



DAVID Y. IGE
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EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

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Testimony of
Gwen Yamamoto Lau
Executive Director
before the
HOUSE COMMITTEE ON FINANCE

Thursday, February 25, 2021
11:00 A.M.
State Capitol, Conference Room No. 308

In consideration of
HOUSE BILL NO. 558, HD1
RELATING TO CLEAN ENERGY FINANCING

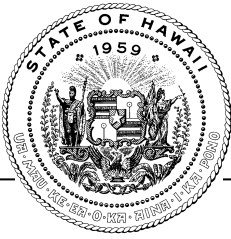
Chair Luke, Vice Chair Cullen, and Members of the Committee on Finance:

Thank you for the opportunity to testify and provide comments on House Bill 558, HD1, relating to clean energy financing. This bill proposes to create a clean energy and energy efficiency revolving loan fund under the administration of the Hawaii Green Infrastructure Authority (HGIA). HGIA **strongly supports** this bill.

With the state's current fiscal crisis, accessing Federal funds, which can be further leveraged with private capital, will be critical to continue investments in clean energy infrastructure and help kick-start Hawaii's economy. Our collective goal is to reduce energy costs, drive higher paying green job creation/retention and save billions of dollars currently spent on importing petroleum.

This bill would enable HGIA to submit an application to the U.S. Department of Agriculture, under its Rural Energy Savings Program to borrow flexible, low-cost loan capital and facilitate green infrastructure investments in rural areas across the state. Additionally, this bill would also enable both the financing of EV charging stations and the electrification of state vehicles, at no additional cost to the state, by utilizing a new cash flow stream generated from the realized savings of exercising purchase options in existing Power Purchase Agreement(s).

Thank you for this opportunity to testify and provide comments in support of HB 558, HD1.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

DAVID Y. IGE
GOVERNOR

SCOTT J. GLENN
CHIEF ENERGY OFFICER

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

before the
HOUSE COMMITTEE ON FINANCE

Thursday, February 25, 2021
11:00 AM
State Capitol, Conference Room 308

In SUPPORT of
HB 558, HD1
RELATING TO CLEAN ENERGY FINANCING.

Chair Luke, Vice Chair Cullen, and Members of the Committee, the Hawaii State Energy Office (HSEO) supports HB 558, HD1, which would establish the Clean Energy and Energy Efficiency Revolving Loan Fund under the Hawaii Green Infrastructure Authority (HGIA) and repeal the Building Energy Efficiency Revolving Loan Fund under HSEO.

HSEO supports the creation of the new revolving loan fund to provide flexible financing and low-cost capital for clean energy infrastructure. Given the new fiscal constraints from COVID-19, enactment of this bill would allow HGIA to pursue non-state government funds. HGIA would then be in a position to deploy funds to support a broad range of clean energy technologies and infrastructure more expediently as compared to using bond financing. It would also provide more affordable energy options for all ratepayers, which supports the State's clean energy goals while contributing to Hawaii's economy.

Given the State's current fiscal shortfall, opportunities to leverage funds from other sources to invest in green infrastructure must be pursued. The U.S. Department of Agriculture (USDA) recently included green banks as eligible borrowers for its Rural Energy Savings Program. If given the authority to borrow moneys from other funding sources, HGIA could apply to borrow federal funds under the USDA program for green

infrastructure investments in rural areas across the state. HSEO supports amending HGIA's statute to allow the authority to borrow moneys from the Federal government and other sources.

We support this bill provided that its passage does not replace or adversely impact priorities in the Executive Budget.

Thank you for the opportunity to testify.

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 558, H.D. 1

February 25, 2021
11:00 a.m.
Via Videoconference

RELATING TO CLEAN ENERGY FINANCING

The Department of Budget and Finance (B&F) offers comments on House Bill (H.B.) No. 558, H.D. 1.

H.B. No. 558, H.D. 1, creates a Clean Energy and Efficiency Revolving Fund (CEERF) within the Hawai'i Green Infrastructure Authority's (HGIA) special fund; allows State agencies to finance their purchase options under existing energy performance contracts and power purchase agreements to further reduce and stabilize future energy costs, with the option to utilize savings to finance the installation of electric vehicle charging systems and lease or purchase electric vehicles; repeals the Building Energy Efficiency Revolving Loan Fund (BEERLF); and appropriates funds out of the CEERF to make clean energy investment loans or for other approved uses.

Whereas the BEERLF restricts the use of funds to energy efficiency improvements in buildings, the CEERF would expand the objective and use of funds to include clean energy investments in addition to buildings. Funds shall be used to provide low-cost loans at below-market rates or other authorized financial assistance to

eligible public, private, and nonprofit borrowers for clean energy investments or other authorized uses. The measure provides a loan ceiling of \$50,000,000 for the CEERF.

