

DAVID Y. IGE  
GOVERNOR



RODERICK K. BECKER  
COMPTROLLER

AUDREY HIDANO  
DEPUTY COMPTROLLER

**STATE OF HAWAII**  
**DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

TESTIMONY OF  
RODERICK K. BECKER, COMPTROLLER  
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES  
TO THE  
SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
AND  
SENATE COMMITTEE ON TRANSPORTATION AND ENERGY  
ON  
THURSDAY, APRIL 19, 2018  
2:30 P.M.  
CONFERENCE ROOM 414

H.C.R. 123

REQUESTING A STUDY OF POTENTIAL PROJECTS THAT WOULD REDUCE ENERGY COSTS FOR ALL STATE DEPARTMENTS AND AGENCIES.

Chair Kim, Chair Inouye, Vice Chair Ruderman, Vice Chair Espero, and members of the Committees, thank you for the opportunity to submit testimony on H.C.R. 123.

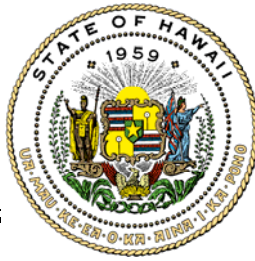
The Department of Accounting and General Services (DAGS) appreciates the benefits of projects that would reduce energy costs for all state departments and agencies, and we offer the following comments:

- DAGS does maintain repair & alterations backlog lists for all DAGS-managed facilities and other State agencies' facilities that are serviced by DAGS. These lists include potential energy savings projects that we can separate out for each agency.
- For those facilities of other State departments that are not serviced by DAGS, neither our Public Works Division nor our Central Services Division have the

resources to conduct detailed surveys to identify specific building-by-building energy saving projects. Instead, we proffer that it may be more effective for the Department of Business, Economic Development and Tourism's Energy Office to take the lead in identifying potential types of projects, survey all the agencies, and compile the responses for reporting.

- DAGS is the lead for the Energy Savings Performance Contracting list which the State Procurement Office solicits on our behalf. DAGS is in the process of updating the specifications to issue a new solicitation, and we anticipate that the earliest we can issue the solicitation, review, and qualify Energy Service Company to issue a new list is by July 1, 2019.

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



SENATE COMMITTEE ON GOVERNMENT OPERATIONS  
The Honorable Donna Mercado Kim, Chair  
The Honorable Russell E. Ruderman, Vice Chair

SENATE COMMITTEE ON TRANSPORTATION & ENERGY  
The Honorable Lorraine R. Inouye, Chair  
The Honorable Will Espero, Vice Chair

**H.C.R. NO. 123, REQUESTING A STUDY OF POTENTIAL PROJECTS  
THAT WOULD REDUCE ENERGY COSTS FOR ALL STATE  
DEPARTMENTS AND AGENCIES**

Hearing: Thursday, April 19, 2018, 2:30 p.m.

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The Office of the Auditor **has no position** regarding H.C.R. No. 123, which requests our office to “examine potential energy savings costs for state departments and agencies and submit a report of its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019.” **However, we have concerns about our ability to do the requested “audit.”**

Specifically, the resolution requests that we “examine potential energy savings costs for state departments and agencies...” We understand our requested work to be akin to an “energy audit” or “energy efficiency audit.” We do not have the substantive and technical knowledge relating to energy consumption, energy efficiency, or energy-related technologies needed to examine “potential energy savings costs for state departments and agencies.”

We typically perform performance, or management audits, which evaluate the operations of agencies or programs. If the intent of this resolution is to request a performance and/or financial audit of specific energy efficiency programs and/or contracts, we suggest that the resolution be amended to specifically reflect this.

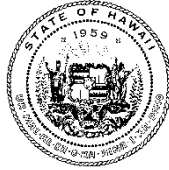
We note that in Stand. Com. Rep. No. 1528-18, the Committee on Energy and Environmental Protection acknowledged the concerns that we raised and suggested that the State Energy Office or another agency may be better suited to perform the study:

“Your Committee notes the concerns raised by the Office of the Auditor about its ability and lack of substantive and technical knowledge to conduct an examination of potential energy savings costs for state departments and agencies, and suggests that the State Energy Office or other relevant agencies may be more appropriate to conduct the examination.”

