A survey conducted in November and December of 2012 by the research group OmniTrak showed that 70% responded positively that they were likely to make energy-savings improvements if low-interest loans were offered to make these investments. Results of the survey are attached.

Reducing Hawaii's dependence on imported fossil fuel and achieving our State's aggressive clean energy goals in 2030 will require significant infrastructure and investment.

According to Booz Allen Hamilton, the Hawaii Clean Energy Initiative will require more than \$15 billion of capital expenditures to fully implement, mostly coming from private sources. Because one of the biggest costs of infrastructure is the cost of capital, it is critical to identify innovative ways to lower the costs of capital and ultimately lower the cost of clean energy.

This financing structure enables the issuance of green infrastructure bonds in a manner to efficiently leverage public and private capital to bring in a new source of very low-cost funds for clean energy infrastructure in Hawaii. This measure is an enabling framework to raise low cost capital, and establishes processes, procedures, and reporting to ensure responsible use of and deployment of funds, subject to regulatory approval. Because it leverages a utility surcharge, it creates no additional liability or obligation for the State and does not require any general funds.

Significant upfront costs and a lack of cost-effective financing products have prevented many customers from investing in and benefiting from clean energy investments. HB 856, HD1 will make cheap credit available, including to the underserved markets—low to moderate income homeowners, renters, churches, and non-profits—those who may not be able to access or afford clean energy installations today. One application of the program is that consumers will be able to install solar photovoltaic equipment and receive immediate benefits today, while amortizing the costs over time and paying for those benefits on their utility bill.

Based on collaboration with implementation stakeholders such as the Department of Budget and Finance, Hawaii Public Utilities Commission, and Hawaiian Electric Company, DBEDT respectfully proposes the following agreed upon structural amendments to clarify financial, regulatory, and legal aspects of HB 856, HD1, including:

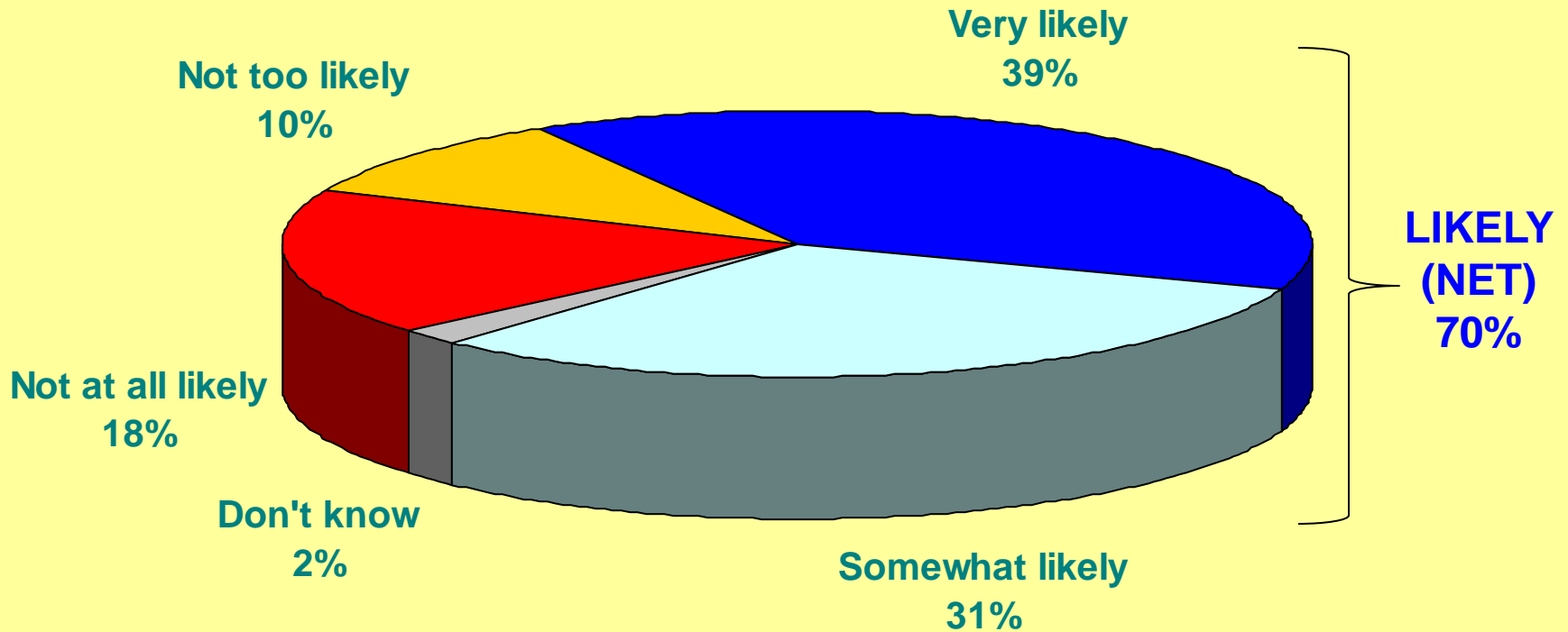
- (1) Clarifying definitions, naming conventions and references to further articulate implementation of activities contained in the bill;
- (2) Articulating regulatory processes and procedures to further clarify program activities are part of regulatory processes designed to ensure transparent and fair process;
- (3) Clarifying and reducing the scope of contracts requesting exemption from Chapter 103D, to allow the Green Infrastructure Loan Program the ability to become operational in a manner to serve ratepayers most effectively and efficiently;

