

Testimony Before the House Committee  
On  
Consumer Protection & Commerce



March 18, 2013 (2:30 PM)

S.B. 1087 SD2 HD1 RELATING TO GREEN INFRASTRUCTURE

By: Alan Hee  
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Hawaiian Electric Company, Inc.

Chair McKelvey and Members of the Committee:

My name is Alan Hee, and I represent Hawaiian Electric Company, and its subsidiary utilities Hawaii Electric Light Company and Maui Electric Company. I appreciate the opportunity to present testimony on S.B. 1087 SD2 HD1.

The Companies support the intent of S.B. 1087 SD2 HD1 to provide low cost clean energy financing to underserved markets. The Companies have also supported on-bill financing during the on-going proceeding at the Commission (Docket No. 2011-0186) in which the Companies indicated their willingness to assist with billing, collecting, and transmitting customer payments related to on-bill financing.

The Companies have been working with DBEDT and the PUC on the language included in SB 1087 SD2 HD1. That collaborative effort has resulted in language which the Companies strongly support.

Thank you for the opportunity to testify on this measure.

**kawakami2 - Rise**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Sunday, March 17, 2013 8:51 PM  
**To:** CPCtestimony  
**Cc:** Amybrinker@mac.com  
**Subject:** \*Submitted testimony for SB1087 on Mar 18, 2013 14:30PM\*



**SB1087**

Submitted on: 3/17/2013

Testimony for CPC on Mar 18, 2013 14:30PM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Amy Brinker	Individual	Support	No

Comments:

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# Sierra Club Hawai'i Chapter

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**LATE**

## HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

March 18, 2013, 2:30 P.M.  
(Testimony is 1 page long)

### TESTIMONY IN SUPPORT OF SB 1087 SD2 HD1

Aloha Chair McKelvey and Members of the Committee:

The Sierra Club, Hawai'i Chapter, with 10,000 dues-paying members and supporters, **strongly supports** SB 1087 SD2 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).

SB 1087 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 small 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.



**LATE**

March 17, 2013

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

**Support for and Comments to SB 1087, SD2, HD1, Relating to Green Infrastructure (Establishes a regulatory financing structure to provide low-cost loans for green infrastructure equipment; requires a report to the legislature; and appropriates funds).**

**Monday, March 18, 2013, 2:30 p.m., in Conference Room 325**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources, and public health and safety.

**SB 1087, SD2, HD1.** This bill establishes 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 Hawaii's clean energy goals; requires a report to the legislature; and appropriates funds. The House Energy & Environmental Protection Committee has amended this measure in an HD1 version, by:

- (1) Adding language to articulate the intent of the measure to support implementation of clean energy financing programs;
- (2) Clarifying the Public Utilities Commission's regulatory oversight of ratepayer funds and programs;
- (3) Clarifying the procedures and requirements for financing orders and green infrastructure loan program orders;
- (4) Inserting an amount of \$200,000,000 for the bond issuance authorization to establish and administer the Hawaii Green Infrastructure Loan Program;
- (5) Deleting the appropriations from the general revenues of the State of Hawaii;

(6) Specifying an appropriation amount of \$100,000,000 from the Hawaii Green Infrastructure Special Fund;

(7) Specifying an appropriation amount of \$10,000,000 from the Hawaii Green Infrastructure Bond Fund for fiscal year 2013-2014 and \$20,000,000 for fiscal year 2014-2015;

(8) Making this measure effective upon its approval; provided that appropriations shall be effective on July 1, 2013; and

(9) Making technical, nonsubstantive amendments, including the relocation of existing provisions, for the purposes of clarity, consistency, and style.

**LURF's Position.** LURF supports the intent of SB 1087, SD2, HD1, because it would allow residents, non-profits and others who cannot afford the significant "up-front" investment associated with the installation of a photovoltaic system, to enjoy the benefits of renewable energy immediately, and pay for it over time through a charge on their utility bill, also known as "on-bill financing." Making this form of financing available will lower their electricity bills, while also supporting the State's energy goals of self-sufficiency and security.

