

JAN 23 2020

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

17 The legislature has made various efforts to invest in green
18 technology. Act 155, Session Laws of Hawaii 2009, established

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

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

20 The legislature also finds that a variety of financing
21 options must be available to support Hawaii's clean energy
22 investment. Ratepayer-funded programs, such as energy

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1 efficiency rebates and the green energy market securitization
2 loan program, have made progress but do not serve all ratepaying
3 customers or the entire clean energy technology market. The
4 green energy market securitization loan program has facilitated
5 over \$110,000,000 in solar photovoltaic and energy efficiency
6 projects, but the program is not able to serve all ratepayers
7 and focuses only on established technology. The green energy
8 market securitization bond was an innovative use of a rate
9 reduction bond but the time lag between the issuance of the bond
10 and expenditures for improvements was inefficient compared to
11 using revolving loan funds, which are expended annually and in a
12 more expedient manner.

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

- 16 (1) Creating a clean energy revolving loan fund to finance
17 a broad range of clean energy technologies;
- 18 (2) Repealing the building energy efficiency revolving
19 loan fund; and
- 20 (3) Making an appropriation out of the clean energy
21 revolving loan fund to make clean energy investment
22 loans or for other approved uses.

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

4 "§196- Clean energy revolving loan fund. (a) There is
5 established in the state treasury the clean energy revolving
6 loan fund, similar to a revolving line of credit, which shall be
7 administered by the authority, and into which shall be
8 deposited:

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

11 (2) Investments from public or private investors;

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

14 (4) Any fees collected by the authority under this
15 section.

16 (b) Moneys in the clean energy revolving loan fund shall
17 be used to provide low-cost loans at below-market rates, or
18 other authorized financial assistance to eligible public,
19 private, and nonprofit borrowers to make clean energy
20 investments or other authorized uses or both, on terms approved
21 by the authority. Moneys from the fund may be used to cover
22 administrative and legal costs of fund management and management

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1 associated with individual loans, to include personnel,
2 services, technical assistance, data collection and reporting,
3 materials, equipment, and travel for the purposes of this
4 section.

5 (c) Moneys in the fund shall be expended by the authority.
6 The authority may contract with other public or private entities
7 for the provisions of all or a portion of the services necessary
8 for the administration and implementation of the loan fund
9 program. The authority may set fees or charges for fund
10 management and technical site assistance provided under this
11 section. The authority may adopt rules pursuant to chapter 91
12 to carry out the purposes of this section.

13 (d) All interest earned on the loans, deposits, or
14 investments of the moneys in the fund shall become part of the
15 fund.

16 (e) The authority may establish sub-funds within the fund
17 as necessary."

18 SECTION 3. Section 196-61, Hawaii Revised Statutes, is
19 amended by adding new definitions to be appropriately inserted
20 and to read as follows:

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1 "Clean energy investments" means the purchase or
2 installation, or both, of energy efficiency measures and
3 renewable energy technology.

4 "Green energy money saver on-bill program" means the
5 tariff-based on-bill repayment mechanism approved for the
6 exclusive use of the authority by the Hawaii public utilities
7 commission.

8 "Green infrastructure loan program" or "green energy market
9 securitization loan program" or "GEMS loan program" means the
10 loan program established under Act 211, Session Laws of Hawaii
11 2013, capitalized by the issuance of the green energy market
12 securitization bonds.

13 "Limited liability company" shall have the same meaning as
14 in section 428-101.

15 "Loan fund program" means the clean energy revolving loan
16 fund program.

17 "Qualified security" shall have the same meaning as in
18 section 211F-1.

19 "Renewable energy" shall have the same meaning as in
20 section 269-91.

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1 "Renewable energy technology" means the equipment and
2 related accessories required to generate or produce renewable
3 energy.

4 "Special purpose entity" means a legal entity created to
5 fulfill a narrow, specific, or temporary objectives.

6 "Sub-fund" means a separate fund established within the
7 clean energy revolving loan fund for a specific purpose."

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

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

19 (1) Make loans and expend funds to finance the purchase or
20 installation of green infrastructure equipment for
21 clean energy technology, demand response technology,

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- 1 and energy use reduction and demand side management
2 infrastructure, programs, and services;
- 3 (2) Hold and invest moneys in the green infrastructure
4 special fund in investments as permitted by law and in
5 accordance with approved investment guidelines
6 established in one or more orders issued by the public
7 utilities commission pursuant to section 269-171;
- 8 (3) Hire employees necessary to perform its duties,
9 including an executive director. The executive
10 director shall be appointed by the authority, and the
11 employees' positions, including the executive
12 director's position, shall be exempt from chapter 76;
- 13 (4) Enter into contracts for the service of consultants
14 for rendering professional and technical assistance
15 and advice, and any other contracts that are necessary
16 and proper for the implementation of the loan program;
- 17 (5) Enter into contracts for the administration of the
18 loan program, without the necessity of complying with
19 chapter 103D;
- 20 (6) Establish loan program guidelines to be approved in
21 one or more orders issued by the public utilities

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1 commission pursuant to section 269-171 to carry out
2 the purposes of this part;

3 (7) Be audited at least annually by a firm of independent
4 certified public accountants selected by the
5 authority, and provide the results of this audit to
6 the department and the public utilities commission;
7 and