As a matter of general policy, B&F does not support the creation of any revolving fund which does not meet the requirements of Section 37-52.4, HRS. Revolving funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. Regarding H.B. No. 558, H.D. 1, it is difficult to determine whether the proposed revolving fund would be self-sustaining.

In addition, the intent of H.B. No. 558, H.D. 1, appears similar to language in Act 121, SLH 2018, which created a \$50,000,000 sub-fund within the HGIA's special fund to serve as a revolving line of credit to finance energy efficient measures. While this sub-fund is also special funded, it is unclear if the fund created in this measure is to be another special-funded sub-fund or a separate revolving fund independent of the HGIA's special fund.

Thank you for your consideration of our comments.

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
FINANCE

February 25, 2021
11:00 a.m.

Chair Luke and Members of the Committee:

MEASURE: H.B. No. 558 HD1

TITLE: RELATING TO CLEAN ENERGY FINANCING.

DESCRIPTION: Creates the clean energy and energy efficiency revolving loan fund in the Hawaii green infrastructure special fund to be administered by the Hawaii green infrastructure authority. Amends and expands the purpose of the \$50,000,000 revolving sub-fund for state agencies and also includes the electrification of fleet vehicles. Repeals the building energy efficiency revolving loan fund. Appropriates loan ceiling. Effective 7/1/2050. (HD1)

POSITION:

The Public Utilities Commission (“Commission”) offers the following comments for consideration.

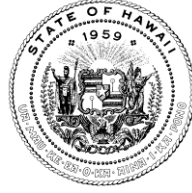
COMMENTS:

The Commission appreciates the intent of this measure to strengthen HGIA's ability to support investment in energy efficiency and green energy technology, including solar energy systems and other clean energy equipment, electric vehicles, and electric vehicle charging systems and infrastructure.

The Commission defers to the Hawaii State Energy Office with regard to this measure's policy impacts. It is the Commission's understanding that this measure will not impact HGIA's obligation to repay proceeds from the green energy market securitization loan program that have been guaranteed and funded by Hawaiian Electric's customers.

H.B. No. 558 HD1
Page 2

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

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CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Finance
Thursday, February 25, 2021
11:00 a.m.
Via Videoconference**

**On the following measure:
H.B. 558, H.D. 1, RELATING TO CLEAN ENERGY FINANCING**

Chair Luke and Members of the Committee:

My name is Dean Nishina, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department appreciates the intent of and offers comments on this bill.

The purposes of this bill are to: (1) create the clean energy and energy efficiency revolving loan fund within the Hawaii green infrastructure special fund under the administration of the Hawaii green infrastructure authority; (2) amend and expand the purpose of the \$50,000,000 revolving sub-fund for state agencies, which also includes existing power purchase agreements and the electrification of fleet vehicles; (3) repeal the building energy efficiency revolving loan fund, and (4) appropriate loan ceiling.

The Department appreciates H.D. 1's intent to seek other forms of financing to supplement and/or complement ratepayer-funded programs that finance clean energy technology and infrastructure. Given the State's high energy costs, the ability of ratepayers to support broad areas of the clean energy technology market, especially technologies that may not be commercially viable or cost-effective, are extremely

limited. The proposed language appears to address the concern that “[a]ny fees collected by the authority under this section” do not include monies collected as a result of tariffs approved by the Public Utilities Commission or monies meant for repaying the Public Benefits Fund. Otherwise, the depositing of fees or monies collected by the Authority, as described in Hawaii Revised Statutes section 196-65(a), into the clean energy and energy efficiency revolving loan fund would be inconsistent with the stated intent of this measure: to create a source of funding that does not rely on ratepayer funds and that can be used for a broad range of clean energy technology.

Thank you for the opportunity to testify on this bill.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

OFFICE OF CLIMATE CHANGE, SUSTAINABILITY AND RESILIENCY

CITY AND COUNTY OF HONOLULU

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RICK BLANGIARDI
MAYOR

MATTHEW GONSER, AICP, CFM
EXECUTIVE DIRECTOR &
CHIEF RESILIENCE OFFICER

THURSDAY, FEBRUARY 25, 2021, 11:00 A.M.

STATE OF HAWAII
HOUSE COMMITTEE ON FINANCE

LATE

**TESTIMONY ON HOUSE BILL 558, HD1
A BILL RELATING TO CLEAN ENERGY FINANCING**

BY,

MATTHEW GONSER
EXECUTIVE DIRECTOR AND CHIEF RESILIENCE OFFICER
OFFICE OF CLIMATE CHANGE, SUSTAINABILITY AND RESILIENCY

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee:

The City and County of Honolulu (City) Office of Climate Change, Sustainability and Resiliency (CCSR) **supports the intent of and offers comments on** House Bill 558, HD1, which creates a clean energy and energy efficiency revolving loan fund under the administration of the Hawai'i Green Infrastructure Authority (HGIA).