LURF understands, however, that DBEDT, the PUC, the State Department of Budget and Finance, the Consumer Advocate, Hawaiian Electric Company, and other agencies and stakeholders have worked together to propose amendments to SB 1087, SD2, HD1, which are acceptable to all parties. **LURF respectfully requests that this Committee favorably consider the proposed amendments**, which were based on a collaborative process among the stakeholders.

Thank you for the opportunity to provide testimony regarding this proposed measure.



**HOUSE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

March 18, 2013, 2:30 P.M.

Room 325

**LATE**

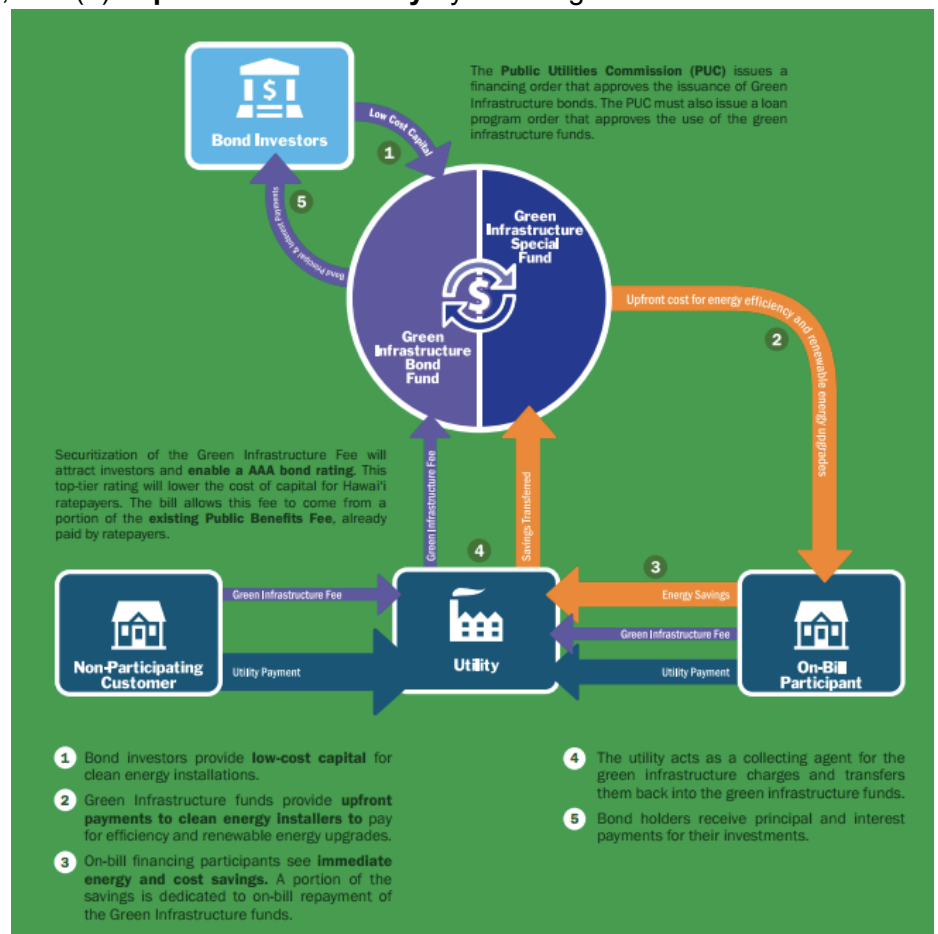
**TESTIMONY IN STRONG SUPPORT OF SB1087 SD2 HD1  
(Testimony is 3 pages long)**

Chair McKelvey, Vice-Chair Kawakami, and members of the Committee:

The Blue Planet Foundation *strongly supports* SB 1087 SD2, enabling the Green Infrastructure Financing Program (“Green Financing”), because it will establish a **regulatory framework** to: (1) empower ratepayers at **every household income level** to reduce their energy costs; (2) catalyze those savings by leveraging the power of **private investment**, without creating a new obligation on the State budget; and (3) **improve our economy** by reducing the amount of money sent out of Hawai‘i to pay for imported fuels.