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

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

17 (c) In the performance of, and with respect to the
18 functions, powers, and duties vested in the authority by this
19 part, the authority shall administer the clean energy revolving
20 loan fund as established by section 196- , and may:

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

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- 1 (2) Utilize all repayment mechanisms, including the green
2 energy money \$aver on-bill repayment mechanism,
3 financing tools, servicing and other arrangements, and
4 sources of capital available to the authority;
- 5 (3) Exercise powers to organize and establish limited
6 liability companies under the laws of the State as
7 single purpose entities to isolate financial risks;
- 8 (4) Acquire, hold, and sell qualified securities;
- 9 (5) Utilize the employees of the authority, including the
10 executive director, to perform its duties;
- 11 (6) Enter into contracts for the service of consultants
12 for rendering professional and technical assistance
13 and advice, as well as any other contracts that are
14 necessary and proper for the implementation of the
15 revolving loan program;
- 16 (7) Enter into contracts for the administration of the
17 loan program, without the necessity of complying with
18 chapter 103D;
- 19 (8) Establish loan program guidelines;
- 20 (9) Be audited at least annually by a firm of independent
21 certified public accountants selected by the

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1 authority, and provide the results of this audit to
2 the department and the legislature; and

3 (10) Perform all functions necessary to effectuate the
4 purposes of this part.

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

10 SECTION 5. Section 201-12.8, Hawaii Revised Statutes, is
11 amended by amending subsection (b) to read as follows:

12 "(b) Subject to legislative appropriation, moneys from the
13 fund may be expended by the Hawaii state energy office for the
14 following purposes and used for no other purposes, except for
15 those set forth in this section:

16 (1) To support the Hawaii clean energy initiative program
17 and projects that promote and advance dependable and
18 affordable energy, renewable energy, energy
19 efficiency, energy self-sufficiency, and greater
20 energy security and resiliency for the State and
21 public facilities;

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1 (2) To fund, to the extent possible, the climate change
2 mitigation and adaptation commission and the
3 greenhouse gas sequestration task force;

4 (3) To support achieving the zero emissions clean economy
5 target set forth in section 225P-5;

6 ~~[(4) To fund the building energy efficiency revolving loan
7 fund established in section 201-20;~~

8 ~~+(5)]~~ (4) To fund projects and incentives to promote the
9 adoption of clean transportation technologies, develop
10 clean vehicle charging infrastructure, and upgrade
11 infrastructure to support the development of clean
12 vehicle charging infrastructure; and

13 ~~+(6)]~~ (5) To fund, to the extent possible, the duties of
14 the state building code council in section 107-24, as
15 they relate to the development of energy conservation
16 codes."

17 SECTION 6. Section 201-20, Hawaii Revised Statutes, is
18 repealed.

19 ~~["[~~§201-20~~] ~~Building energy efficiency revolving loan~~~~
20 ~~fund.~~ (a) ~~There is established in the state treasury the~~
21 ~~building energy efficiency revolving loan fund which shall be~~

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1 ~~administered by the department, and into which shall be~~
2 ~~deposited:~~

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

5 ~~(2) Moneys received as repayment of loans and interest~~
6 ~~payments; and~~

7 ~~(3) Any fees collected by the department under this~~
8 ~~section.~~

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

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

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

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

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

10 SECTION 7. There is appropriated out of the clean energy
11 revolving loan fund of the State of Hawaii the sum of \$5,000,000
12 or so much thereof as may be necessary for fiscal year 2020-2021
13 to provide loans or other financial assistance to make clean
14 energy investments or other authorized uses.

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

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

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1 SECTION 9. This Act, upon its approval, shall take effect
2 on July 1, 2020.

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INTRODUCED BY: 

BY REQUEST

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Report Title:

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

Description:

Repeals the Building Energy Efficiency Revolving Loan Fund under the State Energy Office and creates a Clean Energy Revolving Loan Fund under the administration of the Hawaii Green Infrastructure Authority.

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

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JUSTIFICATION SHEET

DEPARTMENT: Business, Economic Development, and Tourism

TITLE: A BILL FOR AN ACT RELATING TO CLEAN ENERGY FINANCING.

PURPOSE: Repeals the building energy efficiency revolving loan fund under the State Energy Office, creates a Clean Energy Revolving Loan Fund under the Hawaii Green Infrastructure Authority, and appropriates \$5,000,000 to provide appropriation to lend loans for clean energy investments.

MEANS: Add a new section to chapter 196, amend sections 196-61, 196-64, and 201-12.8(b), and repeal section 201-20, Hawaii Revised Statutes.

JUSTIFICATION: To use public funds in a sustainable manner and offer financing that attracts, supports, and complements private investment to accelerate clean energy adoption to achieve the State's Renewable Portfolio Standard and Energy Efficiency Portfolio Standard goals.

Impact on the public: Lowering the cost of capital and providing flexible financing options for ratepayers, while driving job creation and preserving taxpayer dollars by recycling, reinvesting, and relending the same public dollar for multiple projects which will ultimately save billions of dollars annually currently spent on importing petroleum oil.

Impact on the department and other agencies: Access to the Clean Energy Revolving Loan Fund will be available to any public entity to finance the installation of clean energy technology.

GENERAL FUND: None.

OTHER FUNDS: \$5,000,000.

PPBS PROGRAM
DESIGNATION:

BED 138.

OTHER AFFECTED
AGENCIES:

Any state department.

EFFECTIVE DATE:

July 1, 2020.