

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1087, S.D. 1

February 21, 2013

RELATING TO GREEN INFRASTRUCTURE

Senate Bill No. 1087, S.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 S.B. No. 1087, S.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.



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
RICHARD C. LIM
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON WAYS AND MEANS
Thursday, February 21, 2013
9:00 a.m.
State Capitol, Conference Room 211

in consideration of
SB 1087, SD1
RELATING TO GREEN INFRASTRUCTURE.

Chair Ige, Vice Chair Kidani, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) **strongly supports** SB 1087, SD1 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. SB 1087, SD1 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 SB 1087, SD1 including:

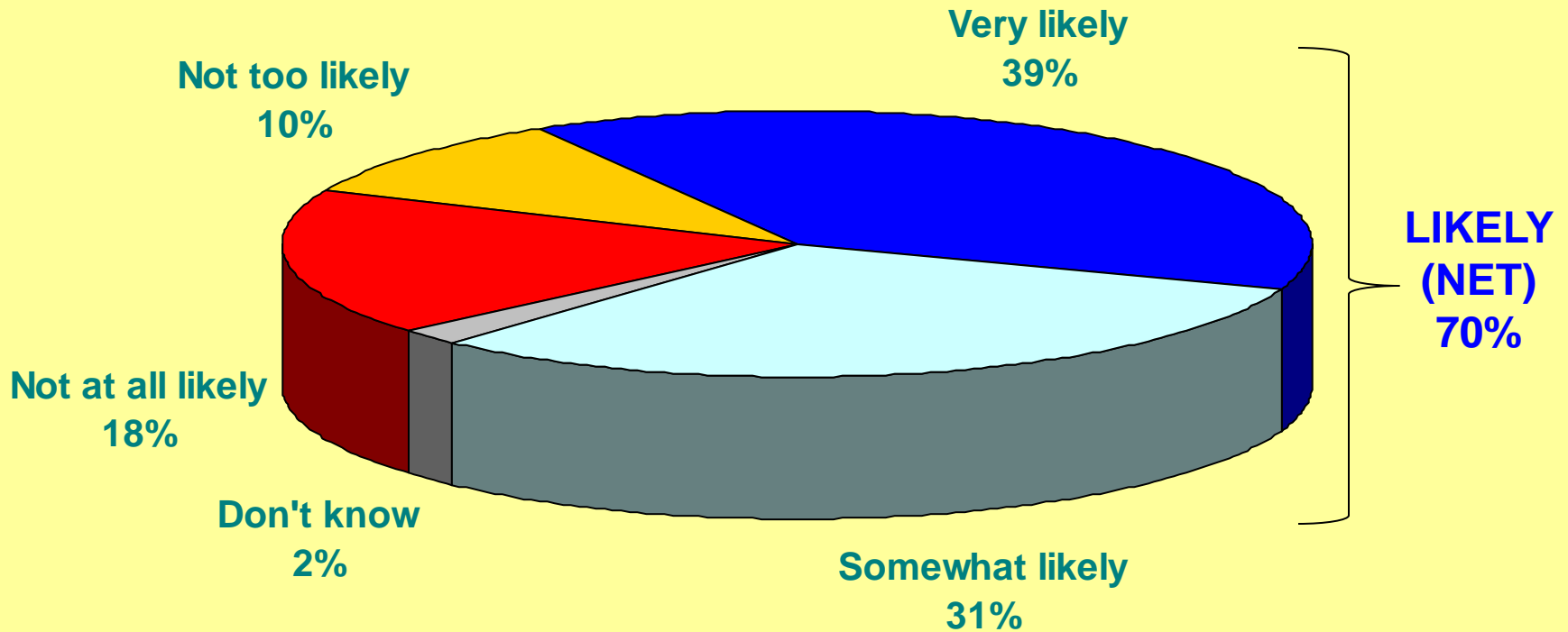
- (1) Adding language in Section 1 to articulate the intent of the bill to support implementation of clean energy financing programs – including on-bill financing and on-bill repayment programs; and removing duplicative provisions relating to on-bill financing;
- (2) Clarifying provisions to further 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) Removing Section 7 and Section 9, which appropriated funds out of the general revenues of the State of Hawaii—general funds are not needed to effectuate this measure; and
- (6) 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 the opportunity to offer testimony in support of SB1087, SD1 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?



**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

P.O. Box 119
Honolulu, Hawaii 96810-0119
Telephone: (808) 587-4700
e-mail: state.procurement.office@hawaii.gov
<http://hawaii.gov/spo>

COMMENTS
OF
AARON S. FUJIOKA
ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS

February 21, 2013

9:00 a.m.

SB 1087 SD 1

RELATING TO GREEN INFRASTRUCTURE.

Chair Ige, Vice-Chair Kidani, and committee members, thank you for the opportunity to submit comments on SB 1087, SD 1. 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 equity in the law's application.

The SPO opposes the language on page 7, lines 15 to 17. Thank you.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON WAYS & MEANS

FEBRUARY 21, 2013
9:00 a.m.

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

Chair Ige 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”) in cooperation with 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 and may now take advantage of increasing opportunities to install clean energy technology.

POSITION:

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

COMMENTS:

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.

The intent of this measure is to further Hawaii's progress in adopting energy efficiency and renewable energy technologies on the broadest scale possible. S.B. No. 1087, S.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.

Thank you for the opportunity to offer comments on this measure.



