
A BILL FOR AN ACT

RELATING TO CLEAN ENERGY FINANCING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that significant
2 investment in clean energy technology and infrastructure will be
3 required to achieve the State's goals of energy self-
4 sufficiency, energy security, and energy diversification.

5 Investment is also needed to meet the renewable portfolio and
6 energy efficiency portfolio standards in chapter 269, Hawaii
7 Revised Statutes. The current aggregate level of green
8 infrastructure investment is \$12,800,000,000.

9 The legislature also finds that green infrastructure
10 investment supports Hawaii's evolving energy market and provides
11 affordable options for Hawaii's ratepayers. Due to the
12 significant amount of capital required for green infrastructure
13 investment, the State must leverage private investment with
14 limited public funds. A growth in the clean energy market will
15 reduce the cost of clean energy for ratepayers, drive job
16 creation, and save billions of taxpayer dollars currently being
17 spent on importing petroleum oil.



1 The legislature has made various efforts to invest in green
2 technology. Act 155, Session Laws of Hawaii 2009, established
3 the building energy efficiency revolving loan fund to provide
4 low cost financing to eligible public, private and nonprofit
5 borrowers to make energy efficiency improvements to buildings.
6 Act 211, Session Laws of Hawaii 2013, established the Hawaii
7 green infrastructure authority to make cost-effective green
8 infrastructure financing options accessible and affordable to
9 customers under the green energy market securitization loan
10 program.

11 The legislature further finds that a significant barrier to
12 clean energy adoption has been the unavailability of flexible
13 financing and low-cost capital. Building Hawaii's clean energy
14 infrastructure at the lowest possible cost is vital to reach the
15 State's goal of one hundred per cent clean energy by 2045.
16 Public funds must be used in a sustainable manner to
17 simultaneously spark customer demand for clean energy technology
18 and attract private investment in green technology. It is the
19 State's goal that each public dollar spent will have an
20 investment multiplier effect throughout the green technology
21 industry.



1 The legislature also finds that a variety of financing
2 options must be available to support Hawaii's clean energy
3 investment. Ratepayer-funded programs, such as energy
4 efficiency rebates and the green energy market securitization
5 loan program, have made progress but do not serve all ratepaying
6 customers or the entire clean energy technology market. The
7 green energy market securitization loan program has facilitated
8 over \$110,000,000 in solar photovoltaic and energy efficiency
9 projects, but the program is not able to serve all ratepayers
10 and focuses only on established technology. The green energy
11 market securitization bond was an innovative use of a rate
12 reduction bond, but due to the time lag between the issuance of
13 the bond and expenditures for improvements, using this bond
14 financing was inefficient compared to using revolving loan
15 funds, which are expended annually and in a more expedient
16 manner.

17 The purpose of this Act is to strengthen the Hawaii green
18 infrastructure authority's ability to support investment in
19 clean energy technology and infrastructure by:



- 1 (1) Creating a clean energy and energy efficiency
2 revolving loan fund to finance a broad range of clean
3 energy technologies;
- 4 (2) Repealing the building energy efficiency revolving
5 loan fund; and
- 6 (3) Making an appropriation out of the clean energy and
7 energy efficiency revolving loan fund to make clean
8 energy investment loans or for other approved uses.

9 SECTION 2. Chapter 196, Hawaii Revised Statutes, is
10 amended by adding a new section to part IV to be appropriately
11 designated and to read as follows:

12 "§196- Clean energy and energy efficiency revolving
13 loan fund. (a) There is established in the state treasury the
14 clean energy and energy efficiency revolving loan fund, similar
15 to a revolving line of credit, which shall be administered by
16 the authority, and into which shall be deposited:

- 17 (1) The portion of the environmental response, energy, and
18 food security tax specified under section 243-3.5;
- 19 (2) Funds from federal, state, county, private, or other
20 funding sources;
- 21 (3) Investments from public or private investors;



1 (4) Moneys received as repayment of loans and interest
2 payments; provided that the repayment of loans and
3 interest payments under this paragraph shall not
4 include repayment of loans and interest collected as a
5 result of funds advanced from proceeds of green energy
6 market securitization bonds; and

7 (5) Any fees collected by the authority under this
8 section.

9 (b) Moneys in the clean energy and energy efficiency
10 revolving loan fund shall be used to provide low-cost loans at
11 below-market rates or other authorized financial assistance to
12 eligible public, private, and nonprofit borrowers for clean
13 energy investments or other authorized uses, or both, on terms
14 approved by the authority. Moneys from the fund may be used to
15 cover administrative and legal costs of fund management and
16 management associated with individual loans, to include
17 personnel, services, technical assistance, data collection and
18 reporting, materials, equipment, and travel for the purposes of
19 this section.