- (4) Clarifying electric utility treatment and standing with regard to the activities and programs contained within, including revenue and tax treatment of Green Infrastructure Fees and Green Infrastructure Charges, as an electric utility is serving as an agent to bill, collect and remit moneys; allowing the electric utility to recover reasonable costs for the billing, collection and remittance of Green Infrastructure Fees and Green Infrastructure Charges; ensuring these activities do not expose an electric utility to banking laws; and clarifying that the issuance of Green Infrastructure Bonds does not directly, indirectly or contingently obligate an electric utility for payment of or interest on the bonds;
- (5) Establishing a Green Infrastructure Bond Fund section, including deposit of and use of funds;
- (6) Adding appropriation for the Funds; and
- (7) Making technical, non-substantive amendments for clarity, consistency, and style.

Thank you for the opportunity to offer testimony in support of HB 856, HD1, with these proposed changes.

# Loans For Energy-Saving Improvements

*“If low-interest loans were offered, how likely are you to make improvements?”*



Q: The state is thinking of offering homeowners and businesses low-interest loans to make energy-saving improvements, such as installing solar panels, photo-voltaic systems or solar water heaters or in the case of businesses, renovating or replacing air conditioning systems. If low-interest loans were offered to make energy savings improvements, how likely would you be to make any of these improvements? Would you be very, likely, somewhat likely, not too likely, not likely at all?

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE  
ON  
HOUSE BILL NO. 856, H.D. 1

February 11, 2013

RELATING TO GREEN INFRASTRUCTURE

House Bill No. 856, H.D. 1 establishes a regulatory and financing structure to authorize the Public Utilities Commission (PUC) and the Department of Business, Economic Development and Tourism (DBEDT) to establish a green infrastructure financing program.

The Department of Budget & Finance supports this administration measure and believes this proposal is innovative in providing a financing resource to residents to take advantage of alternative energy opportunities. The Department has been working extensively with the PUC, DBEDT, Department of the Attorney General and the State's General Advice Bond Counsel to develop a statutory framework to authorize the green infrastructure financing program. The program will provide a lower cost financing alternative for Hawaii businesses and residents to utilize green infrastructure equipment and technology to reduce electricity consumption by leveraging clean energy technology. The innovative financing method being proposed will provide a secure financing structure to allow DBEDT to issue revenue bonds at very competitive rates, which savings can be passed on to the consumers in the form of lower borrowing costs.

