

## ACT 121

H.B. NO. 1508

A Bill for an Act Relating to Energy Efficiency.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that green infrastructure financing was established in the public interest to make cost-effective green infrastructure equipment options accessible and affordable to customers in order to achieve Hawaii's clean energy goals while benefitting from measurable cost savings.

The legislature further finds that \$46,400,000 was appropriated out of the Hawaii green infrastructure special fund for fiscal year 2017-2018 for the purpose of financing the installation costs for energy-efficient lighting and other energy-efficiency measures related to heat abatement at public schools. Similarly, the department of education, with the approval of the governor, was authorized to borrow the sum of \$46,400,000 for fiscal year 2017-2018 from the green infrastructure loan program upon terms and conditions as are agreed to between the department of education and the Hawaii green infrastructure authority; provided that the loan shall be issued free of interest charges. Repayment of the loan will be from general revenue savings from reduced utility costs as a result of the implementation of energy-efficient lighting and other energy-efficiency measures.

Further, while the department of education's energy-efficiency plan utilizing Hawaii green infrastructure financing initially included only light emitting diode lighting retrofits, the legislature finds that this financing mechanism, coupled with innovative implementation strategies, will enable the department of education to implement deeper retrofits to include other energy-efficiency measures.

EnerNoc Utility Solutions Consulting Inc. prepared and presented the *State of Hawaii Energy Efficiency Potential Study, Project #1448* (study) to the Hawaii public utilities commission on January 15, 2014. The study categorized Hawaii's 2012 energy consumption into five sectors: residential (thirty-two per cent), military (eleven per cent), water and wastewater (four per cent), street lighting (0.5 per cent), and commercial (fifty-two per cent). The study found that the commercial sector, which includes the government, consumes over half of statewide electricity use, and concluded that the majority of the statewide energy-efficiency savings potential is found in the commercial sector. Of the twenty-five state agencies participating in the department of business, economic development, and tourism's report to the legislature titled *Lead by Example State of Hawaii Agencies' Energy Initiatives FY 2013-2014*, the department of education was the second largest consumer of electricity, consuming over 130,000,000 kWh per year from fiscal year 2004-2005 through fiscal year 2013-2014 at an average cost

of \$38,000,000 per year. There are a number of other state agencies and departments that would benefit from a similar financing arrangement. Reducing energy consumption in state buildings would significantly and positively contribute to the achievement of Hawaii's energy-efficiency portfolio standard, while reducing and controlling costs for Hawaii's taxpayers.

Though government agencies were not named as underserved by the Hawaii public utilities commission in the green energy market securitization program, the Hawaii public utilities commission acknowledged that the green energy market securitization program was not intended to be exclusively dedicated to underserved customers. The legislature notes that while state agencies constitute a significant component of energy consumption in Hawaii, investment in energy-efficiency improvements by government agencies has been limited. Further, government agencies can be classified with those ratepayers who are hard-to-reach with traditional market-competitive financing agreements due to procurement limitations and the obligation to include contractual provisions that make the continuation of contracts contingent upon the allocation of funds. For these reasons, the use of the green energy market securitization program funds to provide low-cost financing to enable energy-efficiency retrofits for state government agencies fills a gap not served by the capital market.

The purpose of this Act is to provide all state agencies and departments the opportunity to obtain low-cost financing from the green energy market securitization program, at an interest rate of 3.5 per cent a year, to reduce energy costs and consumption by installing energy-efficiency measures. This Act creates a sub-fund within the Hawaii green infrastructure special fund and converts \$50,000,000 into a revolving line of credit for any state agency or department to finance energy-efficiency measures, subject to sub-fund availability, on an ongoing basis. The department of education's outstanding loan balance shall be included under this revolving line of credit.

