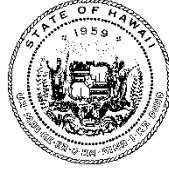


NEIL ABERCROMBIE
GOVERNOR



Dean H. Seki
Comptroller

Maria E. Zielinski
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
DEAN H. SEKI, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE
ON
WAYS AND MEANS
ON
February 26, 2014
S.B. 2804, S.D. 1

RELATING TO ENERGY PERFORMANCE CONTRACTING FOR PUBLIC BUILDINGS

Chair Ige and members of the Committee, thank you for the opportunity to submit written testimony on S.B. 2804, S.D. 1.

The Department of Accounting and General Services (DAGS) strongly supports S.B. 2804, S.D. 1, an administration-sponsored measure, as it will ensure adequate operating budget funding that will be annually appropriated for State agencies that implement “energy performance contracting (EPC)” projects. DAGS defers to the Department of Business, Economic Development and Tourism on matters relating to the substantive provisions of this bill.

Thank you for the opportunity to submit written testimony on this matter.



**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

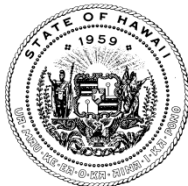
Wednesday, February 26, 2014
10:35 a.m.
State Capitol, Conference Room 211

in consideration of
SB 2804, SD1
**RELATING TO ENERGY PERFORMANCE CONTRACTING FOR PUBLIC
BUILDINGS.**

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

The Department of Business, Economic Development, and Tourism (DBEDT) supports this Administration measure, as amended, to amend various sections of the Hawaii Revised Statutes relating to performance contracting. The bill provides that agencies entering into energy performance contracts receive budget appropriations and have access to financing options; and that an energy performance contract has a maximum term of 25 years. The amendments allow for longer contract periods for deeper energy improvements and incorporating the construction period into a maximum contract period. The bill also provides that agencies implementing performance contracts provide annual reports to the Department of Business, Economic Development, and Tourism. This will allow better data collection and reporting on performance contracting projects and building benchmarking efforts. The bill also includes housekeeping measures.

Thank you for the opportunity to provide this testimony.



Testimony of
GLENN M. OKIMOTO
DIRECTOR

Deputy Directors
FORD N. FUCHIGAMI
RANDY GRUNE
AUDREY HIDANO
JADINE URASAKI

IN REPLY REFER TO:

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

February 26, 2014
10:35 a.m.
State Capitol, Room 211

S.B. 2804, S.D.1
RELATING TO ENERGY PERFORMANCE CONTRACTING FOR PUBLIC BUILDINGS

Senate Committee on Ways and Means

The Department of Transportation (DOT) **supports the intent** and offers the following comments for Senate Bill 2804 S.D.1 relating to energy performance contracting for public buildings. The bill provides that agencies entering into energy performance contracts receive budget appropriations and have access to financing options; and that an energy performance contract has a maximum term of 25 years.

Based on our experience, the department has concerns about this extended contract term. In the energy performance contract that the DOT Airports division recently executed, a higher level of savings is anticipated to be achieved by a fifteen (15) year term and there exists less of a concern about the physical equipment installed becoming costly to maintain or replace due to age.

By reducing the length of the term, the department can begin to realize the full value of the energy savings as soon as the debt service obligation is complete.

One of the main objectives of the savings realized by carrying out these projects is to give the agency the flexibility to pay for other maintenance projects that would otherwise be deferred. If the equipment installed at the onset of the contract period fails before the end of the contract and outside of any feasible warranty period, the resulting costs would be contrary to the intent of the project.

The other area of concern comes in Section 5 (b) "Public buildings shall be retro-commissioned no less often than every five years". The department recognizes the benefit of retro-commissioning to improve efficiency, but is concerned that this language requires a funding request to be made, and projects carried out for all public buildings affecting not just the DOT, but other state agencies as well. The department respectfully suggests the following language:

(b) Public buildings shall be considered for retro-commissioning no less often than every five years. [~~The energy resources coordinator shall establish retro-commissioning guidelines by January 1, 2010.~~] Agencies shall report retro-commissioning efforts to the energy resources coordinator.

Thank you for the opportunity to provide testimony.