In addition to this testimony, we are attaching a Green Financing FAQ. We hope that the committee members will find this resource useful in discussing SB 1087 with constituents and colleagues.

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 for on-bill financing, 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 require new fees from energy ratepayers; the Green Financing fee established by SB 1087 can simply utilize a portion of the existing Public Benefits Fee,<sup>1</sup> 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 will establish the regulatory mechanisms and safeguards necessary to make these benefits achievable for Hawai‘i’s ratepayers. Blue Planet respectfully urges this committee to forward SB 1087 SD2, to help lower the cost of energy for residents statewide while helping Hawai‘i achieve its clean energy goals.

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<sup>1</sup> During the technical session established by the PUC in the on-bill financing docket, the current Public Benefits Fee Administrator confirmed 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.

## GREEN FINANCING FAQ

### WHAT IS THE GREEN INFRASTRUCTURE FINANCING BILL?

The Green Infrastructure Financing ("Green Financing") bill, currently under consideration by state legislators, creates a framework and regulatory mechanism for securing low-cost capital from the private sector to finance clean energy solutions. It is one method for funding Hawai'i's On-Bill Financing program.

### HOW DOES GREEN FINANCING BRING LOW-COST CAPITAL TO HAWAI'I?

Green Financing combines two proven financing methods to yield large quantities of private investment in Hawai'i's energy infrastructure. The first method is **AAA-rated bond financing**, commonly used by large corporations. The second is **on-bill repayment**. On-bill repayment helps secure the AAA rating, and AAA-rated bonds can secure funds at 2-3% interest. For comparison, neither the state nor our investor-owned utility enjoys a AAA rating. The Green Financing bill contains the framework and provisions necessary to achieve this remarkable solution.

### IS THE STATE LIABLE FOR GREEN FINANCING BONDS?

No. Green Financing is focused on using securitization to **leverage private investment** to improve Hawai'i's energy infrastructure. Green Financing bonds are **not an obligation of the State** and do not impact the State's budget.

### WHO PAYS FOR THE BONDS?

In short, the bonds are repaid from energy savings and will not increase ratepayers' energy bills. The Green Financing program uses two income streams to securitize the bonds and repay bond investors. The first income stream is the energy savings on each participant's monthly bill. Those savings are paid to the utility on ratepayers' monthly bills, and passed on to the Green Financing administrator for repayment to bond holders. The second income stream appears as a Green Financing Fee on every ratepayer's bill. **This is not a new fee.** Instead, it can utilize a portion of the existing Public Benefits Fee that customers already pay to fund various energy efficiency programs.

### HOW MUCH PRIVATE INVESTMENT CAN GREEN FINANCING BRING TO HAWAI'I?

Green Financing is designed for transformational change—tapping a huge pool of institutional bond investors to garner large amounts of low-cost capital. For example, by pledging \$8 Million of the existing Public Benefits Fee, Green Financing can secure \$100 Million in bond investments. That \$100 Million can be invested directly into energy upgrades in homes and businesses.

### CAN GREEN FINANCING MAKE A DIFFERENCE FOR ORDINARY RATEPAYERS?

Yes. The program can provide capital to ratepayers that have been locked out of traditional financing, such as **tenants** and **low-income households**. Green Financing unlocks energy savings by eliminating the barrier of upfront cost for energy efficiency and clean energy technologies. These technologies are proven to reduce monthly energy bills. From the ratepayers' perspective, they will see a monthly bill that is the same or less each month, until the purchases are paid back, at which point the monthly bills can go down even further.

For more information, visit <http://blueplanetfoundation.org/green-financing-on-bill-financing.html>