

DAVID Y. IGE  
GOVERNOR



CRAIG K. HIRAI  
DIRECTOR

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**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
P.O. BOX 150  
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EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**TESTIMONY BY CRAIG K. HIRAI  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND  
TOURISM AND GOVERNMENT OPERATIONS  
ON  
HOUSE BILL NO. 2498, H.D. 1**

**March 10, 2020  
3:00 p.m.  
Room 225**

**RELATING TO ENERGY RESOURCES**

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 2498, H.D. 1.

H.B. No. 2498, H.D. 1, amends Section 36-41, HRS, to limit the amount of budget appropriations for energy efficiency and renewable energy system retrofitting to an amount that is deemed appropriate by the Legislature. Currently, Section 36-41 provides that the amount of budget appropriations for energy efficiency and renewable energy system retrofitting will not fall below the pre-retrofitting energy budget and will rise in proportion to any increase in the agency's overall budget for the duration of the performance contract or project payment term.

B&F notes that currently many State departments and agencies have energy saving company (ESCO) contracts totaling in the hundreds of millions of dollars. These ESCO contracts were put in place based on Section 36-41. The proposed revision could have an adverse impact on the viability of the existing ESCO contracts and would discourage the use of ESCO contracts in the future to meet Hawaii's energy self-sufficiency goals.

Thank you for your consideration of our comments.



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 03/10/2020

**Time:** 03:00 PM

**Location:** 225

**Committee:** Senate Energy, Economic  
Development, and Tourism  
Senate Government Operations

**Department:** Education

**Person Testifying:** Dr. Christina M. Kishimoto, Superintendent of Education

**Title of Bill:** HB 2498, HD1 RELATING TO ENERGY RESOURCES.

**Purpose of Bill:** Amends the amount of budget appropriations for energy expenditures that agencies performing energy efficiency or renewable energy system retrofitting are entitled to receive. Repeals the required setting aside of a portion of moneys saved through the retrofitting. Effective 7/1/2050. (HD1)

**Department's Position:**

The Department of Education (Department) respectfully offers comments regarding HB 2498, HD1.

Over the past three years, the Department has invested \$46.4 million in energy efficiency improvements through the Hawaii Green Infrastructure Authority Green Energy Money and Saver (HGIA GEM\$) Loan program. This resulted in over 12 million kilowatt hours of energy savings, or approximately 9% of the Department's energy consumption. These loans must be paid back over a twenty-year period with the electricity efficiency savings.

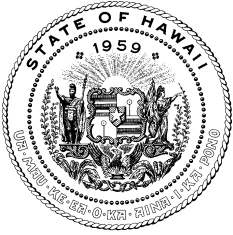
Despite these significant electricity savings, the cost of electricity continues to increase based on increased oil prices and energy cost adjustments by utility companies. While overall consumption is down 9%, electricity costs have exceeded appropriations by 7%.

The impact of this bill will eliminate incentives for agencies to invest in energy efficiency retrofitting measures like the HGIA GEM\$ Loan program.

Thank you for the opportunity to provide testimony on HB 2498, HD1.

The Hawai'i State Department of Education is committed to delivering on our promises to

students, providing an equitable, excellent, and innovative learning environment in every school to engage and elevate our communities. This is achieved through targeted work around three impact strategies: school design, student voice, and teacher collaboration. Detailed information is available at [www.hawaiipublicschools.org](http://www.hawaiipublicschools.org).



# HAWAII STATE ENERGY OFFICE STATE OF HAWAII

235 South Beretania Street, 5<sup>TH</sup> Floor, Honolulu, HI 96813 | [energy.hawaii.gov](http://energy.hawaii.gov)

DAVID Y. IGE  
GOVERNOR

SCOTT J. GLENN  
CHIEF ENERGY OFFICER

(808) 587-3807

Testimony of  
**SCOTT J. GLENN, Chief Energy Officer**

before the  
**SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM  
AND  
GOVERNMENT OPERATIONS**

Tuesday, March 10, 2020

3:00 PM

State Capitol, Conference Room 225

In Opposition to  
**HB 2498, HD1  
RELATING TO ENERGY RESOURCES.**

Chairs Wakai and Thielen, Vice Chairs Taniguchi and Inouye, and Members of the Committees, the Hawaii State Energy Office (HSEO) opposes and respectfully offers comments on HB 2498, HD1, which proposes to repeal authorization for agencies that perform energy efficiency retrofitting to receive budget appropriations for energy expenditures at an amount that is deemed appropriate by the legislature; provided that the agencies account for any costs for contracts or debt service for the implementation and management of energy efficiency measures.

HB 2498, HD1, amends Section 196-21, Hawaii Revised Statutes, subsection b) to repeal the setting aside of a portion of moneys saved through the retrofitting. This proposed measure may significantly hinder and impact agencies participation in energy performance contracting and energy retrofits, as their budgets could be impacted by the Legislature's approval process. Our analysis shows that since 2005, state agencies' total electricity consumption has declined by over 16 percent. Yet, the cost of electricity has increased by over 43 percent.<sup>1</sup> Agencies may be very reluctant to take up costly energy efficiency improvements with the risk of losing financial support to pay for these improvements through energy performance contracting.

