

# SB1087

Establishes a regulatory financing structure that authorizes the Public Utilities Commission and the Department of Business, Economic Development, and Tourism to provide low-cost loans for green infrastructure equipment to achieve measurable cost savings and achieve Hawaii's clean energy goals.



NEIL ABERCROMBIE  
GOVERNOR

EXECUTIVE CHAMBERS  
HONOLULU

Testimony in **support** of SB1087  
Relating to Green Infrastructure

Committee on Economic Development, Government Operations and Housing  
Committee on Energy and Environment  
Committee on Commerce and Consumer Protection

Senator Donovan Dela Cruz, Chair  
Senator Mike Gabbard, Chair  
Senator Rosalyn Baker, Chair  
Senator Sam Slom, Vice Chair  
Senator Russell Ruderman, Vice Chair  
Senator Brickwood Galuteria, Vice Chair

February 13, 2013  
2:50 pm Room 016

Chair Dela Cruz, Chair Gabbard, Chair Baker, Vice-Chair Slom, Vice-Chair Ruderman, Vice-Chair Galuteria, and members of the Committees on Economic Development, Government Operations and Housing; Energy and Environment; and Commerce and Consumer Protection:

The Office of the Governor **supports** Senate Bill 1087, Relating to Green Infrastructure. This measure would establish a regulatory financing structure to authorize the Public Utilities Commission (PUC) and the Department of Business, Economic Development, and Tourism (DBEDT) to provide low-interest loans for green infrastructure equipment which will help to achieve measurable cost savings to consumers and utility customers and move us towards Hawaii's clean energy goals.

This measure would allow residents who cannot afford the significant initial investment associated with the installation of a photovoltaic system to reap the benefits of alternative energy immediately and pay for it over the long run. This will lower their electric bills while also supporting the State's energy goals of self-sufficiency and security.

The PUC and DBEDT are available to answer any technical questions you may have.

Thank you for the opportunity to testify.



**STATE OF HAWAII  
STATE PROCUREMENT OFFICE**

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TESTIMONY  
OF  
AARON S. FUJIOKA  
ADMINISTRATOR  
STATE PROCUREMENT OFFICE

TO THE  
SENATE COMMITTEES  
ON  
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING  
AND  
ENERGY AND ENVIRONMENT  
AND  
COMMERCE AND CONSUMER PROTECTION

February 13, 2013

2:50 p.m.

SB 1087

RELATING TO GREEN INFRASTRUCTURE.

Chair Dela Cruz, Chair Gabbard, Chair Baker, Vice-Chair Slom, Vice-Chair Ruderman, Vice-Chair Galuteria, and members of the committees, thank you for the opportunity to submit testimony on SB 1087. The State Procurement Office's (SPO) comments are limited to SECTION 2 which includes an exemption from HRS chapter 103D, Hawaii Public Procurement Code (Code), for contracts executed by the Hawaii green infrastructure authority.

The SPO opposes this exemption. The Code is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with HRS chapter 103D conveys a sense of disproportionate equity in the law's application.

The SPO opposes the language on page 8, lines 1 to 2. Thank you.

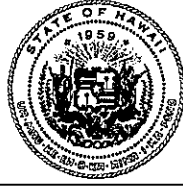
TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, GOVERNMENT  
OPERATIONS AND HOUSING, ENERGY AND ENVIRONMENT, AND  
COMMERCE AND CONSUMER PROTECTION  
ON  
SENATE BILL NO. 1087

February 13, 2013

RELATING TO GREEN INFRASTRUCTURE

Senate Bill No. 1087 establishes a regulatory and financing structure to authorize the Public Utilities Commission (PUC) and the Department of Business, Economic Development and Tourism (DBEDT) to establish a green infrastructure financing program.

The Department of Budget & Finance supports this administration measure and believes this proposal is innovative in providing a financing resource to residents to take advantage of alternative energy opportunities. The Department has been working extensively with the PUC, DBEDT, Department of the Attorney General and the State's General Advice Bond Counsel to develop a statutory framework to authorize the green infrastructure financing program. The program will provide a lower cost financing alternative for Hawaii businesses and residents to utilize green infrastructure equipment and technology to reduce electricity consumption by leveraging clean energy technology. The innovative financing method being proposed will provide a secure financing structure to allow DBEDT to issue revenue bonds at very competitive rates, which savings can be passed on to the consumers in the form of lower borrowing costs.



