



NEIL ABERCROMBIE
GOVERNOR

EXECUTIVE CHAMBERS
HONOLULU

Testimony in **support** of SB1087 SD2 HD1
Relating to Green Infrastructure

Committee on Consumer Protection & Commerce

Representative Angus McKelvey, Chair
Representative Derek Kawakami, Vice Chair

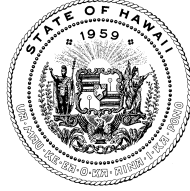
March 18, 2013
2:30 pm Room 325

Chair McKelvey, Vice-Chair Kawakami, and members of the Consumer Protection & Commerce Committee:

The Office of the Governor **supports** Senate Bill 1087, Senate Draft 2, House Draft 1, Relating to Green Infrastructure. This measure would establish a regulatory financing structure to authorize the Public Utilities Commission (PUC) and the Department of Business, Economic Development, and Tourism (DBEDT) to provide low-interest loans for green infrastructure equipment which will help to achieve measurable cost savings to consumers and utility customers and move us towards Hawaii's clean energy goals.

DBEDT and the PUC have a few minor non-substantive technical amendments that the Office of the Governor supports. The PUC and DBEDT are available to answer any technical questions you may have.

Thank you for the opportunity to testify.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

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DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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KEALI' I S. LOPEZ
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JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE
ON CONSUMER PROTECTION AND COMMERCE

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013

MONDAY, MARCH 18, 2013
2:30 P.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

SENATE BILL NO. 1087, S.D. 2, 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 S.B. No. 1087, S.D. 2, H.D. 1.

COMMENTS:

S.B. No. 1087, S.D. 2, 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 ("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.

S.B. No. 1087, S.D. 2, 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.

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

MARCH 18, 2013
2:30 p.m.

MEASURE: S.B. No. 1087, S.D. 2, H.D. 1
TITLE: Relating to Green Infrastructure

Chair McKelvey 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. The Program will be administered by the Department of Business, Economic Development, and Tourism (“DBEDT”) with financing and Program review and approval from the Public Utilities Commission (“Commission”).

POSITION:

The Commission strongly supports this measure. In addition, the Commission greatly appreciates the concern expressed by the Legislature that the interests of ratepayers are protected and welcomes the opportunity to continue to work with this Committee and subsequent committees to ensure that the necessary safeguards are adequately addressed in this legislation.

COMMENTS:

The intent of this measure is to further advance Hawaii’s progress in adopting energy efficiency and renewable energy technologies on the broadest scale possible. S.B. No. 1087, S.D. 2, H.D. 1 proposes to modify elements of a standard electric utility securitization model to provide a pool of low-cost capital for the installation of clean energy technology. The practice of electric utility-focused securitizations, a form of

securitization similar to the model being proposed in this bill, is a proven means of raising necessary capital for electrical system improvements and operations.

The current bill is the result of a months-long collaboration between the Commission, DBEDT, the Department of Budget and Finance, the Consumer Advocate, and other agencies and stakeholders to fine tune the details of this legislation, and the Commission appreciates the support and amendments incorporated by previous committees. While S.B. No. 1087, S.D. 2, H.D. 1 does incorporate the amendments offered by DBEDT on behalf of the Administration from testimony offered in the previous hearing, we also support the proposed amendments offered today by DBEDT. As this measure continues to move through the legislative process, the Commission appreciates the opportunity to continue to work with this Committee and subsequent committees to ensure that appropriate protections for the State's ratepayers are included as part of the Program and its underlying statutes.

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 CONSUMER PROTECTION AND COMMERCE

Monday, March 18, 2013

2:30 p.m.

State Capitol, Conference Room 325

in consideration of
SB 1087, SD2, 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** SB 1087, SD2, 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 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 cost 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. SB 1087, SD2, 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.