Thank you for the opportunity to testify.

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<sup>1</sup> [https://energy.hawaii.gov/wp-content/uploads/2019/07/2019-FF\\_Final.pdf](https://energy.hawaii.gov/wp-content/uploads/2019/07/2019-FF_Final.pdf) (page 11)



Pono Hawai'i Initiative

Josh Frost - President • Patrick Shea - Treasurer • Kristin Hamada  
Nelson Ho • Summer Starr

Tuesday, March 10, 2020

Relating to Energy Resources  
Testifying in Support with Amendments

Aloha Chair and members of the committee,

The Pono Hawai'i Initiative (PHI) **supports HB2498, HD1 Relating to Energy Resources**, which amends the amount of budget appropriations for energy expenditures that agencies performing energy efficiency or renewable energy system retrofitting are entitled to receive.

As Hawai'i moves toward a greener future we need to make sure agencies that are making these positive changes have the means to do so. Without adequate funding based off the current retrofitting costs, agencies cannot continue to make these improvements. It is important that the State show that these changes and steps can be taken and need to be taken in order to reach the goal of 100% renewable energy by 2045.

For all these reasons, we urge you to move this measure forward with an **amended clean effective date**.

Mahalo for the opportunity,  
Gary Hooser  
Executive Director  
Pono Hawai'i Initiative

**LATE**



Email: [communications@ulupono.com](mailto:communications@ulupono.com)

SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, & TOURISM AND  
GOVERNMENT OPERATIONS

Tuesday, March 10, 2020 — 3:00 p.m. — Room 225

**Ulupono Initiative offers comments on HB 2498 HD 1, Relating to Energy Resources**

Dear Chair Wakai, Chair Thielen, and Members of the Committees:

My name is Amy Hennessey, and I am the Senior Vice President of Communications & External Affairs at Ulupono Initiative. We are a Hawai'i-based impact investment firm that strives to improve our community's quality of life by creating more locally produced food; increasing affordable clean renewable energy and transportation options; and better managing waste and fresh water resources.

**Ulupono offers comments on HB 2498 HD 1**, which amends the amount of budget appropriations for energy expenditures that agencies performing energy efficiency or renewable energy system retrofitting are entitled to receive and repeals the required setting aside of a portion of moneys saved through the retrofitting.

Ulupono is concerned that if budgets are lowered after energy efficiency (EE) projects are installed and the subsequent costs are lowered, the department or agency may have little incentive to pursue EE as they reap no financial benefit for their departments. As such, should this measure continue to move forward, we recommend that language be added to allow for a portion of the savings to be shared with the agency performing energy efficiency projects.

Section 1 (a), pg. 1, lines 7-8 to read as follows:

" shall not fall below the pre-retrofitting energy budget by more than one half of the amount of energy savings."

Section 2 (b), pg. 2, lines 3-4 to read as follows:

" shall not fall below the pre-retrofitting energy budget by more than one half of the amount of energy savings."

*Investing in a Sustainable Hawai'i*



The purpose of this amendment is to allow for both the state agency and the state budget to share the energy savings attached to EE projects. This will allow state agency incentive to remain for EE projects while also providing funds to the state budget.

Thank you for this opportunity to testify.

Respectfully,

Amy Hennessey, APR  
Senior Vice President, Communications & External Affairs



**SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM  
SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

March 10, 2020, 3:00 P.M.

Room 225

(Testimony is 1 page long)

**TESTIMONY IN OPPOSITION TO HB 2498 HD1**

Aloha Chair Wakai, Chair Thielen, Vice Chair Taniguchi, Vice Chair Inouye, and members of the Committees:

Blue Planet Foundation **opposes HB 2498**, which could negatively impact energy savings performance contracting (ESPC) for state agencies and possibly erode the ESPC process as a viable option for state agencies to finance energy efficiency upgrades.

ESPC is a contracting and financing method that provides upfront financing for energy efficiency projects that is then repaid over time by the cost savings resulting from the upgrades. This budget-neutral approach saves taxpayers money by reducing energy and water waste and saving those operating funds for other priorities. In other words, state agencies facing aging infrastructure, rising energy costs, and limited budgets can redirect those dollar savings toward critical “lead-by-example” building and infrastructure improvements or other uses.

Blue Planet is concerned about the proposed changes to HRS § 36-41 contemplated in HB 2498, which makes funding for ESPCs discretionary. For an ESPC program to be successful, state agencies must have certainty that the resulting energy savings from a project are sufficient to cover the cost of the project for the duration of the performance contract or project payment term. State agencies are unlikely to move forward with a project without this assurance. HB 2498 could severely undermine government performance contracting in Hawai'i.

We respectfully request that the Committees hold HB 2498 HD1.

Thank you for the opportunity to testify.