

STAND. COM. REP. NO.

437

Honolulu, Hawaii

FEB 15 2013

RE: S.B. No. 1087

S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committees on Economic Development, Government Operations and Housing and Energy and Environment and Commerce and Consumer Protection, to which was referred S.B. No. 1087 entitled:

"A BILL FOR AN ACT RELATING TO GREEN INFRASTRUCTURE,"

beg leave to report as follows:

The purpose and intent of this measure is to establish 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 measureable cost savings and achieve Hawaii's clean energy goals.

Your Committees received testimony in support of this measure from the Governor; Department of Budget and Finance; Department of Commerce and Consumer Affairs Division of Consumer Advocacy; Public Utilities Commission; Department of Business, Economic Development, and Tourism (DBEDT); Hawaii Regional Council of Carpenters; The Pacific Resource Partnership; Environmental Defense Fund; Blue Planet Foundation; Ulupono Initiative; Hawaii Electric Company; and Sierra Club Hawai'i Chapter. Your Committees received testimony in opposition to this measure from the State Procurement Office.

Your Committees find that significant investment must be made to achieve the State's goals of energy self-sufficiency, greater energy security and diversification, and to support the



achievement of the Renewable Standards and Energy Portfolio Standards.

Your Committees further find that up-front costs of green infrastructure equipment are a barrier preventing many electric utility customers from investing in these infrastructures. This measure will establish a means of acquiring and providing alternative low-cost financing to enable the installation of green infrastructure equipment.

Your Committees have amended this measure by:

- (1) Amending various definitions to add clarity and to further articulate implementation of this measure;
- (2) Adding language to further define the functions, powers, and duties of the Hawaii Green Infrastructure Authority;
- (3) Adding language to clarify the types of funds that may be deposited into the Hawaii green infrastructure special fund and for what purposes the funds in the special fund may be used;
- (4) Adding language specifying that if monies in the Hawaii green infrastructure special fund are transferred back to an electric utility in order to credit a customer, the monies are not to be considered the revenue of the electric utility and shall not be taxable;
- (5) Adding language setting out the processes and procedures for the Hawaii green infrastructure loan program;
- (6) Adding language to require the Hawaii Green Infrastructure Authority to report to the Legislature annually;
- (7) Adding language to clarify that the green infrastructure fee shall become effective upon the issuance of the green infrastructure bonds;
- (8) Adding language to clarify the findings required for issuance of green infrastructure financing orders and information required to be included in the orders;



- (9) Adding language requiring, rather than allowing, the Public Utilities Commission to give DBEDT flexibility in establishing the terms and conditions for green infrastructure bonds;
- (10) Adding language requiring the creation of a lien on green infrastructure property with the issuance of a green infrastructure bond;
- (11) Adding language requiring the Public Utilities Commission to ensure all reasonable costs incurred by electric utilities to implement green infrastructure fees are recoverable as part of the electric utilities' revenue requirement;
- (12) Adding language clarifying when the Public Utilities Commission may reduce, impair, postpone, rescind, alter, or terminate the green infrastructure fee;
- (13) Removing language relating to the creation, perfection, and enforcement of any security interest to secure payment on green infrastructure bonds, amounts payable under any ancillary agreement, and other financing costs;
- (14) Clarifying that the green infrastructure fee and charge are exempt from county taxes and surcharges as well as various state taxes and surcharges;
- (15) Removing language relating to the validity, enforceability, attachment, perfection, priority, and exercise of remedies with respect to the transfer of green infrastructure property under a financing order, or creation of a security interest in any such property, green infrastructure fee, green infrastructure charge, or financial order;
- (16) Adding language creating the Hawaii green infrastructure bond fund into which all proceeds of green infrastructure fees and green infrastructure property will be paid, as well as specifying other fund requirements;
- (17) Clarifying that for purposes of section 39-51, Hawaii Revised Statutes, undertaking includes the financing of



the Hawaii green infrastructure loan program through the issuance of green infrastructure revenue bonds;


- (18) Removing language relating to the lien and security interest in the green infrastructure fee, green infrastructure property, and green infrastructure charge and green infrastructure security interest;
- (19) Adding language requiring the Public Utilities Commission to submit an annual report to the Governor on its activities during the preceding fiscal year;
- (20) Adding language to clarify that the public benefits fee shall be used to support clean energy technology, demand response technology, and energy use reduction;
- (21) Adding language to authorize the Public Utilities Commission to create a utility-wide nonbypassable surcharge, which shall be deposited in the green infrastructure bond fund;
- (22) Adding language relating to the green infrastructure fee being included with the public benefits fee as one line item on the electric utility bill when the bill contains a public benefits fee if so provided in the financing order;
- (23) Adding language to clarify that the Public Utilities Commission shall investigate an on-bill financing program that would allow an electric utility company customer to purchase or acquire a clean energy technology, demand response technology, and energy use reduction and demand side management device;
- (24) Adding language relating to the Public Utilities Commission implementing an on-bill financing program by decision and order or by rules;
- (25) Appropriating \$100,000,000 for the issuance of Hawaii green infrastructure loans;
- (26) Appropriating \$10,000,000 for the issuance of Hawaii green infrastructure bonds; and




- (27) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Economic Development, Government Operations and Housing and Energy and Environment and Commerce and Consumer Protection that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 1087, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 1087, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on behalf of the members of the Committees on Economic Development, Government Operations and Housing and Energy and Environment and Commerce and Consumer Protection,


MIKE GABBARD, Chair



DONOVAN M. DELA CRUZ, Chair


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Energy and Environment
ENE

| Bill / Resolution No.:* SB1087 | Committee Referral: EGH/ENE/KPN, WAM | Date: 2/13/13 2/12/13 | | |
|--|--|---|----------|----------|
| <input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 | | | | |
| Members | Aye | Aye (WR) | Nay | Excused |
| GABBARD, Mike (C) | X | | | |
| RUDERMAN, Russell E. (VC) | X | | | |
| CHUN OAKLAND, Suzanne | X | | | |
| IHARA, Jr., Les | | | | X |
| SLOM, Sam | | | X | |
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| TOTAL | 3 | | 1 | 1 |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature:  | | | | |
| Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy | | | | |

*Only one measure per Record of Votes