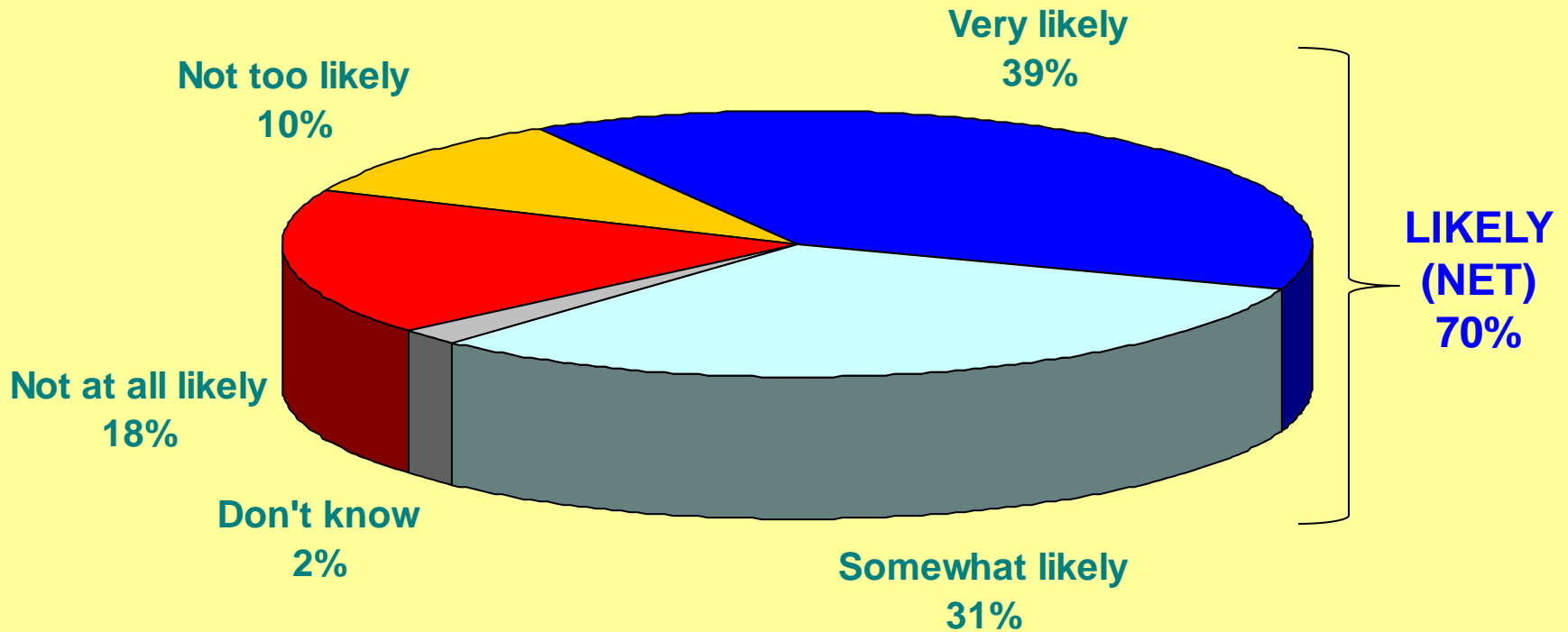
Based on collaboration with the Department of Budget and Finance and Hawaii Public Utilities Commission, DBEDT respectfully proposes the following agreed upon technical amendments for clarity and consistency:

- (1) Section 2, 196-A, page 4 at lines 11-12: replace definitional language for “clean energy technology” with definitional language from Section 3, 296-A, page 15 at lines 13-14 as follows: "Clean energy technology" means any technology as defined in section 269-121(b).”;
- (2) Section 3, 269-F, page 29 at line 17: insert the word “bonds” at the end of line 17; and
- (3) Relocate sections 269-M and 269-N in its entirety to Section 2 to be inserted as 196-G and 196-H; re-letter the existing 196-G, 196-H, 269-O, 269-P, 269-Q, and 269-R appropriately; and amend cross-references to these sections.

Thank you for hearing this measure and for the opportunity to offer testimony in strong support of SB1087, SD2, 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 & COMMERCE
ON
SENATE BILL NO. 1087, S.D. 2, H.D. 1

March 18, 2013
2:30 p.m.

RELATING TO GREEN INFRASTRUCTURE

Senate Bill No. 1087, S.D. 2, 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.

Thank you for the opportunity to provide testimony in support of this measure.



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STATE PROCUREMENT OFFICE**

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TESTIMONY
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
HOUSE COMMITTEE
ON
CONSUMER PROTECTION & COMMERCE

March 18, 2013

2:30 p.m.

SB 1087, SD2, HD1

RELATING TO GREEN INFRASTRUCTURE.

Chair McKelvey, Vice-Chair Kawakami, and committee members, thank you for the opportunity to testify on SB1087, SD 2, HD 1.

The State Procurement Office (SPO) opposes the amendment in SECTION 2, page 8, lines 17 to 19 which includes an exemption from HRS chapter 103D, Hawaii Public Procurement Code (Code), for contracts executed by the Hawaii green infrastructure authority.

Since the inception of the Code in 1994, state and county departments and agencies have procured and awarded contracts totaling billions of dollars. Whether an expenditure was for construction of capital improvement projects (CIP), or for goods and services to provide needed services to the public, billions of dollars have been awarded pursuant to the Code.

Today, state and county departments and agencies continue to adhere to the Code requirements in conducting their procurements to award contracts. For example, the City & County of Honolulu's rail construction project has and continues to procure and award contracts expending millions of dollars in accordance with the Code. The State Business and IT/IRM Transformation Plan under the management of the Chief Information Officer (CIO), Office of

SB 1087, SD2, HD1, Testimony
House Committee on Consumer Protection & Commerce
March 18, 2013
Page 2

Information Management and Technology (OIMT), has identified areas needing IT services and new systems. The OIMT is currently in various stages of procurements for numerous solicitations and contracts amounting to millions of dollars in contract awards. All of these solicitations and resulting contract awards were and are conducted in accordance with the Code.

Governmental bodies following the Code which provides oversight and accountability, have a responsibility to maintain the confidence of the vendor/contractor community and the public in the procurement system, by conducting procurement in an accountable, ethical and transparent manner, which are vital to good government.

