



NEIL ABERCROMBIE
GOVERNOR

EXECUTIVE CHAMBERS
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Testimony in **support** of HB856 HD2
Relating to Green Infrastructure

Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Representative Aaron Johanson, Vice Chair

February 25, 2013
3:30 pm Room 308

Chair Luke, Vice-Chair Nishimoto, Vice-Chair Johanson, and members of the Finance Committee:

The Office of the Governor **supports** House Bill 856, House Draft 2, Relating to Green Infrastructure. This measure would establish a regulatory financing structure that would authorize 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 green energy goals.

This measure would allow residents who cannot afford the significant initial investment associated with the installation of a photovoltaic system to reap the benefits of alternative energy immediately and pay for it over the long run. This will lower their electric bills while also supporting the State's energy goals of self-sufficiency and security.

DBEDT and the PUC have worked with the Department of Budget and Finance and the Consumer Advocate and have amendments that the Office of the Governor supports. The PUC and DBEDT are also available to answer any technical questions you may have.

Thank you for the opportunity to testify.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON FINANCE

FEBRUARY 25, 2013
3:30 p.m.

MEASURE: H.B. No. 856, H.D. 2
TITLE: Relating to Green Infrastructure

Chair Luke and Members of the Committee:

DESCRIPTION:

This measure proposes to establish the Hawaii Green Infrastructure Loan Program (“Green Financing Program” or “Program”) for the purpose of promoting the widespread adoption of clean energy technology and related clean energy-enabling infrastructure in Hawaii. This Program will be administered by the Department of Business, Economic Development, and Tourism (“DBEDT”) with regulatory oversight by the Public Utilities Commission (“Commission”), and will serve as a potential source of capital for a range of clean energy technology users, including renters and residents that have not been able to take advantage of current financing programs.

POSITION:

The Commission strongly supports this measure with the proposed amendments from DBEDT and would like to offer the following comments for the Committee’s consideration.

COMMENTS:

First of all, the Commission would like to thank the Chair and the Committee for its willingness to schedule this measure for hearing. The Commission has been actively engaged with DBEDT, the Department of Budget and Finance, the Consumer Advocate, and other agencies and stakeholders to fine tune the details within this legislation. The

proposed amendments being submitted by DBEDT reflect this collaborative effort and are strongly supported by the Commission.

This measure will advance Hawaii's efforts in adopting energy efficiency and renewable energy technologies on the broadest scale possible. The practice of electric utility-focused securitizations is a proven means of raising necessary capital for electrical system improvements and operations. H.B. No. 856, H.D. 2, along with the amendments being proposed by DBEDT, modifies elements of a standard electric utility securitization model to provide a pool of low-cost capital for the installation of clean energy technology.

Thank you for the opportunity to testify on this measure.



**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 FINANCE
Monday, February 25, 2013
3:30 p.m.
State Capitol, Conference Room 308

in consideration of
HB 856, HD2
RELATING TO GREEN INFRASTRUCTURE.

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **strongly supports** HB 856, HD2 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 and 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-saving 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, coming mostly 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 and procedures 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, HD2 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 and Hawaii Public Utilities Commission, DBEDT respectfully proposes the following agreed upon structural amendments to clarify financial, regulatory, and legal aspects of HB 856, HD2, including:

