

JAN 17 2020

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# 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.

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 availability 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:

- 20           (1) Creating a clean energy revolving loan fund to finance  
21           a broad range of clean energy technologies;



- 1           (2) Repealing the building energy efficiency revolving
- 2           loan fund; and
- 3           (3) Making an appropriation out of the clean energy
- 4           revolving loan fund to make clean energy investment
- 5           loans or for other approved uses.

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

9           "§196-       Clean energy revolving loan fund. (a) There is  
10 established in the state treasury the clean energy revolving  
11 loan fund, similar to a revolving line of credit, which shall be  
12 administered by the authority, and into which shall be  
13 deposited:

- 14           (1) Funds from federal, state, county, private, or other
- 15           funding sources;
- 16           (2) Investments from public or private investors;
- 17           (3) Moneys received as repayment of loans and interest
- 18           payments; and
- 19           (4) Any fees collected by the authority under this
- 20           section.



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

11        (c) Appropriations or authorizations from the fund shall  
12 be expended by the authority. The authority may contract with  
13 other public or private entities for the provision of all or a  
14 portion of the services necessary for the administration and  
15 implementation of the loan fund program. The authority may set  
16 fees or charges for fund management and technical site  
17 assistance provided under this section. The authority may adopt  
18 rules pursuant to chapter 91 to carry out the purposes of this  
19 section.



1        (d) All interest earned on the loans, deposits, or  
2 investments of the moneys in the fund shall become part of the  
3 fund.

4        (e) The authority may establish subaccounts within the  
5 fund as necessary."

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

9        "Clean energy investments" means the purchase or  
10 installation, or both, of energy-efficiency measures and  
11 renewable energy technology.

12        "Green energy money saver on-bill program" means the  
13 tariff-based on-bill repayment mechanism approved for the  
14 exclusive use of the authority by the public utilities  
15 commission.

16        "Green infrastructure loan program", "green energy market  
17 securitization loan program", or "GEMS loan program" means the  
18 loan program established under Act 211, Session Laws of Hawaii  
19 2013, capitalized by the issuance of green energy market  
20 securitization bonds.



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1       "Limited liability company", also known as "LLC", means a  
2 legal entity distinct from its members.

3       "Loan fund program" means the clean energy revolving loan  
4 fund program.

5       "Qualified security" shall have the meaning as in section  
6 227D-1.

7       "Renewable energy" shall have the same meaning as in  
8 section 269-91.

9       "Renewable energy technology" means the equipment and  
10 related accessories required to generate or produce renewable  
11 energy.

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

16       "Subaccount" means a fund that is established within but  
17 separate from another fund and is reserved for a specific  
18 purpose."

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



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

10           (1) Make loans and expend funds to finance the purchase or  
11           installation of green infrastructure equipment for  
12           clean energy technology, demand response technology,  
13           and energy use reduction and demand side management  
14           infrastructure, programs, and services;

15           (2) Hold and invest moneys in the green infrastructure  
16           special fund in investments as permitted by law and in  
17           accordance with approved investment guidelines  
18           established in one or more orders issued by the public  
19           utilities commission pursuant to section 269-171;

20           (3) Hire employees necessary to perform its duties,  
21           including an executive director. The executive





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



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

8           (c) In the performance of, and with respect to the  
9 functions, powers, and duties vested in the authority by this  
10 part, the authority shall administer the clean energy revolving  
11 loan fund established in section 196- and may:

12           (1) Make loans and expend funds to finance the purchase or  
13 installation of clean energy technology and services;

14           (2) Utilize all repayment mechanisms, including the green  
15 energy money saver on-bill repayment mechanism,  
16 financing tools, servicing and other arrangements, and  
17 sources of capital available to the authority;

18           (3) Exercise powers to organize and establish special  
19 purpose entities as limited liability companies under  
20 the laws of the State;

21           (4) Acquire, hold, and sell qualified securities;



- 1        (5) Utilize the employees of the authority, including the  
2            executive director;
- 3        (6) Enter into contracts for the service of consultants  
4            for rendering professional and technical assistance  
5            and advice, and any other contracts that are necessary  
6            and proper for the implementation of the loan fund  
7            program;
- 8        (7) Enter into contracts for the administration of the  
9            loan fund program, without the necessity of complying  
10           with chapter 103D;
- 11       (8) Establish loan fund program guidelines;
- 12       (9) Be audited at least annually by a firm of independent  
13           certified public accountants selected by the authority  
14           and provide the results of this audit to the  
15           department and the legislature; and
- 16       (10) Perform all functions necessary to effectuate the  
17           purposes of this part.
- 18       (d) The authority shall submit an annual report for the  
19        clean energy revolving loan fund to the legislature no later  
20        than twenty days prior to the convening of each regular session



1 describing the projects funded and the projected energy  
2 impacts."

3 SECTION 5. Section 201-20, Hawaii Revised Statutes, is  
4 repealed.

5 ~~["~~§201-20~~ Building energy efficiency revolving loan~~  
6 ~~fund.~~ (a) ~~There is established in the state treasury the~~  
7 ~~building energy efficiency revolving loan fund which shall be~~  
8 ~~administered by the department, and into which shall be~~  
9 ~~deposited.~~

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

12 ~~(2) Moneys received as repayment of loans and interest~~  
13 ~~payments; and~~

14 ~~(3) Any fees collected by the department under this~~  
15 ~~section.~~

16 ~~(b) Moneys in the building energy efficiency revolving~~  
17 ~~loan fund shall be used to provide low or no interest loans or~~  
18 ~~other authorized financial assistance to eligible public,~~  
19 ~~private, and nonprofit borrowers to make energy efficiency~~  
20 ~~improvements in buildings. Moneys from the fund may be used to~~  
21 ~~cover administrative and legal costs of fund management and~~





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1 may be necessary for fiscal year 2020-2021 to be deposited into  
2 the clean energy revolving loan fund.

3 SECTION 7. There is appropriated out of the clean energy  
4 revolving loan fund the sum of \$ \_\_\_\_\_ or so much thereof as  
5 may be necessary for fiscal year 2020-2021 to provide loans or  
6 other financial assistance to eligible borrowers for clean  
7 energy investments or other authorized uses.

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

10 SECTION 8. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 9. This Act shall take effect on July 1, 2020.

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INTRODUCED BY:

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# S.B. NO. 2564

**Report Title:**

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

**Description:**

Repeals the building energy efficiency revolving loan fund and creates a clean energy revolving loan fund under the administration of the Hawaii green infrastructure authority. Funds the office through the dwelling unit revolving fund.

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