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

STATE OF HAWAII  
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KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEES ON  
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING,  
ENERGY AND ENVIRONMENT,  
AND COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2013

WEDNESDAY, FEBRUARY 13, 2013  
8:30 A.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF  
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER  
AFFAIRS, TO THE HONORABLE DONOVAN M. DELA CRUZ,  
THE HONORABLE MIKE GABBARD,  
THE HONORABLE ROSALYN H. BAKER, CHAIRS,  
AND MEMBERS OF THE COMMITTEES

SENATE BILL NO. 1087 - RELATING TO GREEN INFRASTRUCTURE

DESCRIPTION:

This measure proposes to establish a regulatory financing structure that authorizes the Public Utilities Commission ("PUC") and the Department of Business, Economic Development, and Tourism ("DBEDT") to provide low-cost loans for green infrastructure equipment to achieve measurable cost savings and achieve Hawaii's clean energy goals.

POSITION:

The Division of Consumer Advocacy supports S.B. No. 1087.

Senate Bill No. 1087

Senate Committees on Economic Development, Government Operations and Housing;  
Energy and Environment; and Commerce and Consumer Protection

Wednesday, February 13, 2013, 2:50 p.m.

Page 2

COMMENTS:

S.B. No. 1087 is legislation that will enable the DBEDT to create a securitization process to obtain low cost financing that would be used to fund the purchase and installation of various clean energy and energy efficiency devices, such as solar water heaters and solar photovoltaic ("pv") systems. It contemplates the issuance of bonds that will be secured by a green infrastructure fee that will be collected from the electric utilities' customers. It is through this legislation that a low interest rate fund would be used for an on bill financing program.

Hawaii's electricity rates are the highest in the nation. Consumers need access to energy efficient devices that offer real electricity cost savings. Thus far, the upfront cash needed or access to credit to purchase solar hot water heaters and solar pv systems has been an impediment to low to moderate income homeowners and renters from being able to realize the benefits of these devices that will lower monthly electric bills.

The Consumer Advocate believes that clean energy and energy efficiency should not be for the wealthy only. Consumers who work hard and pay their bills, but find it difficult to save enough money or build enough credit to finance a solar hot water heater or solar pv system should not be shut out of this market. On bill financing allows the consumer to pay for these energy systems through the electricity cost savings on their monthly bill. This not only makes available energy cost savings to a greater number of Hawaii's consumers, but it also means less oil consumed for every kilowatt hour of energy being conserved or replaced by clean energy.

S.B. No. 1087 will make low cost funding available for such an on bill financing program. The Consumer Advocate will work closely with DBEDT, the Hawaiian Electric Companies, the Public Utilities Commission, and all interested parties in designing an on bill financing program that minimizes the financial risk to electric utilities' ratepayers.

Thank you for this opportunity to testify.

TESTIMONY OF HERMINA MORITA  
CHAIR, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEES ON  
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS & HOUSING,  
ENERGY & ENVIRONMENT,  
AND  
COMMERCE & CONSUMER PROTECTION

FEBRUARY 13, 2013

2:50 p.m.

**MEASURE:** S.B. No. 1087

**TITLE:** Relating to Green Infrastructure

Chair Dela Cruz, Chair Gabbard, Chair Baker, and Members of the Committees:

**DESCRIPTION:**

This measure proposes to establish the Hawaii Green Infrastructure Loan Program ("Green Financing Program" or "Program") for the purpose of promoting the widespread adoption of clean energy technology and related clean energy-enabling infrastructure in Hawaii. This Program will be administered by the Department of Business, Economic Development, and Tourism ("DBEDT") in cooperation with the Public Utilities Commission ("Commission"), and will serve as a potential source of capital for a range of clean energy technology users, including increasing opportunities to install clean energy technology for renters and residents that have not been able to take advantage of current financing programs.

**POSITION:**

The Commission strongly supports this measure and continues to work with DBEDT to fine tune the details of the Green Financing Program. The Commission would like to offer the following comments for the Committees' consideration.