A revolving loan fund is a powerful tool to finance installations or procurements of energy efficiency measures, renewable energy generation, electric vehicles, and electric vehicle charging infrastructure, as well as other projects critical to achieving the State's sustainability and resilience goals. Financing mechanisms such as a revolving loan fund are essential to achieving the City's goal of reaching 100 percent renewable energy and net-negative carbon emissions no later than 2045, as codified via City Ordinance 20-47. Additionally, this bill would empower HGIA to implement and administer loan programs on behalf of other agencies, including City agencies, thereby reducing administrative burden and cost of deployment.

However, the bill includes language that makes it unclear what the City's responsibility will be in contributing to the fund. On page seven, Section 2, the bill reads:

"§196- Clean energy and energy efficiency revolving loan fund. (a) There is created within the Hawaii green infrastructure special fund created in section 196-65 the

clean energy and energy efficiency revolving loan fund, similar to a revolving line of credit, which shall be administered by the authority. Funds deposited into the clean energy and energy efficiency revolving loan fund shall not be under the jurisdiction of, nor be subject to approval by, the public utilities commission and shall include:

(1) Any amounts, up to a total amount not to exceed \$50,000,000, of moneys borrowed by the authority, with the approval of the governor, from federal, county, private, or other funding sources, pursuant to part III of chapter 39;

(2) Funds from federal, state, county, private, or other funding sources;

Per item (2) above, it appears the bill *requires* funds from county sources to be deposited into the revolving loan fund, rather than *allows* for funding from county sources to be deposited should such funds be available for such purposes. As written, CCSR has concerns about the City's ability to commit unspecified funds. CCSR suggests clarifying the above language to reflect the possibility of depositing county funds rather than the mandate as currently written.

Passage of this bill will support the City's economic recovery efforts and enhance Hawai'i's ability to take climate action and protect its residents from climate impacts in an equitable and cost-effective manner. By providing the ability to attract and leverage federal and private sources of capital, a revolving loan fund can lower overall costs and provide access to clean energy technologies for those who have not yet been able to afford them. This can be particularly important for O'ahu's residents right now, as many face unprecedented economic and energy burdens as a result of the COVID-19 pandemic. Moreover, this bill will simultaneously act as a powerful economic stimulus and job creation engine in response to the ongoing pandemic.

Thank you for the opportunity to testify and provide comments on HB558, HD1.



HOUSE COMMITTEE ON FINANCE

February 25, 2021, 11:00 A.M.

Video Conference

TESTIMONY IN SUPPORT OF HB 558 HD1

Aloha Chair Luke, Vice Chair Cullen, and members of the Committee:

Blue Planet Foundation **supports HB 558 HD1**, which strengthens and expands the state's efforts to ensure an equitable transition to our 100% clean energy future.

This measure contains the following important elements:

- Replacing the dormant and unused building energy efficiency revolving loan fund with a “clean energy and energy efficiency revolving loan fund” and moving the governance of the fund to the active Hawai'i Green Infrastructure Authority (HGIA);
- Expanding the potential clean energy technologies that the revolving loan fund can support; and
- Allowing state agencies to finance their purchase options under existing energy contracts to further reduce and stabilize future energy costs, with the option to utilize savings to finance the installation of electric vehicle charging systems and lease or purchase electric vehicles.

These policy changes will help to accelerate the adoption of renewable energy, energy efficiency, and electric vehicles and help businesses and families who are currently underserved by existing market-based clean energy solutions. With nearly half of Hawai'i families living paycheck to paycheck *even before* the COVID-19 pandemic, reverting back to business as usual isn't enough. We need new approaches that protect families by ensuring access to low-cost renewable energy options and affordable monthly energy bills.

The HGIA is an effective entity to implement the clean energy revolving loan fund. The Green Energy Market Securitization (GEMS) loan program—which is governed by the HGIA—was developed as a way to fill underserved gaps and lower the cost of clean energy financing. While the program was initially hampered with regulatory and marketplace challenges, the GEMS program is now successfully achieving this mission, with nearly 80% of residential funds committed to date being deployed as low-interest loans for low-income and moderate-income energy customers.¹ The now-profitable program has helped to create or retain over 1,000 clean

¹ *Green Energy Market Securitization Program Quarterly Report (January 1, 2020 – March 31, 2020)*, Hawai'i Green Infrastructure Authority.

energy jobs and avoid the emission of nearly a quarter million metric tons of carbon emissions.² Moreover, the program’s on-bill financing option enables renters and low-income households to install solar and energy-saving equipment with reduced credit barriers and no upfront costs. Rather than using traditional measures of credit, applicants can qualify regardless of credit history, with eligibility based upon on-time payment of their recent electric bills.

