
A BILL FOR AN ACT

RELATING TO ENERGY FINANCING FOR STATE AGENCIES.

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

1 SECTION 1. The legislature finds that establishing
2 aggressive clean energy goals and mandates, such as the energy
3 efficiency portfolio standards and one hundred per cent
4 renewable energy goal in the electricity sector, as well as
5 Hawaii Clean Energy Initiative's 165 million gallons of
6 petroleum used per year for ground transportation by 2030
7 target, are required for Hawaii to become energy independent,
8 both economically and environmentally.

9 Energy advocates believe that with continued momentum, the
10 State is generally on-track to reach its 2030 targets for
11 renewable energy; however, with more than two-thirds of the
12 fossil fuel imported into the State being used for
13 transportation, the State must accelerate the transition to
14 cleaner transportation, beginning with its own fleet vehicles.

15 Based on the *State of Hawaii Energy Efficiency Potential*
16 *Study, Project Number 1488* (study) prepared by EnerNoc Utility
17 Solutions Consulting Inc. for the Hawaii public utilities



1 commission on January 15, 2014, the legislature finds that the
2 commercial sector, which includes government, consumes over half
3 of statewide electricity use, and therefore concludes that a
4 significant opportunity exists to both contribute to Hawaii's
5 clean energy goals and reduce energy costs in the commercial
6 sector, specifically in government.

7 With only a limited number of financing mechanisms
8 available for state agencies to install solar photovoltaic
9 systems, state agencies have lowered their energy costs by
10 entering into energy performance contracts and power purchase
11 agreements with private partners to install and own energy
12 retrofits and solar systems on their behalf. While individual
13 results are dependent on the negotiated terms of the consummated
14 energy performance contract or power purchase agreement, many of
15 these arrangements have successfully reduced the cost of energy
16 for the State. Additionally, most agreements include an option
17 for state agencies to purchase the installed equipment during
18 the term of the agreement. Using an actual power purchase
19 agreement between a state agency and an investor executed on
20 September 30, 2016, as an example, over the twenty-year term of
21 the power purchase agreement, the agency is estimated to reduce
22 its energy cost by forty-two per cent. If, however, this state



1 agency had access to financing under section 196-62.5, Hawaii
2 Revised Statutes, to exercise its purchase option, over the same
3 twenty-year term of the power purchase agreement, the agency is
4 estimated to reduce its energy cost by sixty-one per cent. This
5 sixty-one per cent, which includes the loan repayment and
6 ongoing equipment maintenance costs, would be a significant
7 savings for taxpayers. With the number of energy performance
8 contracts and power purchase agreements in existence throughout
9 the State, there is a tremendous opportunity for additional
10 energy savings: savings that can be utilized to finance the
11 conversion of the State's retiring internal combustion fleet to
12 electric vehicles and to install electric vehicle charging
13 systems, while remaining budget neutral. Using the example
14 above, this agency could install one level 3 charging system and
15 purchase four or lease seven electric vehicles with its savings.

16 The purpose of this Act is to expand the objective of the
17 \$50,000,000 sub-fund within the Hawaii green infrastructure
18 special fund to allow state agencies to finance its purchase
19 option under existing energy performance contracts and power
20 purchase agreements to further reduce and stabilize future
21 energy costs. An agency may also utilize these savings to



1 finance the installation of electric vehicle charging systems .
2 and the lease or purchase of electric vehicles.

3 SECTION 2. Section 196-61, Hawaii Revised Statutes, is
4 amended by adding five new definitions to be appropriately
5 inserted and to read as follows:

6 "Electric vehicle" shall have the same meaning as in
7 section 291-71.

8 "Electric vehicle charging system" shall have the same
9 meaning as in section 291-71.

10 "Energy performance contract" shall have the same meaning
11 as in section 36-41.

12 "Option to purchase" means a legally binding agreement
13 between a buyer and a seller, which gives the buyer the option,
14 but not the obligation, to purchase the solar system or other
15 installed equipment at an agreed upon price, prior to the
16 maturity date of the power purchase agreement or energy
17 performance contract.

18 "Power purchase agreement" means a contract between two
19 parties, one which generates electricity, the seller, and one
20 which is looking to purchase electricity, the buyer, that



1 defines all of the commercial terms for the sale of electricity
2 between the two parties."