20 (c) Appropriations or authorizations from the clean energy
21 and energy efficiency revolving loan fund shall be expended by



1 the authority. The authority may contract with other public or
2 private entities for the provision of all or a portion of the
3 services necessary for the administration and implementation of
4 the loan fund program. The authority may set fees or charges
5 for fund management and technical site assistance provided under
6 this section. The authority may adopt rules pursuant to chapter
7 91 to carry out the purposes of this section.

8 (d) All interest earned on the loans, deposits, or
9 investments of the moneys in the fund shall become part of the
10 fund.

11 (e) The authority may establish subaccounts within the
12 fund as necessary."

13 SECTION 3. Section 196-61, Hawaii Revised Statutes, is
14 amended by adding ten new definitions to be appropriately
15 inserted and to read as follows:

16 "Clean energy investments" means the purchase or
17 installation, or both, of energy efficiency measures and
18 renewable energy technology.

19 "Green energy money saver on-bill program" means the
20 tariff-based on-bill repayment mechanism approved for the



1 exclusive use of the authority by the Hawaii public utilities
2 commission.

3 "Green infrastructure loan program", "green energy market
4 securitization loan program", or "GEMS loan program" means the
5 loan program established under part IV and capitalized by the
6 issuance of the green energy market securitization bonds.

7 "Limited liability company", also known as "LLC", shall
8 have the same meaning as in section 428-101.

9 "Loan fund program" means the clean energy and energy
10 efficiency revolving loan fund program.

11 "Qualified security" shall have the same meaning as in
12 section 227D-1.

13 "Renewable energy" shall have the same meaning as in
14 section 269-91.

15 "Renewable energy technology" means the equipment and
16 related accessories required to generate or produce renewable
17 energy.

18 "Special purpose entity", also known as "SPE", means a
19 legal entity created to fulfill narrow, specific, or temporary
20 objectives and typically used by companies to isolate the firm
21 from financial risk.



1 "Subaccount" means a fund that is established within but
2 separate from another fund and is reserved for a specific
3 purpose."

4 SECTION 4. Section 196-64, Hawaii Revised Statutes, is
5 amended to read as follows:

6 "[~~§~~196-64[~~]~~] **Functions, powers, and duties of the**
7 **authority.** (a) In the performance of, and with respect to the
8 functions, powers, and duties vested in the authority by this
9 part, the authority, as directed by the director and in
10 accordance with a green infrastructure loan program order or
11 orders under section 269-171 or an annual plan submitted by the
12 authority pursuant to this section, as approved by the public
13 utilities commission, for the green energy market securitization
14 loan program, may:

- 15 (1) Make loans and expend funds to finance the purchase or
16 installation of green infrastructure equipment for
17 clean energy technology, demand response technology,
18 and energy use reduction and demand side management
19 infrastructure, programs, and services;
- 20 (2) Hold and invest moneys in the green infrastructure
21 special fund in investments as permitted by law and in



- 1 accordance with approved investment guidelines
2 established in one or more orders issued by the public
3 utilities commission pursuant to section 269-171;
- 4 (3) Hire employees necessary to perform its duties,
5 including an executive director. The executive
6 director shall be appointed by the authority, and the
7 employees' positions, including the executive
8 director's position, shall be exempt from chapter 76;
- 9 (4) Enter into contracts for the service of consultants
10 for rendering professional and technical assistance
11 and advice, and any other contracts that are necessary
12 and proper for the implementation of the loan program;
- 13 (5) Enter into contracts for the administration of the
14 loan program, without the necessity of complying with
15 chapter 103D;
- 16 (6) Establish loan program guidelines to be approved in
17 one or more orders issued by the public utilities
18 commission pursuant to section 269-171 to carry out
19 the purposes of this part;
- 20 (7) Be audited at least annually by a firm of independent
21 certified public accountants selected by the



1 authority, and provide the results of this audit to
2 the department and the public utilities commission;
3 and

4 (8) Perform all functions necessary to effectuate the
5 purposes of this part.

6 (b) The authority shall submit to the public utilities
7 commission an annual plan for the green energy market
8 securitization loan program for review and approval no later
9 than ninety days prior to the start of each fiscal year. The
10 annual plan submitted by the authority shall include the
11 authority's projected operational budget for the succeeding
12 fiscal year.

13 (c) In the performance of, and with respect to the
14 functions, powers, and duties vested in the authority by this
15 part, the authority shall administer the clean energy and energy
16 efficiency revolving loan fund pursuant to section 196- , and
17 may:

18 (1) Make loans and expend funds to finance the purchase or
19 installation of clean energy technology and services;
20 (2) Utilize all repayment mechanisms, including the green
21 energy money saver on-bill program, financing tools,



- 1 servicing and other arrangements, and sources of
2 capital available to the authority;
- 3 (3) Exercise powers to organize and establish special
4 purpose entities as limited liability companies under
5 the laws of the State;
- 6 (4) Acquire, hold, and sell qualified securities;
- 7 (5) Utilize the employees of the authority, including the
8 executive director;
- 9 (6) Enter into contracts for the service of consultants
10 for rendering professional and technical assistance
11 and advice, and any other contracts that are necessary
12 and proper for the implementation of the loan fund
13 program;
- 14 (7) Enter into contracts for the administration of the
15 loan fund program, without the necessity of complying
16 with chapter 103D;
- 17 (8) Establish loan fund program guidelines;
- 18 (9) Be audited at least annually by a firm of independent
19 certified public accountants selected by the
20 authority, and provide the results of this audit to
21 the department and the legislature; and



1 (10) Perform all functions necessary to effectuate the
2 purposes of this part.