Additional program benefits, according to HGIA's 2020 Annual Report, are detailed below.

Excess Revenues over Expenses – Through September 2020 ³	\$5.6 million
Jobs Created / Retained	1,095
State of Hawaii Tax Revenues Generated	\$13.3 million
Total Estimated kWh Production / Reduction Over Lifetime	807,485,440
Total Petroleum Displaced Over Lifetime (Estimated Barrels)	495,784
Total Greenhouse Gas Avoided Over Lifetime (Metric Tons CO ₂)	242,863
Percent Low- and Moderate-income Households Served	78.0%

House Bill 558 would allow HGIA to leverage additional funds to expand this effective loan program. The HGIA has a little over \$60 million of the original bond available to lend for approved clean energy projects. Once the bond is exhausted, however, the GEMS program will not be able to continue its effective work, as the funds returned will go to repaying the bond (unless another bond is sought). This measure proposes to continue the GEMS success by overseeing a revolving clean energy loan program, where the repaid funds can then be re-loaned to benefit more businesses and residents. This enables the GEMS loan program—with its requirement to serve at least 51% low- and moderate-income—to continue sustainably.

Finally, the existing, dormant revolving loan fund allows for the receipt of funds from any source, including private sources. This could enable the GEMS program to operate in partnership with philanthropic or other private interests who support accelerating the just transition to 100% clean energy through a proven loan program.

It is also critical that HB 558 contain the appropriate language to allow HGIA to **leverage federal funding available to invest in green infrastructure as Hawai‘i recovers from the COVID-19 pandemic**. The U.S. Department of Agriculture, for example, recently expanded its Rural Energy Savings Program to include green banks as eligible borrowers. Clarifying the language in HB 558 to allow for additional federal funding to flow in-state is especially important now amid the state’s current budget shortfall.

Blue Planet Foundation supports HB 558 as a smart policy to strengthen and expand Hawai‘i’s ability to help us all move together toward 100% clean energy.

Thank you for the opportunity to provide testimony.

² Ibid.

³ Excess Revenue over Expenses before loan repayments returned to the PUC / Public Benefits Fee Administrator per Order No. 34930 Amending Decision and Order No. 32318 By Changing the Priority uses of GEMS Program Loan Repayments.

HB-558-HD-1

Submitted on: 2/24/2021 8:50:01 AM

Testimony for FIN on 2/25/2021 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Caroline Kunitake	Individual	Support	No

Comments:

Dear Chair Luke, Vice Chair Cullen and the Committee on Finance,

Please support HB558 HD1.

I think it is very positive for the state to create a clean energy and energy efficiency revolving loan fund. Without an accessible funding source, it will be difficult to transition to clean energy technologies and energy efficient solutions. As loans are repaid, the capital then can be reloaned for another clean energy or energy efficiency project. Delaying the creation of a revolving loan fund will only increase total output of pollution and green house gases while making it harder for agencies and organizations to execute their projects due to rising costs.

Thank you for taking the time to review this issue. I appreciate the opportunity to provide testimony in support of this issue.

Mahalo,

Caroline Kunitake

LATE

HB-558-HD-1

Submitted on: 2/24/2021 4:21:12 PM

Testimony for FIN on 2/25/2021 11:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Janet Pappas	Individual	Support	No

Comments:

Dear Chair Luke, Vice Chair Cullen, and Finance Committee members,

Our planet and humanity's existence are now in grave danger due to ongoing climate change. Scientists tell us we must take immediate steps to stop global warming. Hawaii is a huge consumer of fossil fuels, to the tune of \$5 billion of imported fuel yearly. Transitioning away from carbon-based fuels is critical if we are to reverse global warming.

Why green infrastructure? And why now? Because what is becoming known as "green technology" is often cheaper and more efficient in the long run.

The state of Hawaii has lost and continues to lose money during the COVID pandemic. As we begin to recover, now is a good time to "build back better" where we can. Because our climate issues are forcing a big change in our energy sources, we need to find the most efficient path to the future.

If everyone had rooftop solar, everyone's electric bills would drop. If everyone had an electric car, their costs for car maintenance and operation would drop. If every state and city building/facility were energy efficient, building operation and maintenance costs would drop. So why don't we do all these things? Because we don't have the upfront money.

Bill HB558 HD1 sets up a revolving loan fund to be used by public and private interests for clean energy projects.

I support this attempt to fund green infrastructure projects that can make life better and less expensive for all Hawaii residents in the future.

Thank you for the opportunity to testify.

Sincerely,

Jan Pappas

Aiea, Hawaii