Setting aside the technical challenges noted above, we also note that the audit requested by this resolution is extremely broad, requiring us to assess “potential energy savings costs” for every state department and agency. Considering our on-going audits and the work likely to be requested through bills or resolutions from the current legislative session, we will likely be required to substantially narrow the scope of this audit, which may not provide the level or areas of review that may be helpful to the legislature. We strongly recommend that the legislature identify the specific departments, agencies and/or programs that it is interested in having us assess and amend the resolution to identify those departments, agencies and/or programs.

Thank you for considering our testimony regarding H.C.R. No. 123.

DAVID Y. IGE  
GOVERNOR



SARAH ALLEN  
ADMINISTRATOR  
MARA SMITH  
ASSISTANT ADMINISTRATOR

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
SARAH ALLEN, ADMINISTRATOR  
STATE PROCUREMENT OFFICE  
TO THE SENATE COMMITTEES  
ON  
GOVERNMENT OPERATIONS  
AND  
TRANSPORTATION AND ENERGY  
April 19, 2018, 2:30 p.m.

HOUSE CONCURRENT RESOLUTION 123

REQUESTING A STUDY OF POTENTIAL PROJECTS THAT WOULD REDUCE ENERGY  
COSTS FOR ALL STATE DEPARTMENTS AND AGENCIES

Chairs Kim and Inouye, Vice Chairs Ruderman and Espero, and members of the committees, thank you for the opportunity to submit testimony on HCR123. The State Procurement Office (SPO) is in support of the intent on this resolution, however, we offer the following comments:

Page 2, lines 31 to 34 states:

“BE IT FURTHER RESOLVED that the State Procurement Office is requested to update and publish the Energy Savings Performance Contracting list that includes a list of all pre-qualified ESCOs no later than July 1, 2018.”

It is not possible to accomplish this task in the time allotted as it is not a simple publishing of a list but a complex procurement requiring a requesting agency with subject matter expertise to submit specifications and an evaluation team. Therefore, SPO recommends the date by which the list be published change from July 1, 2018 to July 1, 2019.

In December 2009, the State Procurement Office (SPO) on behalf of the Department of Accounting and General Services, published the first Vendor List Contract No. 09-01 for Energy Savings Performance Contracting (ESPC). It took seven (7) months from the invitation for competitive sealed proposals to review proposals and qualify six (6) Contractors to provide services for a period of performance for up to four (4) years.

In April 2012, the SPO published a new vendor list contract for Energy Saving Performance Contracting (ESCO) No. 12-11 to replace VL Contract No. 09-01. It took five (5) months from the invitation for competitive sealed proposals to review and qualify six (6) Contractors for a period of performance for up to four (4) years. This VL contract expired on March 31, 2017.

The SPO supports the initiative for contracting for energy performance savings services with the time necessary to conduct a competitive procurement.

Thank you.



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEES ON GOVERNMENT OPERATIONS AND TRANSPORTATION &  
ENERGY

Tuesday, April 19, 2018 — 2:30 p.m. — Room 414

**Ulupono Initiative Strongly Supports HCR 123, Requesting a Study of Potential Projects That Would Reduce Energy Costs for All State Departments and Agencies**

Dear Chair Kim, Vice Chair Ruderman, Chair Inouye, Vice Chair Espero, and Members of the Committees:

My name is Murray Clay and I am 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 produced food; increase affordable, clean, renewable energy; and reduce waste. Ulupono believes that self-sufficiency is essential to our future prosperity and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono strongly supports HCR 123**, which requests a study of potential projects that would reduce energy costs for all State departments and agencies, because it aligns with our goal of increasing the production of clean, renewable energy in Hawai'i and reducing our dependence on fossil fuels.

As one of the largest consumers of electricity, the State could help reduce imported fossil fuels if it were able to reduce its energy use. This study would help shed light on projects that the State could do to reduce its energy costs, thereby saving taxpayer monies in the long run and helping the State reduce its consumption of imported fossil fuels. This study could further motivate the State and energy service companies to better identify and work together on projects.

As Hawai'i's energy issues become more complex and challenging, we appreciate these committees' efforts to look at policies that support renewable energy production.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay

*Investing in a Sustainable Hawai'i*

Managing Partner



**HCR-123**

Submitted on: 4/17/2018 1:10:41 PM

Testimony for GVO on 4/19/2018 2:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for Oahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i	Support	No

Comments:

To the Honorable Donna Mercado Kim, Chair; the Honorable Russell E. Ruderman, Vice-Chair, and Members of the Committee on Government Operations:

To the Honorable Lorraine R. Inouye, Chair; the Honorable Will Espero, Vice-Chair, and Members of the Committee on Transportation and Energy:

Good afternoon. My name is Melodie Aduja. I serve as Chair of the Oahu County Committee ("OCC") on Legislative Priorities of the Democratic Party of Hawaii. Thank you for the opportunity to provide written testimony on **HCR123** requesting DAGS to examine projects that would reduce energy costs; the Auditor to examine potential energy savings cost, and the State Procurement Office to publish the Energy Savings Performance contracting list.