The Code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, and a level playing field in the procurement and contracting process. Public procurement's primary objective is to give everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion or fraud in awarding of contracts. The Code should not be viewed as an obstacle to the Green Infrastructure Authority or DBEDT's mission. To legislate that any one entity, the Green Infrastructure Authority or DBEDT, should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equality in the law's application.

SPO opposes the language in SECTION 2, page 8, lines 17 to 19 of the bill and ask that it be deleted. Thank you.

The House of Representatives
The Twenty-Seventh Legislature
Committee on Consumer Protection and Commerce
March 18, 2013, 2:30 p.m.
Room 325

Statement of the Hawaii Regional Council of Carpenters
On SB 1087, SD2, HD1, Relating to Green Infrastructure

The Hawaii Carpenters Union sees SB 1087 as vital to establishing a stable, long term path to reaching Hawaii's clean energy goals. To reach that goal, all parties must become involved.

The financing structure established by SB 1087 is important enough that we urge all parties involved to retain a singular focus on that financing structure in this Bill, even while other clean energy issues could be considered related in some way.

The Bill would establish a source of financing that involves private investment. An amount of State funds eventually arrived at, will be leveraged many times over in developing this source of private financing. The Bill 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 support 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 significant part of reducing the use of imported fossil fuels, does not have the upfront cash to convert their potential into real demand. This includes the homes of middle to lower income families, and in the long run, other 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, next steps, must be taken if we are to have a clean energy future, which we need for secure energy, and in turn, a secure economy. Thank you for considering our favorable evaluation of SB 1087.



Testimony of Cindy McMillan
The Pacific Resource Partnership

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

SB 1087, SD2, HD1 – Green Infrastructure
Monday, March 18, 2013
2:30 p.m.
State Capitol - Conference Room 325

Aloha McKelvey and 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** SB 1087, SD2, HD1, Relating to Green Infrastructure, which establishes a regulatory financing structure that authorizes the PUC and DBEDT to provide low-cost loans for green infrastructure equipment to achieve measurable cost savings and Hawaii's clean energy goals.

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. SB 1087, SD2, HD1 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. SB 1087, SD2, HD1 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 SB 1087, SD2, HD1. Thank you for the opportunity to share our views on this important initiative with you.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Monday, March 18, 2013 — 2:30 p.m. — Room 325

Ulupono Initiative Strongly Supports SB 1087 SD2 HD1, Relating to Green Infrastructure

Chair McKelvey, Vice Chair Kawakami, 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 and local leadership. We strive to 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 SB 1087 SD2 HD1, 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.

SB 1087 SD2 HD1 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. We respectfully request the committee amend the effective date to "upon approval."

The on-bill financing mechanism is already being considered by the PUC, where many of the critical issues were addressed and resolved. SB 1087 SD2 HD1 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. This bill offers an opportunity for Hawai'i to accelerate energy efficiency for all our ratepayers and lower participant's energy bills. Thank you for this opportunity to testify.

Sincerely,

Murray Clay
Managing Partner



**WRITTEN TESTIMONY IN SUPPORT OF SB 1087, SD2, HD1
House Committee on Consumer Protection & Commerce**

March 18, 2013

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

Environmental Defense Fund (EDF) is pleased to support SB 1087, SD2, HD1, legislation that establishes a regulatory financing structure that authorizes the Public Utilities Commission (PUC) and the Department of Business, Economic Development and Tourism (DBEDT) to acquire and provide alternative low-cost financing for clean energy projects.

EDF is a leading national nonprofit organization working to create transformational solutions to the most serious environmental problems. Our mission is to preserve the natural systems, which we do by linking science, economics, law and innovative private-sector partnerships. EDF has been an early advocate and active participant in clean energy financial policy, with significant involvement in the design and implementation process for an On-Bill repayment program in California.

SB 1087, SD2, HD1 will expand access to affordable financing, enabling customers to pursue cost-saving clean energy projects. EDF strongly supports SB 1087, SD2, HD1's objective to use the green infrastructure bond proceeds to invest in a PUC-ordered on-bill financing program, in line with the February 1st, 2013 PUC decision and order that deemed on-bill financing viable for Hawaii. By tying the repayment obligation to the utility meter, the on-bill financing program can reach renters and lower income customers that previously could not access financing due to split incentives and/or poor credit. SB 1087, SD2, HD1 enables the PUC and DBEDT to create a funding mechanism that will directly address the needs of these underserved populations and allow residents to lower their utility bills.

With limited sources of public funding for energy efficiency and clean energy and efficiency projects, SB 1087, SD2, HD1 offers an innovative solution to leverage private capital to invest in Hawaii and allow the state's ratepayers to benefit. This bill would promote energy efficiency and clean, distributed energy resources that lessen the need for expensive new energy infrastructure, saving ratepayers money and combatting climate change.

Thank you for the opportunity to provide this testimony.

Sincerely,

A handwritten signature in black ink that reads 'Lauren Faber'. The signature is written in a cursive, flowing style.

Lauren Faber, West Coast Political Director

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