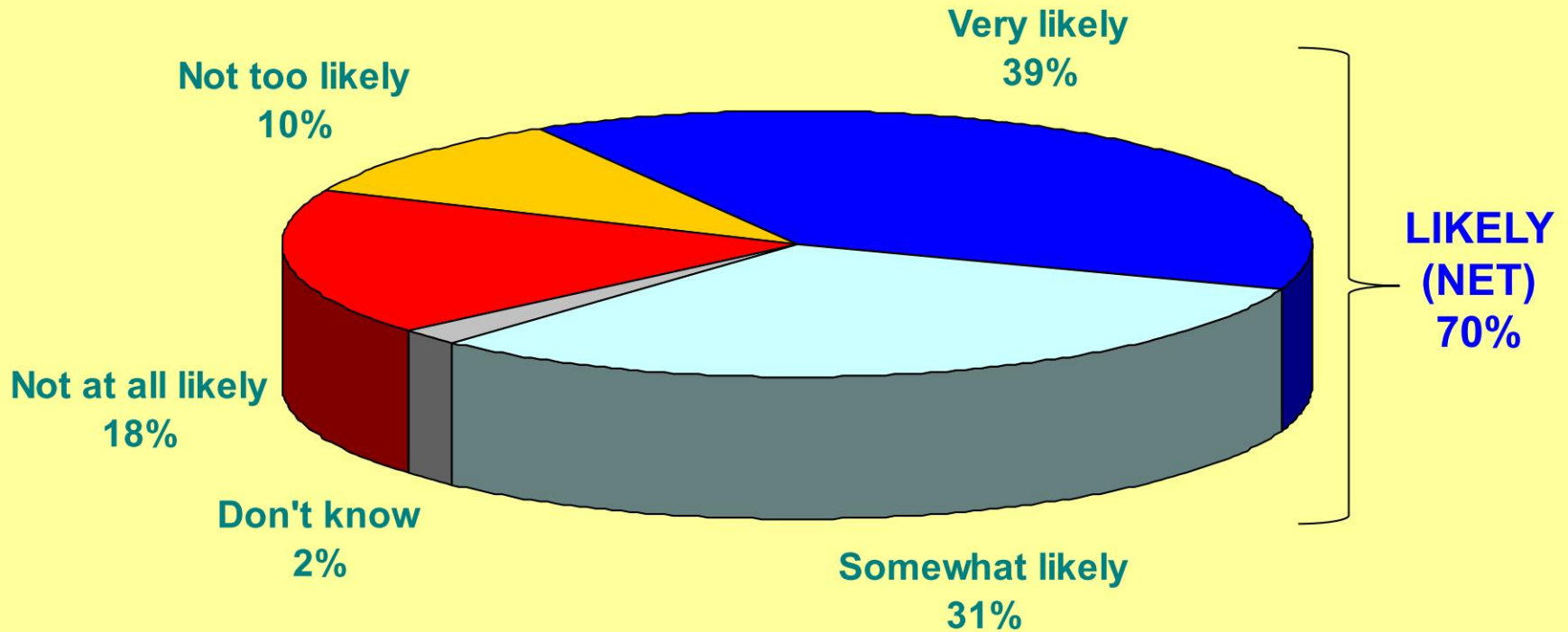
- (1) Adding language in Section 1 to articulate the intent of the bill to support implementation of clean energy financing programs – including on-bill financing and on-bill repayment programs; and removing duplicative provisions relating to on-bill financing;
- (2) Clarifying provisions to further articulate the procedures for the application and issuance of financing orders and green infrastructure loan program orders;
- (3) Adding provisions to further clarify the Public Utilities Commission’s regulatory oversight of ratepayer funds and programs;
- (4) Adding language and removing unnecessary provisions in order to simplify the creation of and processes associated with the green infrastructure fee;

- (5) Adjusting the amounts requested out of the Hawaii Green Infrastructure Bond Fund to be consistent with the bond issuance authorization section;
- (6) Amending the effective date; and
- (7) Making various technical amendments to improve the reading of the measure, including the inclusion of definitions, where necessary, to further clarify the meaning of existing terms; relocation of existing provisions to better fit with the amendments noted above and with existing provisions; and the insertion of appropriate cross-references to incorporate the amendments noted above.

Thank you for hearing this important measure and for the opportunity to offer testimony in strong support of HB 856, HD2, 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 FINANCE
ON
HOUSE BILL NO. 856, H.D. 2

February 25, 2013
3:30 p.m.

RELATING TO GREEN INFRASTRUCTURE

House Bill No. 856, H.D. 2 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. 2. 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
FINANCE

February 25, 2013

3:30 p.m.

HB 856, HD 2

RELATING TO GREEN INFRASTRUCTURE.

