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**WRITTEN ONLY**

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
ON  
SENATE BILL NO. 3015

**February 9, 2024  
9:30 A.M.  
Room 229 and Videoconference**

RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR ELECTRIC PUBLIC UTILITIES.

The Department of Budget and Finance (B&F) offers the following comments on Senate Bill (S.B.) No. 3015, which authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Hawaiian Electric Company, Inc. and its subsidiaries Maui Electric Company, Limited and Hawaii Electric Light Company, Limited, Hawaii corporations, for multi-project capital improvement programs, including costs to cover the acquisition of land or the construction or acquisition of facilities used or related to the production, transmission, or distribution of electricity or any combination thereof pursuant to Part VI, Chapter 39A, Hawaii Revised Statutes.

B&F would like to inform the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance and conduit loan will require further review of the financing proposal to ensure compliance with all federal, state and credit underwriting requirements. Additionally, B&F would like to note that Act 262, SLH 2023 states "No special purpose revenue bonds requiring an allocation of

annual state ceiling under section 39B-2, Hawaii Revised Statutes, shall be authorized after June 30, 2023 and before December 31, 2028". For additional information, please consult our FAQ located at the following link: <http://budget.hawaii.gov/wp-content/uploads/2012/11/SPRB-FAQ.pdf>.

Thank you for your consideration of our comments.

TESTIMONY OF  
LEODOLOFF R. ASUNCION, JR.  
CHAIR, PUBLIC UTILITIES COMMISSION  
STATE OF HAWAII

TO THE  
SENATE COMMITTEE ON  
COMMERCE AND CONSUMER PROTECTION

February 9, 2024  
9:30 a.m.

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

**MEASURE:** S.B. No. 3015

**TITLE:** RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR ELECTRIC PUBLIC UTILITIES.

**DESCRIPTION:** Authorizes the issuance of special purpose revenue bonds for Hawaiian Electric Company, Inc. and its subsidiaries Maui Electric Company and Hawai'i Electric Light Company for multi-project capital improvement programs.

**POSITION:**

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

**COMMENTS:**

The Commission appreciates the intent of this measure to authorize the issuance of special purpose revenue bonds for the Hawaiian Electric Companies.

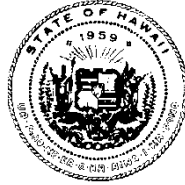
The Hawaiian Electric Companies are currently undertaking an enormous transformation of their business to meet the State's ambitious renewable energy policy objectives. This transformation will require a significant amount of capital investment, all of which must be financed in some manner. The special purpose revenue bonds proposed by S.B. 3015 would potentially provide the Hawaiian Electric Companies with access to low-cost financing, which would mitigate the cost of the Hawaiian Electric Companies' transformation for ratepayers.

The Commission would still need to approve any special purpose revenue bond issuances by the Hawaiian Electric Companies, along with any projects that the Companies wish to finance with the proceeds from those issuances, to ensure that both the issuances and the projects financed with the proceeds of those issuances are in the public interest.

Thank you for the opportunity to testify on this measure.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



DEAN MINAKAMI  
EXECUTIVE DIRECTOR

## STATE OF HAWAII

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### Statement of DEAN MINAKAMI

Hawaii Housing Finance and Development Corporation  
Before the

### SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION

February 9, 2024 at 9:30 a.m.  
State Capitol, Room 229

In consideration of

#### S.B. 3015

#### RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR ELECTRIC PUBLIC UTILITIES.

HHFDC has comments on SB 3015, which authorizes the issuance of special purpose revenue bonds (SPRBs) for Hawaiian Electric Company, Inc. and its subsidiaries for multi-project capital improvement programs.

Most rental housing projects in the state are financed by 4% credits under HHFDC's Low-Income Housing Tax Credit (LIHTC) Program which, pursuant to the Internal Revenue Code, must be used in conjunction with qualified tax-exempt private activity bonds (PABs). The amount of PABs that a state may authorize each year is limited by the bond cap (or ceiling) set by the federal government and was approximately \$359 million for the State of Hawaii for 2023. Accordingly, when PABs are allocated to other uses (such as SPRBs), the state loses out on the valuable 4% LIHTC used to build and preserve affordable rental housing.