SECTION 2. Chapter 196, Hawaii Revised Statutes, is amended by adding a new section to part IV to be appropriately designated and to read as follows:

**“§196- Financing for state government agencies.** (a) With the approval of the governor, a state agency may apply for financing, subject to availability under the revolving line of credit for fiscal year 2018-2019, and annually thereafter, from the green infrastructure loan program pursuant to section 196-65(b)(2), upon terms and conditions as are agreed to between the department or agency and the Hawaii green infrastructure authority; provided that the loans shall be issued at an interest rate of 3.5 per cent a year; provided further that the loans shall not adversely affect the sustainability of the sub-fund or Hawaii green infrastructure special fund such that the replenishment of funds requires a higher interest rate in other financing agreements or an appropriation from the general fund.

(b) An agency shall consult with the public benefits fee administrator of the public utilities commission prior to planning an energy-efficiency measure subject to this section. The agency's proposed energy-efficiency measures shall meet or exceed the public benefits fee administrator's enhanced efficiency levels and requirements to be eligible for the Hawaii green infrastructure loan program. The agency shall coordinate with the public benefits fee administrator throughout the entire project cycle to ensure that energy efficiency is maximized. All supporting documentation required by the public benefits fee administrator shall be provided by the agency to ensure compliance with the State's energy-efficiency portfolio standard under section 269-96.

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

(d) Beginning with fiscal year 2018-2019, and annually thereafter, an agency shall repay a loan issued pursuant to subsection (a) using general revenue savings that result from reduced utility costs due to implementation of energy-efficient lighting and other energy-efficiency measures.”

SECTION 3. Section 196-61, Hawaii Revised Statutes, is amended by adding four new definitions to be appropriately inserted and to read as follows:

““Cost-effective” means that utility bill savings are achieved by the installation of an energy-efficiency measure; provided that the utility bill savings exceed the energy-efficiency measure’s installation and carrying costs in an amount sufficient to repay a loan issued pursuant to section 196- and in the manner required by that section.

“Energy-efficiency measure” means any type of project conducted, or technology implemented, to reduce the consumption of energy in a public building. The types of projects conducted or technology implemented may be in a variety of forms but shall be designed to reduce electric utility costs.

“Revolving line of credit” means a type of credit in which loan advances are made for eligible purposes and where repaid principal deposited back into the sub-fund may be re-borrowed.

“Sub-fund” means a separate fund established within the Hawaii green infrastructure special fund for a specific purpose.”

SECTION 4. Section 196-62, Hawaii Revised Statutes, is amended to read as follows:

~~“[§196-62]~~ **Hawaii green infrastructure loan program.** There is established a Hawaii green infrastructure loan program, which shall be a loan program as defined under section 39-51. The program shall be administered by the authority on behalf of the department in a manner consistent with chapter 39, part III. This loan program may include loans made to government entities and private entities, whether corporations, partnerships, limited liability companies, or other persons, which entities may lease or provide green infrastructure equipment to electric utility customers, as well as direct loans to electric utility customers, on terms approved by the authority.”

SECTION 5. Section 196-65, Hawaii Revised Statutes, is amended by amending subsection (b) to read as follows:

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

- (1) Making green infrastructure loans, including for installation costs for energy-efficient lighting and other energy-efficiency measures ~~[related to heat abatement at public schools];~~
- (2) Creating a \$50,000,000 sub-fund, as a revolving line of credit within the Hawaii green infrastructure special fund, for any state agency to obtain financing to implement cost-effective energy-efficiency measures;
- ~~[(2)]~~ (3) Paying administrative costs of the Hawaii green infrastructure loan program;
- ~~[(3)]~~ (4) Paying any other costs related to the Hawaii green infrastructure loan program; or

~~[(4)]~~ (5) Paying financing costs, as defined in section 269-161, to the extent permitted by the public utilities commission in a financing order issued pursuant to section 269-163.”

SECTION 6. There is appropriated out of the Hawaii green infrastructure special fund the sum of \$50,000,000 or so much thereof as may be necessary for fiscal year 2018-2019, for the purpose of financing the installation costs for energy-efficient lighting and other energy-efficiency measures for any state agency.

The sum appropriated shall be expended by the Hawaii green infrastructure authority for the purposes of this Act.

SECTION 7. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.<sup>1</sup>

SECTION 8. This Act shall take effect on July 1, 2018.

(Approved July 5, 2018.)

**Note**

1. Edited pursuant to HRS §23G-16.5.