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Testimony of
Gwen Yamamoto Lau
Executive Director
before the
SENATE COMMITTEES ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM and
GOVERNMENT OPERATIONS

Wednesday, February 17, 2021
3:10 P.M.

State Capitol, Conference Room No. 224 and Videoconference

In consideration of
SENATE BILL NO. 1341
RELATING TO THE STATE ENERGY OFFICE

Chairs Wakai and Moriwaki, Vice Chairs Misalucha and Dela Cruz, and Members of the Energy, Economic Development and Tourism and Government Operations Committees:

Thank you for the opportunity to testify and provide comments on Senate Bill 1341, relating to the State Energy Office. This bill proposes to attach the Hawaii Green Infrastructure Authority ("HGIA") to the State Energy Office ("SEO"). HGIA **opposes** this bill.

With the state's current fiscal crisis, especially in the midst of a pandemic, we should be seeking ways to create a more streamlined, efficient and nimble government. Unfortunately, this bill would result in the opposite - increasing bureaucracy, which results in increased costs for the state. Currently, HGIA is an Agency administratively attached to the Department of Business, Economic Development and Tourism ("DBEDT"). However, if passed, HGIA would be attached to another attached Agency (SEO), then attached to DBEDT. This will increase the cost and time requirement for anything and everything needing DBEDT approvals as it would need to be routed through the SEO before being submitted to DBEDT. This is especially concerning for GEMS bond related documents as delays could result in late payments to the bondholders.

It appears that amongst other things, the bill proposes to increase economic development related responsibilities of the SEO. While economic development typically requires capital, attaching HGIA to SEO will not enable SEO to mandate which clean energy projects are financed by HGIA. The proceeds from the Green Energy Market Securitization ("GEMS") Bond, are governed by the Hawaii Public Utilities Commission ("PUC"). Any technology and/or financing

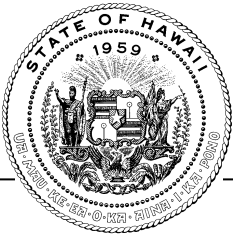
program utilizing GEMS loan capital requires PUC approval. However, as the Chief Energy Officer is, by statute, on HGIA's board, SEO policy priorities and perspectives are already shared with HGIA on an ongoing basis.

Act 122, SLH 2019, was enacted on June 21, 2019, establishing the SEO as an attached agency to DBEDT. Scott Glenn was appointed Chief Energy Officer on October 16, 2019. Over the past sixteen months, Scott has been tasked with re-organizing, re-aligning and re-building a disrupted team, with the additional duties and responsibilities mandated by Act 122. Just as the SEO has succeeded in overcoming the time and resource consuming reorganization hurdles, SB1341 proposes to attach another agency to it, further increasing the responsibilities of the office. Attaching HGIA to SEO does not provide any benefits for either Agency or the State. However, it will further increase the workload for the Chief Energy Officer while increasing bureaucratic red tape for HGIA.

Lastly, this pandemic has reinforced the importance of collaboration and teamwork, to leverage strengths and technical expertise, as may be required to provide programs and services for our businesses and communities in need. As an agency attached to DBEDT, HGIA is assisting BDSB, which was recently awarded an EDA grant to establish a revolving loan fund to provide access to capital to near-bankable businesses in need. Attaching HGIA to SEO may limit HGIA to only clean energy financing, preventing future collaborative opportunities.

HGIA defers to the SEO on other non-HGIA related sections of the bill.

Thank you for this opportunity to testify and provide comments on SB 1341.



HAWAII STATE ENERGY OFFICE STATE OF HAWAII

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Testimony of
SCOTT J. GLENN, Chief Energy Officer

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

Wednesday, February 17, 2021
3:10 PM
State Capitol, Conference Room #224 and Videoconference

Comments in consideration of
SB 1341
RELATING TO THE STATE ENERGY OFFICE.