The bond cap is the primary constraint to HHFDC's ability to make financing awards in recent years. Last year, we received over half a billion dollars' worth of requests for bonds that would have financed nearly 2,700 units. Because of the bond cap and financing constraints, we were only able to make awards up to \$72 million for 446 units. The demand for bonds was so great that it exceeded the available bond cap by a 4:1 ratio.

It is also important to note that diverting bond cap away from housing will have macroeconomic implications. PABs used for housing leverage a large federal subsidy—namely, the 4% LIHTC. We estimate that, for every PAB dollar used for non-

S.B. 3015 RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR ELECTRIC  
PUBLIC UTILITIES  
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housing purposes, a potential subsidy of 65% to 70% of that dollar amount is lost in the form of lost federal LIHTC.

Lastly, this bill conflicts with Section 4 of Act 262, Session Laws of Hawaii 2023, which states in part, “[N]o special purpose revenue bonds requiring an allocation of annual state ceiling under section 39B-2, Hawaii Revised Statutes, shall be authorized after June 30, 2023 and before December 31, 2028.”

Thank you for the opportunity to testify on this bill.



**Hawaiian  
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEE ON  
COMMERCE & CONSUMER PROTECTION**

**SB 3015**

**Relating to Special Purpose Revenue Bonds for Electric Public Utilities**

Friday, February 9, 2024  
9:30 AM, Agenda Item #5  
State Capitol, Conference Room 229

Brent Noyama  
Assistant Treasurer  
Hawaiian Electric Company

Dear Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee,

My name is Brent Noyama and I am testifying on behalf of Hawaiian Electric Company in strong support of SB 3015, Relating to Special Purpose Revenue Bonds for Electric Public Utilities and requesting an amendment. Hawaiian Electric is seeking to extend the expiration date of an authorization provided for during the 2019 legislative authorization under Act 41 (2019 Session Laws of Hawaii). The 2019 legislative authorization allowed for the Department of Budget and Finance of the State of Hawaii to issue up to \$700 million in special purpose revenue bonds (“SPRBs”) over five years (2019-2024) allowing Hawaiian Electric the option to finance multi-project capital improvement construction programs for the local furnishing of electric energy on Oahu, Hawaii Island and across Maui county. SB 3015 proposes to revise the expiration date of an existing authorization from June 30, 2024 to June 30, 2029.

Interest and principal payments on these bonds, as well as all other costs associated with them, are obligations of the utilities on whose behalf they would be sold. The State of Hawaii has no obligation to make any payments related to these bonds.

Hawaiian Electric supports this bill because it will allow the Companies the flexibility to issue revenue bonds if future market conditions favor tax-exempt revenue bonds resulting in lower cost to our customers.

The proceeds of the sale of SPRBs will be used by the utilities for the construction of facilities necessary to furnish electricity. All projects eventually financed by the SPRB proceeds must be specifically approved by the Public Utilities Commission for SPRB financing.

In addition, the Companies are requesting an amendment to add a new Section 5 to the bill, which states:

*“SECTION 5. Notwithstanding the provisions of Act 182, Session Laws of Hawaii 2022, as amended by Act 262, Session Laws of Hawaii 2023, the legislature authorizes the issuance of special purpose revenue bonds to assist utilities in serving the general public and providing electric energy or gas that requires the allocation of the annual state ceiling under Section 39B-2, Hawaii Revised Statutes, for the period July 1, 2024 through December 31, 2028.”*

This proposed language limits the exception to only electric or gas utilities. The amendment is crafted specifically to address the allocation of the State’s ceiling for private activity bond cap.

While the restricted use of the State’s ceiling for private activity bond cap outlined in Act 182, Session Laws of Hawaii 2022, as amended by Act 262, Session Laws of Hawaii 2023, is important for the State of Hawaii, the State’s initiatives to achieve 100% renewable energy generation and Hawaiian Electric’s initiatives to decarbonize its operations, harden the grid, and mitigate wildfire risk are also important initiatives for the State to consider. Because the Companies have shifted resources towards wildfire mitigation, there are fewer resources available to devote to grid hardening/resilience and renewable project initiatives. However, this bill, if passed with the proposed



amendment, will allow the Companies to share in the private activity bond cap and provide financing options to focus on important state policy aligned initiatives.

Accordingly, Hawaiian Electric strongly supports SB 3015. Thank you for this opportunity to testify.