3 (d) The authority shall submit an annual report for the
4 clean energy and energy efficiency revolving loan fund to the
5 legislature no later than twenty days prior to the convening of
6 each regular session describing the projects funded and the
7 projected energy impacts."

8 SECTION 5. Section 243-3.5, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) In addition to any other taxes provided by law,
11 subject to the exemptions set forth in section 243-7, there is
12 hereby imposed a state environmental response, energy, and food
13 security tax on each barrel or fractional part of a barrel of
14 petroleum product sold by a distributor to any retail dealer or
15 end user of petroleum product, other than a refiner. The tax
16 shall be \$1.05 on each barrel or fractional part of a barrel of
17 petroleum product that is not aviation fuel; provided that of
18 the tax collected pursuant to this subsection:

19 (1) 5 cents of the tax on each barrel shall be deposited
20 into the environmental response revolving fund
21 established under section 128D-2;



1 (2) 5 cents of the tax on each barrel shall be deposited
2 into the energy security special fund established
3 under section 201-12.8;

4 (3) 10 cents of the tax on each barrel shall be deposited
5 into the energy systems development special fund
6 established under section 304A-2169.1; [and]

7 (4) 15 cents of the tax on each barrel shall be deposited
8 into the agricultural development and food security
9 special fund established under section 141-10[-]; and

10 (5) _____ cents of the tax on each barrel shall be
11 deposited into the clean energy and energy efficiency
12 revolving loan fund established under section 196-_____.

13 The tax imposed by this subsection shall be paid by the
14 distributor of the petroleum product."

15 SECTION 6. Section 201-20, Hawaii Revised Statutes, is
16 repealed.

17 [~~§201-20~~] ~~Building energy efficiency revolving loan~~
18 ~~fund.~~ (a) ~~There is established in the state treasury the~~
19 ~~building energy efficiency revolving loan fund which shall be~~
20 ~~administered by the department, and into which shall be~~
21 ~~deposited:~~



1 ~~(1) Funds from federal, state, county, private, or other~~
2 ~~funding sources;~~

3 ~~(2) Moneys received as repayment of loans and interest~~
4 ~~payments; and~~

5 ~~(3) Any fees collected by the department under this~~
6 ~~section.~~

7 ~~(b) Moneys in the building energy efficiency revolving~~
8 ~~loan fund shall be used to provide low or no interest loans or~~
9 ~~other authorized financial assistance to eligible public,~~
10 ~~private, and nonprofit borrowers to make energy efficiency~~
11 ~~improvements in buildings. Moneys from the fund may be used to~~
12 ~~cover administrative and legal costs of fund management and~~
13 ~~management associated with individual loans, to include~~
14 ~~personnel, services, technical assistance, data collection and~~
15 ~~reporting, materials, equipment, and travel for the purposes of~~
16 ~~this section.~~

17 ~~(c) Appropriations or authorizations from the fund shall~~
18 ~~be expended by the department. The department may contract with~~
19 ~~other public or private entities for the provision of all or a~~
20 ~~portion of the services necessary for the administration and~~
21 ~~implementation of the loan fund program. The department may set~~



1 ~~fees or charges for fund management and technical site~~
2 ~~assistance provided under this section. The department may~~
3 ~~adopt rules pursuant to chapter 91 to carry out the purposes of~~
4 ~~this section.~~

5 ~~(d) All interest earned on the deposit or investment of~~
6 ~~the moneys in the fund shall become a part of the fund.~~

7 ~~(e) The department may establish subaccounts within the~~
8 ~~fund as necessary."]~~

9 SECTION 7. There is appropriated out of the clean energy
10 and energy efficiency revolving loan fund the sum of \$
11 or so much thereof as may be necessary for fiscal year 2020-2021
12 to provide loans or other financial assistance to eligible
13 borrowers for clean energy investments or other authorized uses.

14 The sum appropriated shall be expended by the Hawaii green
15 infrastructure authority for the purposes of this Act.

16 SECTION 8. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 9. This Act shall take effect on July 1, 2050.



Report Title:

Clean Energy and Energy Efficiency Revolving Loan Fund; Building Energy Efficiency Revolving Loan Fund; Hawaii Green Infrastructure Authority; Appropriation

Description:

Creates the clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority. Repeals the building energy efficiency revolving loan fund. Allocates a portion of the barrel tax to the clean energy and energy efficiency revolving loan fund. Appropriates funds. Effective 7/1/2050. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