Chairs Wakai and Moriwaki, Vice Chairs Misalucha and Dela Cruz, and Members of the Committees, the Hawaii State Energy Office (HSEO) opposes SB 1341. The HSEO has serious concerns about the implementation, consequences, and costs associated with the major structural changes proposed by SB 1341, which would transfer the Hawai'i Green Infrastructure Authority (HGIA) from the Department of Business, Economic Development, and Tourism (DBEDT) to the HSEO. SB 1341 would also revise the stated purpose, duties, and responsibilities of the HSEO and the Chief Energy Officer.

Sections 1, 4, and 5 of SB 1341 pertain to merging the HGIA into the HSEO. Both agencies are attached to DBEDT with different but aligned policy missions. HGIA and HSEO work collaboratively together under the existing structure while each serves a unique role in Hawaii's economic development and energy ecosystem. While the similarity in mission seems an intuitive fit for the opportunity to achieve streamlined government, in this case, HGIA and HSEO would not gain administrative or operational efficiencies and both agencies' missions would experience disruption, confusion, and delay in executing their missions. Currently, HGIA and HSEO are each attached to DBEDT. The HGIA Executive Director reports to the Hawaii Green Infrastructure

Authority board, for which the DBEDT Director is set by statute to serve as the chairperson and the Chief Energy Officer is an ex officio member. DBEDT administers both HGIA and HSEO's budgetary, fiscal, and operational needs. By moving HGIA into HSEO, HSEO would be required to administer HGIA's budgetary, fiscal, and operational needs while still requiring DBEDT to ultimately approve any administrative matters. This means HSEO would be required to restructure its operations again after adjusting to Act 122, Session Laws of Hawaii 2019, and HGIA would be an additional step away from approvals. This reduces the flexibility and nimbleness that HGIA needs to be responsive to bond markets, investors, lessors, and lessees. Also, the staff skills, areas of expertise, and abilities for the two agencies have little overlap. This means the opportunities for labor savings are limited. Merging HGIA and HSEO at this time would not improve either's operational effectiveness.

Sections 2 and 3 focus on the duties and responsibilities of the HSEO. While the bill's description characterizes the bill as clarifying HSEO's duties and responsibilities, it reorients and expands them by making economic development its primary mission and adding new duties such as job creation and new elements to its substantive amendments of existing language moved from the statute pertaining to the Chief Energy Officer, §196-72, HRS to the statute for the HSEO, §196-71, HRS. The primary clarification appears to be the insertion of the term "economic development" throughout the paragraphs.

In 2019 under Act 122, the Legislature formally established HSEO as an attached agency within the Department of Business, Economic Development, and Tourism, indicating its preference that the common purpose and related functions of HSEO be in support of economic development. The existing statute also directs the HSEO to focus its energy activities as a means for economic development through its purpose statement "to help achieve a resilient clean energy economy" (HRS §196-71). Achieving a decarbonized economy is essentially an energy matter as about 87% of Hawaii's emissions are energy-related, based on the Department of Health's 2019

Greenhouse Gas Inventory for 2016 emissions. The proposed clarification is unnecessary and raises the question of why have the HSEO as a policy-independent attached agency distinct from, instead a division within, DBEDT, which as a department has economic development as its primary mission.

Reorienting and expanding HSEO's responsibilities as SB 1341 proposes would also require additional staffing and funding while HSEO continues to face shrinking resources -- four staff positions were eliminated in FY20, three positions were unfunded in FY21, and the Executive Biennium Budget includes additional reductions of three positions and reduced funding for contracts to carryout our current statutory work. Additionally, without an adequate expenditure ceiling for the Energy Security Special Fund (ESSF), HSEO is restricted from expending ESSF monies for activities to carry out its current mission and responsibilities. The Executive Biennium Budget proposes an expenditure ceiling for the ESSF to address immediate needs to carryout priority areas of HSEO's mission as identified in our 2020 Annual Report: to continue the electric vehicle (EV) charging system rebate program created by Act 142, Session Laws of Hawaii 2019; to provide funds to leverage federal grant funding opportunities; to continue paying Special Fund Assessments; and to convert some of the General-funded positions to Special Funds to support staffing to carryout our mission.

Thank you for the opportunity to testify.