

S .B. NO. 2857

JAN 23 2020

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 100 per cent renewable energy
4 goal in the electricity sector, as well as Hawaii Clean Energy
5 Initiative's 165 million gallons of petroleum used per year for
6 ground transportation by 2030 target, are required for Hawaii to
7 become energy independent, both economically and
8 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
18 commission on January 15, 2014, the Legislature finds that the

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

6 With only a limited number of financing mechanisms
7 available for state agencies to install solar photovoltaic
8 systems, state agencies have lowered their energy costs by
9 entering into energy performance contracts and power purchase
10 agreements with private partners to install and own energy
11 retrofits and solar systems on their behalf. While individual
12 results are dependent on the negotiated terms of the consummated
13 energy performance contract or power purchase agreement, many of
14 these arrangements have successfully reduced the cost of energy
15 for the State. Additionally, most agreements include an option
16 for state agencies to purchase the installed equipment during
17 the term of the agreement. Using an actual power purchase
18 agreement between a state agency and an investor executed on
19 September 30, 2016, as an example, over the twenty-year term of
20 the power purchase agreement, the agency is estimated to reduce
21 its energy cost by forty-two per cent. If, however, this state
22 agency had access to financing under section 196-62.5, Hawaii
23 Revised Statutes, to exercise its purchase option, over the same

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

14 The purpose of this Act is to expand the objective of the
15 \$50,000,000 sub-fund to allow state agencies to finance its
16 purchase option under existing energy performance contracts and
17 power purchase agreements to further reduce and stabilize future
18 energy costs. An agency may also utilize these savings to
19 finance the installation of electric vehicle charging systems
20 and lease or purchase electric vehicles.

21 SECTION 2. Section 196-61, Hawaii Revised Statutes, is
22 amended by adding new definitions to be appropriately inserted
23 and to read as follows:

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1 "Electric vehicle" has the same definition as in section
2 291-71.

3 "Electric vehicle charging system" has the same definition
4 as in section 291-71.

5 "Energy performance contract" has the same meaning as in
6 section 36-41.

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

13 "Power purchase agreement" means a contract between two
14 parties, one which generates electricity (the seller) and one
15 which is looking to purchase electricity (the buyer). The power
16 purchase agreement defines all of the commercial terms for the
17 sale of electricity between the two parties."

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

20 "[+]§196-62.5[+] **Financing for state government agencies.**

21 (a) [~~With the approval of the governor, a~~] Any state agency may
22 apply for financing, subject to availability under the revolving
23 line of credit for fiscal year 2018-2019, and annually

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1 thereafter, from the green infrastructure loan program pursuant
2 to section 196-65(b)(2), upon terms and conditions as are agreed
3 to between the department or agency and the Hawaii green
4 infrastructure authority; provided that the loans shall be
5 issued at an interest rate of 3.5 per cent a year; provided
6 further that the loans shall not adversely affect the
7 sustainability of the sub-fund or Hawaii green infrastructure
8 special fund such that the replenishment of funds requires a
9 higher interest rate in other financing agreements or an
10 appropriation from the general fund.

11 (b) ~~[A]~~ As may be applicable, an agency shall consult
12 with the public benefits fee administrator of the public
13 utilities commission prior to planning an energy-efficiency
14 measure subject to this section. The agency's proposed energy-
15 efficiency measures shall meet or exceed the public benefits fee
16 administrator's enhanced efficiency levels and requirements to
17 be eligible for the Hawaii green infrastructure loan program.
18 The agency shall coordinate with the public benefits fee
19 administrator throughout the entire project cycle to ensure that
20 energy efficiency is maximized. All supporting documentation
21 required by the public benefits fee administrator shall be
22 provided by the agency to ensure compliance with the State's
23 energy-efficiency portfolio standard under section 269-96.

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1 (c) An agency shall submit an expenditure plan to the
2 executive director of the Hawaii green infrastructure authority,
3 who shall serve as the fiscal administrator for the loans issued
4 pursuant to subsection (a) and shall make payment on behalf of
5 the agency, as appropriate, upon submission of requests for
6 payment from the agency.

7 (d) Beginning with fiscal year 2018-2019, and annually
8 thereafter, an agency shall repay a loan issued pursuant to
9 subsection (a) using general revenue savings that result from
10 reduced [~~utility~~] energy costs due to [~~implementation of~~]
11 financing the purchase of solar systems or other clean energy
12 equipment, implementing energy-efficient lighting and other
13 energy-efficiency measures[-], as well as operational and fuel
14 cost savings achieved by the conversion of internal combustion
15 vehicles to electric vehicles."

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

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

21 (1) Making green infrastructure loans, including for
22 installation costs for energy-efficient lighting and

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1 other energy-efficiency measures[+], to finance the
2 option to purchase solar systems and other clean
3 energy equipment under existing power purchase
4 agreements and energy performance contracts, finance
5 the purchase or lease of electric vehicles and to
6 install electric vehicle charging systems;

7 (2) Creating a \$50,000,000 sub-fund, as a revolving line
8 of credit within the Hawaii green infrastructure
9 special fund, for any state agency to obtain financing
10 to implement cost-effective energy-efficiency
11 measures[+], finance the option to purchase solar
12 systems and other clean energy equipment under
13 existing power purchase agreements and energy
14 performance contracts, finance the purchase or lease
15 of electric vehicles and to install electric vehicle
16 charging systems;

17 (3) Paying administrative costs of the Hawaii green
18 infrastructure loan program;

19 (4) Paying any other costs related to the Hawaii green
20 infrastructure loan program; or

21 (5) Paying financing costs, as defined in section 269-161,
22 to the extent permitted by the public utilities

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1 commission in a financing order issued pursuant to
2 section 269-163."

3 SECTION 5. Statutory material to be repealed is bracketed
4 and stricken. New statutory material is underscored.

5 SECTION 6. This Act, upon its approval, shall take effect
6 on July 1, 2020.

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INTRODUCED BY: 

9

BY REQUEST

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Report Title:

Energy Financing for State Agencies; Hawaii Green Infrastructure Authority

Description:

Amends and expands the purpose of the \$50,000,000 revolving sub-fund for state agencies and also includes the electrification of fleet vehicles.

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 ENERGY FINANCING FOR STATE AGENCIES.

PURPOSE: Expands the purpose of the \$50,000,000 revolving sub-fund to enable state agencies to obtain financing to implement cost-effective energy-efficiency measures, finance the option to purchase solar systems and other clean energy equipment under existing power purchase agreements and energy performance contracts, finance the purchase or lease of electric vehicles and install electric vehicle charging systems.

MEANS: Amend sections 196-61, 196-62.5, and 196-65(b), Hawaii Revised Statutes.

JUSTIFICATION: Using the Green Energy Market Securitization funds available under the State revolving loan fund, this amendment will also allow state agencies to finance its purchase option under existing power purchase agreements and energy performance contracts to further reduce and stabilize future energy costs. This bill will also allow the Agency to utilize the savings to finance the installation of EV charging systems and lease or purchase EVs.

Impact on the public: Lower cost of energy for taxpayers. Lead the State in the electrification of transportation with the conversion of its fleet vehicles to EVs as well as install EV charging systems.

Impact on the department and other agencies: Lower cost of energy and stabilize future energy costs. Lead the State in the electrification of transportation with the conversion of its fleet vehicles to EVs as well as install EV charging systems.

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GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: BED 138.

OTHER AFFECTED
AGENCIES: Any state agency.

EFFECTIVE DATE: July 1, 2020.