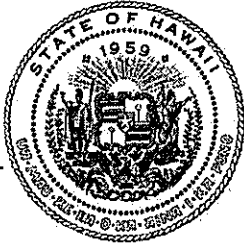
**COMMENTS:**

The Commission strongly supports the advancement of the State's clean energy policies to help mitigate the high cost of electricity that impacts all segments of the population. S.B. No. 1087 is intended to further Hawaii's progress in adopting energy efficiency and renewable energy technologies on the broadest scale possible. The practice of electric utility-focused securitizations, a form of securitization similar to the model being proposed in this bill, is a proven means of raising necessary capital for electrical system improvements and operations throughout the rest of the United States. S.B. No. 1087 proposes to modify elements of a standard electric utility securitization model to provide a pool of low-cost capital for the installation of clean energy technology. The Commission has been actively engaged with DBEDT, the Department of Budget and Finance, the Consumer Advocate, and other agencies and stakeholders to fine tune the details within this legislation to achieve the goal of lowering financing costs for energy efficiency and renewable energy devices.

The Commission hopes to work with the Legislature in making necessary amendments as it continues with its review of the proposed Program.

Thank you for the opportunity to testify on this measure.





**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**RICHARD C. LIM**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**SENATE COMMITTEES ON  
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING,  
ENERGY AND ENVIRONMENT,  
AND COMMERCE AND CONSUMER PROTECTION**  
Wednesday, February 13, 2013  
2:50 p.m.  
State Capitol, Conference Room 016

in consideration of  
**SB 1087**

**RELATING TO GREEN INFRASTRUCTURE.**

Chairs Dela Cruz, Gabbard, Baker, and Members of the Committees.

The Department of Business, Economic Development & Tourism (DBEDT) **strongly supports** SB 1087, a priority of the Abercrombie Administration, to make affordable low-cost financing available for clean energy infrastructure installations that can immediately reduce utility bills and offer long term savings to consumers. This measure establishes a regulatory financing structure to make low-interest credit available for consumers, including homeowners, renters and landlords, and nonprofits, to invest in green infrastructure today, and repay the costs over time through a charge on their utility bill.

There is strong interest by Hawaii residents for such low-cost financing. A survey conducted in November and December of 2012 by the research group OmniTrak showed that 70% responded positively that they were likely to make energy-savings improvements if low-interest loans were offered to make these investments. Results of the survey are attached.

Reducing Hawaii's dependence on imported fossil fuel and achieving our State's aggressive clean energy goals in 2030 will require significant infrastructure and investment. According to Booz Allen Hamilton, the Hawaii Clean Energy Initiative will require more than \$15 billion of capital expenditures to fully implement, coming mostly from private sources. Because one of the biggest costs of infrastructure is the cost of capital, it is critical to identify innovative ways to lower the costs of capital and, ultimately, lower the cost of clean energy.

This financing structure enables the issuance of green infrastructure bonds in a manner to efficiently leverage public and private capital to bring in a new source of very low-cost funds for clean energy infrastructure in Hawaii. This measure is an enabling framework to raise low cost capital, and establishes processes and procedures to ensure responsible use of and deployment of funds, subject to regulatory approval. Because it leverages a utility surcharge, it creates no additional liability or obligation for the State and does not require any general funds.

Significant upfront costs and a lack of cost-effective financing products have prevented many customers from investing in and benefiting from clean energy investments. SB 1087 will make cheap credit available, including to the underserved markets—low to moderate income homeowners, renters, churches, and non-profits—those who may not be able to access or afford clean energy installations today. One application of the program is that consumers will be able to install solar photovoltaic equipment and receive immediate benefits today, while amortizing the costs over time and paying for those benefits on their utility bill.

Based on collaboration with implementation stakeholders such as the Department of Budget and Finance, Hawaii Public Utilities Commission, and Hawaiian Electric Company, DBEDT respectfully proposes the following agreed upon structural amendments to clarify financial, regulatory, and legal aspects of SB 1087, including:

- (1) Clarifying definitions, naming conventions and references to further articulate implementation of activities contained in the bill;
- (2) Articulating regulatory processes and procedures to further clarify that program activities are part of regulatory processes designed to ensure transparency and fairness;