3 SECTION 3. Section 196-62.5, Hawaii Revised Statutes, is
4 amended to read as follows:

5 " ~~[f]~~ §196-62.5 ~~[f]~~ **Financing for state government agencies.**

6 (a) ~~[With the approval of the governor, a]~~ Any state agency may
7 apply for financing, subject to availability under the revolving
8 line of credit for fiscal year 2018-2019, and annually
9 thereafter, from the green infrastructure loan program pursuant
10 to section 196-65(b)(2), upon terms and conditions as are agreed
11 to between the department or agency and the Hawaii green
12 infrastructure authority; provided that the loans shall be
13 issued at an interest rate of 3.5 per cent a year; provided
14 further that the loans shall not adversely affect the
15 sustainability of the sub-fund or Hawaii green infrastructure
16 special fund such that the replenishment of funds requires a
17 higher interest rate in other financing agreements or an
18 appropriation from the general fund.

19 (b) ~~[An]~~ As may be applicable, an agency shall consult
20 with the public benefits fee administrator of the public
21 utilities commission prior to planning an energy-efficiency
22 measure subject to this section. The agency's proposed energy-



1 efficiency measures shall meet or exceed the public benefits fee
2 administrator's enhanced efficiency levels and requirements to
3 be eligible for the Hawaii green infrastructure loan program.

4 The agency shall coordinate with the public benefits fee
5 administrator throughout the entire project cycle to ensure that
6 energy efficiency is maximized. All supporting documentation
7 required by the public benefits fee administrator shall be
8 provided by the agency to ensure compliance with the State's
9 energy-efficiency portfolio standard under section 269-96.

10 (c) An agency shall submit an expenditure plan to the
11 executive director of the Hawaii green infrastructure authority,
12 who shall serve as the fiscal administrator for the loans issued
13 pursuant to subsection (a) and shall make payment on behalf of
14 the agency, as appropriate, upon submission of requests for
15 payment from the agency.

16 (d) Beginning with fiscal year [~~2018-2019,~~] 2020-2021, and
17 annually thereafter, an agency shall repay a loan issued
18 pursuant to subsection (a) using general revenue savings that
19 result from reduced [~~utility~~] energy costs due to
20 [~~implementation of~~] financing the purchase of solar systems or
21 other clean energy equipment, implementing energy-efficient



1 lighting and other energy-efficiency measures [-], as well as
2 operational and fuel cost savings achieved by the conversion of
3 internal combustion vehicles to electric vehicles."

4 SECTION 4. Section 196-65, Hawaii Revised Statutes, is
5 amended by amending subsection (b) to read as follows:

6 "(b) Moneys in the Hawaii green infrastructure special
7 fund may be used, subject to the approval of the public
8 utilities commission, for the purposes of:

- 9 (1) Making green infrastructure loans, including for
10 installation costs for energy-efficient lighting and
11 other energy-efficiency measures [✓], to finance the
12 option to purchase solar systems and other clean
13 energy equipment under existing power purchase
14 agreements and energy performance contracts, or to
15 finance the purchase or lease of electric vehicles or
16 installation of electric vehicle charging systems;
- 17 (2) Creating a \$50,000,000 sub-fund, as a revolving line
18 of credit within the Hawaii green infrastructure
19 special fund, for any state agency to obtain financing
20 to implement cost-effective energy-efficiency
21 measures [✓], finance the option to purchase solar



1 systems and other clean energy equipment under
2 existing power purchase agreements and energy
3 performance contracts, or finance the purchase or
4 lease of electric vehicles or installation of
5 electric vehicle charging systems;

- 6 (3) Paying administrative costs of the Hawaii green
7 infrastructure loan program;
- 8 (4) Paying any other costs related to the Hawaii green
9 infrastructure loan program; or
- 10 (5) Paying financing costs, as defined in section 269-161,
11 to the extent permitted by the public utilities
12 commission in a financing order issued pursuant to
13 section 269-163."

14 SECTION 5. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 6. This Act shall take effect on July 1, 2050.



Report Title:

Energy Financing for State Agencies; Hawaii Green Infrastructure Authority

Description:

Expands the objectives of the \$50 million sub-fund of the Hawaii green infrastructure special fund to allow state agencies to finance purchase options under existing energy performance contracts and power purchase agreements. Allows state agencies to utilize these savings to finance installation of EV charging systems and the lease or purchase of electric vehicles. Takes effect on 7/1/2050. (HD1)

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