Substantial progress has been made in refining the language of H.B. No. 856, H.D. 1. The Department of Business, Economic Development and Tourism has submitted proposed amendments to the Committee which the Department supports. Thank you for the opportunity to provide testimony in support of this measure.





**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
HOUSE COMMITTEE  
ON  
CONSUMER PROTECTION & COMMERCE

February 11, 2013

3:30 pm

HB 856, HD 1

RELATING TO GREEN INFRASTRUCTURE.

Chair McKelvey, Vice-Chair Kawakami, and members of the committee, thank you for the opportunity to submit testimony on HB 856, HD 1. The State Procurement Office (SPO) comments are limited to SECTION 2 which includes an exemption from HRS chapter 103D, Hawaii Public Procurement Code (Code), for contracts executed by the Hawaii green infrastructure authority.

The SPO opposes this exemption. The Code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process are vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

The SPO opposes the language on page 8, lines 4 to 5. Thank you.

House of Representatives  
The Twenty-Seventh Legislature  
Committee on Consumer Protection and Commerce  
February 11, 2013, 3:30 p.m.  
Room 325

Statement of the Hawaii Regional Council of Carpenters  
On HB 856, HD1, Relating to Green Infrastructure

The Hawaii Carpenters Union sees the need for HB 856, to establish a stable, long term path to reaching Hawaii's clean energy goals. To reach that goal, all parties must become involved.

The Bill would establish a source of financing that involves private investment. It provides security for such financing, and a reliable way for recipients to repay loans. Government and taxpayers will do their part, but will not be the only ones relied upon to spur clean energy development.

While green infrastructure development in general will require financing for upfront capital costs, the solar installation industry is currently the most visible component. A financing mechanism is needed for a stable, mature industry. Consumers will benefit from a stable industry, and good jobs that can support a middle class are made possible by stabilization.

Demand continues to exist for solar installations, and property owners and users will benefit from this source of financing, while reducing Hawaii's dependence on imported fossil fuels. However, a significant part of the potential market, and a factor in increasing the use of clean energy, does not have upfront cash to convert their potential into real demand. This includes the homes of middle to lower income families, but in the long run could include multi-unit buildings and power producing solar arrays.

We note that the Public Utilities Commission will regulate implementation, providing an additional safeguard of both stability and consumers.

Steps must be taken if we are to have a clean energy future, which we need to protect us from an energy source collapse and in turn, a collapse of our economy. Thank you for considering our favorable evaluation of HB 856, HD1.



Testimony of Cindy McMillan  
The Pacific Resource Partnership

Committee on Consumer Protection & Commerce  
Rep. Angus L.K. McKelvey, Chair  
Rep. Derek S.K. Kawakami, Vice Chair

HB 856, HD1 – Relating to Green Infrastructure  
Monday, February 8, 2013  
3:30 pm  
Conference Room 325

Aloha Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters

PRP **supports** HB 856, HD1, which establishes a regulatory financing structure that authorizes the Public Utilities Commission and the Department of Business, Economic Development, and Tourism to provide low-cost loans for green infrastructure equipment to achieve measurable cost savings and achieve Hawaii's clean energy goals. The reporting requirements which were added in HD1 strengthen this bill.

The State of Hawaii's goal is to meet 70% of our energy needs by 2030 through energy efficiency and renewable energy. In order to meet this goal, we must overcome the barriers to the widespread installation of green energy infrastructure equipment. HB 856 will help do that in very significant ways.

For many home owners and small businesses, the cost of green infrastructure equipment is prohibitive. Many are struggling to get by, and retrofits requiring major capital costs upfront are off the table, even if the system would save money in the long run. HB 856 addresses this cash-flow problem, allowing the people who could benefit most from energy-efficiency improvements to pay for them.

Renters and landlords face an additional challenge. Building owners often don't make efficiency investments because it's the renters who pay the energy bills. Conversely, renters aren't likely to make investments in property they don't own. Even if they wanted to, they are at a significant disadvantage when it comes to securing financing for large capital projects because they usually don't have the equity to leverage such as owning a home. On-bill repayment solves this dilemma.