- (3) Clarifying and reducing the scope of contracts requesting exemption from Chapter 103D, to allow the Green Infrastructure Loan Program the ability to become operational in a manner to serve ratepayers most effectively and efficiently;
- (4) Clarifying electric utility treatment and standing with regard to the activities and programs contained within, such as: revenue and tax treatment of Green Infrastructure Fees and Green Infrastructure Charges when an electric utility is acting as an agent to bill, collect and remit moneys; allowing the electric utility to recover reasonable costs for acting as an agent; ensuring these activities do not expose an electric utility to banking laws; and clarifying that the issuance of Green Infrastructure Bonds does not in any way make an electric utility responsible for the bonds;
- (5) Establishing a Green Infrastructure Bond Fund section, including deposit of and use of funds;
- (6) Adding appropriation for the Funds;
- (7) Adding legislative reporting requirements for appropriate parties to ensure accountability; and
- (8) Making technical, non-substantive amendments for clarity, consistency, and style.

Thank you for the opportunity to offer testimony in support of SB1087, with these proposed changes.

The Senate  
The Twenty-Seventh Legislature  
Committees on Economic Development, Government  
Operations and Housing, Energy and Environment,  
Commerce and Consumer Protection  
February 13, 2013, 2:50 p.m.  
Room 016

Statement of the Hawaii Regional Council of Carpenters  
On SB 1087 Relating to Green Infrastructure

The Hawaii Carpenters Union sees SB 1087 as vital to establishing a stable, long term path to reaching Hawaii's clean energy goals. To reach that goal, all parties must become involved.

SB 1087 is important enough that we urge the committees to retain a singular focus on the current Bill, even while other issues could be considered related in some way.

The Bill would establish a source of financing that involves private investment. It provides security for such financing, and a reliable way for recipients to repay loans. Government and taxpayers will do their part, but will not be the only ones relied upon to spur clean energy development.

While green infrastructure development in general will require financing for upfront capital costs, the solar installation industry is currently the most visible component. A financing mechanism is needed for a stable, mature industry. Consumers will benefit from a stable industry, and good jobs that can support a middle class are made possible by stabilization.

Demand continues to exist for solar installations, and property owners and users will benefit from this source of financing, while reducing Hawaii's dependence on imported fossil fuels. However, a significant part of the potential market, and a significant part of conversion to clean energy, does not have upfront cash to convert their potential into real demand. This includes the homes of middle to lower income families, and in the long run, multi-unit buildings and power producing solar arrays.

We note that the Public Utilities Commission will regulate implementation, providing an additional safeguard of both stability and consumers.

Steps, next steps, must be taken if we are to have a clean energy future, which we need to protect us from an energy source collapse and in turn, a collapse of our economy. Thank you for considering our favorable evaluation of SB 1087.

The Pacific Resource  
**PARTNERSHIP**



Testimony of Cindy McMillan  
The Pacific Resource Partnership

Senate Committee on Economic Development, Government Operations and Housing  
Senator Donovan M. Dela Cruz, Chair  
Senator Sam Slom, Vice Chair

Senate Committee on Energy and Environment  
Senator Mike Gabbard, Chair  
Senator Russell E. Ruderman, Vice Chair

Senate Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair  
Senator Brickwood Galuteria, Vice Chair

SB 1087 – Relating to Green Infrastructure  
Wednesday, February 13, 2013  
2:50 pm  
Conference Room 016

Aloha Chairs Dela Cruz, Gabbard, Baker and Vice Chairs Slom, Ruderman, Galuteria and Members of the Committees:

The Pacific Resource Partnership (PRP) is a labor-management consortium representing over 240 signatory contractors and the Hawaii Regional Council of Carpenters.

PRP **supports** SB 1087, Relating to Green Infrastructure, which establishes a regulatory financing structure that authorizes the Public Utilities Commission and the Department of Business, Economic Development, and Tourism to provide low-cost loans for green infrastructure equipment to achieve measurable cost savings and achieve Hawaii's clean energy goals.

The State of Hawaii's goal is to meet 70% of our energy needs by 2030 through energy efficiency and renewable energy. In order to meet this goal, we must overcome the barriers to

the widespread installation of green energy infrastructure equipment. SB 1087 will help do that in very significant ways.

For many home owners and small businesses, the cost of green infrastructure equipment is prohibitive. Many are struggling to get by, and retrofits requiring major capital costs upfront are off the table, even if the system would save money in the long run. SB 1087 addresses this cash-flow problem, allowing the people who could benefit most from energy-efficiency improvements to pay for them.