SENATE COMMITTEE ON WAYS AND MEANS

**February 21, 2013, 9:00 AM
Conf. Rm. 211**

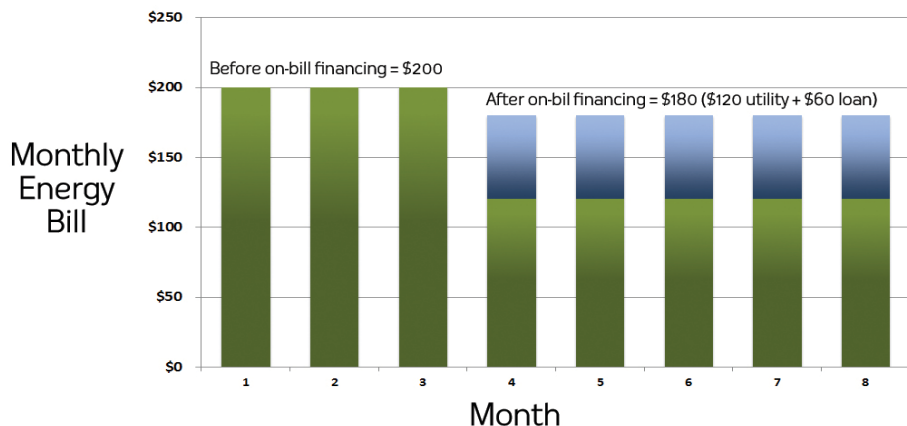
**TESTIMONY IN STRONG SUPPORT OF SB 1087 SD1
(Testimony is 2 pages long)**

Chair Ige, Vice-Chair Kidani, and members of the Committee:

The Blue Planet Foundation **strongly supports** SB 1087 SD1, enabling the Green Infrastructure Financing Program (“Green Financing”), because it will: (1) enable ratepayers at every income level to reduce their energy costs; (2) catalyze those savings by leveraging the power of private investment, without detrimentally impacting the State budget; and (3) improve our economy by reducing the amount of money sent out of Hawai’i to pay for imported fuels.

PROBLEM

Fossil fuel prices have all of us looking for solutions to reduce the increasing burden of energy bills. With every shipment of fossil fuels that arrives at our shores, more of our limited dollars are leaving the state instead of paying down our mortgages, or educating our keiki, or investing in our future. Thankfully, hope has arrived in the form of “on-bill financing,” approved by the legislature in 2011, and the subject of a Public Utilities Commission (“PUC”) docket/working group.



In that docket, the PUC engaged a professional consultant to examine the viability of on-bill financing for Hawai’i, and to specify elements of a successful on-bill financing program. The consultant ultimately concluded that “an on-bill finance program will be effective for Hawaii.”

Implemented properly, on-bill financing can make energy efficiency, clean energy, and demand response more accessible for residents and businesses; this will reduce our energy bills and accelerate progress toward Hawai'i's energy independence. Thus, the PUC recently issued its decision finding that on-bill financing is a viable solution for Hawai'i.

On-bill financing overcomes the biggest hurdle to energy efficiency and clean energy: the up-front cost. By eliminating the initial cost and enabling ratepayers to pay off the investment directly from energy savings over time, adoption of efficiency and clean energy will accelerate. This will directly benefit participating ratepayers, via lower energy bills.

To achieve this, the on-bill program must identify appropriate sources of capital for the program. Green Financing can be one such source of capital, and offers several critical benefits:

- (1) It can be an "anchor" funding source, ensuring program feasibility irrespective of the scope or magnitude of private funding sources that wish to participate in the on-bill program;
- (2) It can ensure that the on-bill program includes equitable financing options for all residents, including residents who are otherwise unable to access traditional sources of private capital for energy improvements, such as renters and low-income households;
- (3) It can unlock large-scale private capital markets, pushing down the cost of capital, and making energy efficiency and clean energy even more cost effective for ratepayers;
- (4) Green Financing bonds catalyze private investment in our energy infrastructure;
- (5) It does not raise costs for energy ratepayers; the Green Financing fee established by SB 1087 can simply utilize a portion of the existing Public Benefits Fee,¹ and bond repayments will be made by the program participants (i.e. the ratepayers whose energy bills will be reduced by energy improvements).

SB 1087 is necessary to establish the mechanisms and safeguards necessary to make these benefits achievable for Hawai'i's ratepayers. Blue Planet respectfully urges this committee to forward SB 1087 SD1, to help lower the cost of energy for residents statewide while helping Hawai'i achieve its clean energy goals.

¹ During the technical session established by the PUC in the on-bill financing docket, the current Public Benefits Fee Administrator indicated that a portion of existing PBF program funds could indeed be used for the purpose of securing financing via mechanisms like the one proposed in SB 1087, with enabling legislation such as that proposed by SB 1087.

From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for SB1087 on Feb 21, 2013 09:00AM*
Date: Tuesday, February 19, 2013 10:41:02 AM

SB1087

Submitted on: 2/19/2013

Testimony for WAM on Feb 21, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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From: mailinglist@capitol.hawaii.gov
To: [WAM Testimony](#)
Cc: tabraham08@gmail.com
Subject: *Submitted testimony for SB1087 on Feb 21, 2013 09:00AM*
Date: Wednesday, February 20, 2013 8:56:59 AM

SB1087

Submitted on: 2/20/2013

Testimony for WAM on Feb 21, 2013 09:00AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Support	No

Comments:

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