Additional advantages of on-bill financing for green infrastructure equipment were identified by the American Council for an Energy Efficient Economy in a report published in December 2011:

- The loan is secured through an existing relationship with the utility, instead of a (potentially unfamiliar) financial institution.
- Monthly utility bills decline, even though the loan payments are included.
- The customer's payment history can be used to establish creditworthiness.
- Utility bills showing reduced energy use create a clear link for participants between their energy-efficiency investment and the resulting savings.
- Rebates and incentives available through the utility can be bundled with the financing to improve the terms of the loan.
- Capital investors see on-bill programs as a more secure investment since they are based on an established payment relationship.
- Loans can be tied to a rental property's meter, so the renter benefits from lower utility, and landlords benefit from increased property values.

Finally, investing in green infrastructure will create jobs and spur economic activity. Men and women working to install the infrastructure projects will be able to earn a living in ways that contribute substantially to preserving our environmental quality and making better use of our natural resources.

We respectfully ask for your support on HB 856, HD1. Thank you for the opportunity to share our views on this important initiative with you.



## House Committee on Consumer Protect & Commerce

Testimony in support to House Bill 856 HD1

Testimony of Alex Tiller, Sunetric CEO

Monday, Feb. 11th, 3:30 a.m.

Chair McKelvey, Vice Chair Kawakami, and members of the committee:

Sunetric is a Hawaii based company that designs and installs solar systems for residential and commercial clients. Our company has 150 employees located on Oahu, Maui and Hawaii Island, although we do solar work on all of Hawaii's islands. We are grateful to the Legislature for the support that we've received in the past and look forward to a continued productive relationship in which our industry works to achieve the state's energy and economic security goals, while also providing meaningful work for ourselves and our employees.

Sunetric **supports** House Bill 856 HD1, which establishes a regulatory financing structure that authorizes the Public Utilities Commission (PUC) and the Department of Business, Economic Development and Tourism to provide low-cost loans for green infrastructure equipment.

It is heartening to see the State of Hawaii make active steps toward The Hawaii Clean Energy Initiative's mandated goal that Hawaii must use 40% clean energy from locally generated renewable sources by 2030. House Bill 856 takes steps in reducing the highest barrier of entry – capital costs – to assist Hawaii residents, businesses and other entities in acquiring green infrastructure equipment. As the most isolated state with the highest electricity costs in the nation, encouraging energy self-sufficiency and security serves the public interest.

Thank you for the opportunity to submit testimony on this measure.

Sincerely,

Alexander Tiller, CEO  
Sunetric

**kawakami2 - Rise**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 10, 2013 8:06 AM  
**To:** CPCtestimony  
**Cc:** clk5356@gmail.com  
**Subject:** \*Submitted testimony for HB856 on Feb 11, 2013 15:30PM\*

**HB856**

Submitted on: 2/10/2013

Testimony for CPC on Feb 11, 2013 15:30PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Carolyn L Knoll	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**kawakami2 - Rise**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 10, 2013 8:25 AM  
**To:** CPCtestimony  
**Cc:** mh@interpac.net  
**Subject:** Submitted testimony for HB856 on Feb 11, 2013 15:30PM

**HB856**

Submitted on: 2/10/2013

Testimony for CPC on Feb 11, 2013 15:30PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Cory Harden	Individual	Support	No

Comments: Pay now, fly later! Please support this bill to create a funding mechanism for very inexpensive green energy loans. This bill, together with an on-bill financing program, could make clean energy very cheap and inexpensive!

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**kawakami2 - Rise**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, February 10, 2013 11:14 AM  
**To:** CPCtestimony  
**Cc:** oahurandy@yahoo.com  
**Subject:** Submitted testimony for HB856 on Feb 11, 2013 15:30PM

**HB856**

Submitted on: 2/10/2013

Testimony for CPC on Feb 11, 2013 15:30PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Randy Ching	Individual	Support	No

Comments: Please move this bill forward. The State needs to support green energy projects. State loans would be helpful to those seeking financing for green energy projects.

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