Chair Luke, Vice-Chair Nishimoto, Vice-Chair Johanson, and committee members, thank you for the opportunity to submit testimony on HB 856, HD 2. The State Procurement Office's (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, and transparency in the procurement and contracting process 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 7 lines 15 to 17. Thank you.



Sierra Club Hawai'i Chapter

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HOUSE COMMITTEE ON FINANCE

February 25, 2013, 3:30 P.M.
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF HB 856, HD2

Aloha Chair Luke and Members of the Committee:

The Sierra Club, Hawai'i Chapter, with 10,000 dues-paying members and supporters, ***strongly supports*** HB 856, HD1. This measure creates a structure for a clean energy financing program, which would help many Hawaii residents reduce their electric bill through clean energy and energy efficiency investments.

Until we solve the problem of upfront cost, it will be difficult to provide clean energy to renters and low income residents. Our society has evolved into a pay-as-you-go system. No one would consider paying \$19,200 for twenty years of cell phone service, although that is the approximate cost of a modern iphone (\$80 per month x 12 months x 20 years). Similarly, too few people are willing to pay \$42,000 for a clean energy system that locks in today's energy rates (average bill of \$175 x 12 months x 20 years).

HB 856 could establish a national precedent. Creating a pay-as-you-save program would lead to the development of a stronger renewable energy market, wean Hawai'i off of fossil fuels, and put more money into the pocket of Hawai'i residents.

Analogous financing systems have led to demonstrable increases in employment and overwhelming public support. The tiny County of Sonoma, for example, has already funded 1750 residential and 57 commercial systems (a total of \$59,756,859 invested in stimulating the economy and reducing electric bills). 86% of these jobs were completed by local contractors.

The Sierra Club respectfully asks that this committee advance this measure. Mahalo for the opportunity to testify.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON FINANCE
Monday, February 25, 2013 — 3:30 p.m. — Room 308

Ulupono Initiative Supports HB 856, HD2, Relating to Green Infrastructure

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee:

My name is Murray Clay, Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste.

Ulupono Initiative seeks to promote and invest in innovative sustainability ideas and business models that have the potential to make a significant difference for Hawai'i. We work with, and invest in, businesses that show this potential for innovation, have local leadership, develop businesses from ideas and inspiration born in Hawai'i to reach the needs of Hawai'i, and use technologies and models that can be replicated and have potential global applicability.

Ulupono is testifying in strong support of HB 856, HD2, which establishes a regulatory financing structure that authorizes the Public Utilities Commission and the State Department of Business, Economic Development and Tourism to provide low-cost loans for clean-energy infrastructure and equipment to benefit consumers. We believe this could be an effective and reasonable approach.

One major obstacle to expanding Hawai'i's energy-efficiency resources is the need for substantial up-front capital investment. We recognize that the State has been supporting many facets of renewable energy and energy efficiency in Hawai'i over the years. However, there are increasingly severe limits to what the State can continue to support and finance. We need to prudently manage those public resources very carefully.

HB 856 HD2 enables the State to raise private capital through the use of revenue bonds, none of which affects the State's debt ceiling because revenue bond financing does not involve the State's full faith and credit. This new source of low-cost financing could be significant.

The on-bill financing mechanism is already being considered by the PUC, where many of the critical issues were addressed and resolved. HB 856 HD2 now provides a mechanism for raising low-cost capital for on-bill financing, while ensuring the PUC maintains the regulatory authority to manage how the program is structured.

If the program is carefully designed, we believe existing funds from the ratepayer benefit fund will be sufficient to support this program without increasing rates to ratepayers. In addition, the program can be designed to give access to two groups that currently do not have much access to solar PV and efficiency investments: low income ratepayers and renters.

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This bill offers an opportunity for Hawai'i to accelerate energy efficiency for all our ratepayers and lower participant's energy bills.

Mr. Chair and Members of the Committee, we appreciate the opportunity to present this testimony in support of HB 856, HD2 and ask your favorable consideration of this bill. I would be pleased to respond to any questions that you may have.

Thank you very much,

Murray Clay
Managing Partner