The OCC on Legislative Priorities is in favor of **HCR123** and supports its adoption.

**HCR123** is in accord with the Platform of the Democratic Party of Hawai'i ("DPH"), 2016, as it requests that: (1) the Department of Accounting and General Services examine projects that would reduce energy costs for state departments and agencies and submit a report of its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019; (2) the Office of the Auditor to examine potential energy savings costs for state departments and agencies and submit a report of its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019; and (3) the State Procurement Office to update and publish the Energy Savings Performance contracting list that includes a list of all pre-qualif led ESCO5 no later than July 1, 2018.

The DPH Platform states that "We seek to achieve energy sustainability based on renewable energy sources. We must encourage the use of clean alternative fuel sources to include our public transportation systems. We must increase the use of

public transit, telecommuting, car and vanpooling, ridesharing, biking, walking, and other forms of transportation thereby reducing traffic congestion and air pollution. We must also urgently develop the use of a variety of cost-effective energy providing systems, encourage transit-oriented development, and support tax incentives that encourage renewable energy initiatives.

We support energy independence, self-sufficiency, affordability and reliability for Hawai'i through the development of renewable alternative energy sources. Specifically, we need to support policies that foster the development of energy production methods that de-emphasize carbon-based fuels and promote renewable sources such as wind, solar, wave, geothermal and Ocean Thermal Energy Conversion (OTEC).

Electricity rates in Hawaii are among the highest in the nation despite the fact that we enjoy an abundance of sunshine year round. Electric utility companies and cooperatives must open the grid to alternative power sources including solar panels and geothermal energy. We support the effort of our government officials to require utilities to provide for the maximum, comprehensive, integrated use of renewable energy and associated technologies such as storage and smart grid technologies(Platform of the DPH, PP. 8-9, Lines 443-448, 452-462 (2016)).

Given that **HCR123** requests that: (1) the Department of Accounting and General Services examine projects that would reduce energy costs for state departments and agencies and submit a report of its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019; (2) the Office of the Auditor to examine potential energy savings costs for state departments and agencies and submit a report of its findings and recommendations to the Legislature no later than twenty days prior to the convening of the Regular Session of 2019; and (3) the State Procurement Office to update and publish the Energy Savings Performance contracting list that includes a list of all pre-qualified ESCO5 no later than July 1, 2018, it is the position of the OCC on Legislative Priorities to support its adoption.

Thank you very much for your kind consideration.  
Sincerely yours,

/s/ Melodie Aduja  
Melodie Aduja, Chair, OCC on Legislative Priorities  
Email: legislativepriorities@gmail.com, Text/Tel.: (808) 258-8889

April 19, 2018

Senator Donna Mercado Kim  
Chair, Senate Committee on Government Operations  
Senator Russell E. Ruderman  
Vice Chair, Senate Committee on Government Operations

Senator Lorraine R. Inouye  
Chair, Senate Committee on Transportation and Energy  
Senator Will Espero  
Vice Chair, Senate Committee on Transportation and Energy

Conference Room 414  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Re: In support of HCR 123; Requesting a study of potential projects that would reduce energy costs for all state departments and agencies.

Dear Chair Kim, Vice Chair Ruderman, Chair Inouye, Vice Chair Espero and Members of the Committees,

I am Bill Z. Foster, Vice President at NORESKO, an energy services company. Since 1994, NORESKO has implemented 20 infrastructure and energy improvement projects across the State of Hawaii. Our local team has witnessed the success and benefit of energy services performance contracts to the State of Hawaii and I am happy to testify in support of HCR 123.

With 2018 marking the 10<sup>th</sup> anniversary of the Hawaii Clean Energy Initiative, we are reminded that our path towards a sustainable and resilient energy future requires all stakeholders to do their part, including one of Hawaii's largest energy users: Government. Energy efficiency performance contracts are one key way for State departments and agencies to reduce energy usage; resolve deferred maintenance and capital projects; and continue being a key driver towards Hawaii's goal of 100 percent renewable energy by 2045.

As technology and innovation push forward, a review of past energy efficiency projects and new opportunities is timely.

Thank you for this opportunity to testify in support of HCR 123.