Renters and landlords face an additional challenge. Building owners often don't make efficiency investments because it's the renters who pay the energy bills. Conversely, renters aren't likely to make investments in property they don't own. Even if they wanted to, they are at a significant disadvantage when it comes to securing financing for large capital projects because they usually don't have the equity to leverage such as owning a home. On-bill repayment solves this dilemma.

Additional advantages of on-bill financing for green infrastructure equipment were identified by the American Council for an Energy Efficient Economy in a report published in December 2011:

- The loan is secured through an existing relationship with the utility, instead of a (potentially unfamiliar) financial institution.
- Monthly utility bills decline, even though the loan payments are included.
- The customer's payment history can be used to establish creditworthiness.
- Utility bills showing reduced energy use create a clear link for participants between their energy-efficiency investment and the resulting savings.
- Rebates and incentives available through the utility can be bundled with the financing to improve the terms of the loan.
- Capital investors see on-bill programs as a more secure investment since they are based on an established payment relationship.
- Loans can be tied to a rental property's meter, so the renter benefits from lower utility, and landlords benefit from increased property values.

Finally, investing in green infrastructure will create jobs and spur economic activity. Men and women working to install the infrastructure projects will be able to earn a living in ways that contribute substantially to preserving our environmental quality and making better use of our natural resources.

We respectfully ask for your support on SB 1087. Thank you for the opportunity to share our views on this important initiative with you.



**WRITTEN TESTIMONY IN SUPPORT OF SB 1087**

**Senate Committees on Economic Development, Government Operations and Housing;  
Energy and Environment; and Commerce and Consumer Protection**

February 13, 2013

Chairs Dela Cruz, Gabbard, and Baker; Vice Chairs Slom, Ruderman, and Galuteria; and Members of the Committees,

Environmental Defense Fund (EDF) is pleased to support SB 1087, legislation that establishes a regulatory financing structure that authorizes the Public Utilities Commission (PUC) and the Department of Business, Economic Development and Tourism (DBEDT) to acquire and provide alternative low-cost financing for clean energy projects.

EDF is a leading national nonprofit organization working to create transformational solutions to the most serious environmental problems. Our mission is to preserve the natural systems, which we do by linking science, economics, law and innovative private-sector partnerships. EDF has been an early advocate and active participant in clean energy financial policy, with significant involvement in the design and implementation process for an On-Bill repayment program in California.

SB 1087 will expand access to affordable financing, enabling customers to pursue cost-saving clean energy projects. EDF strongly supports SB 1087's objective to use the green infrastructure bond proceeds to invest in a PUC-ordered on-bill financing program, in line with the February 1<sup>st</sup>, 2013 PUC decision and order that deemed on-bill financing viable for Hawaii. By tying the repayment obligation to the utility meter, the on-bill financing program can reach renters and lower income customers that previously could not access financing due to split incentives and/or poor credit. SB 1087 enables the PUC and DBEDT to create a funding mechanism that will directly address the needs of these underserved populations and allow residents to lower their utility bills.

With limited sources of public funding for energy efficiency and clean energy and efficiency projects, SB 1087 offers an innovative solution to leverage private capital to invest in Hawaii and allow the state's ratepayers to benefit. This bill would promote energy efficiency and clean, distributed energy resources that lessen the need for expensive new energy infrastructure, saving ratepayers money and combatting climate change.

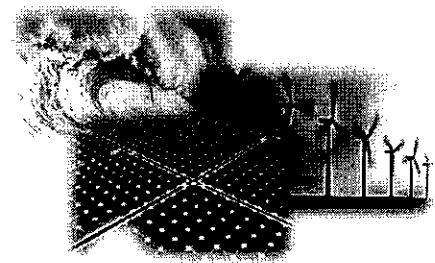
Thank you for the opportunity to provide this testimony.

Sincerely,

A handwritten signature in black ink that reads "Lauren Faber". The signature is written in a cursive, flowing style.

Lauren Faber, West Coast Political Director

Environmental Defense Fund  
123 Mission Street, 28th Floor  
San Francisco, CA 94105  
T 415 293 6080  
[lfaber@edf.org](mailto:lfaber@edf.org)



SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

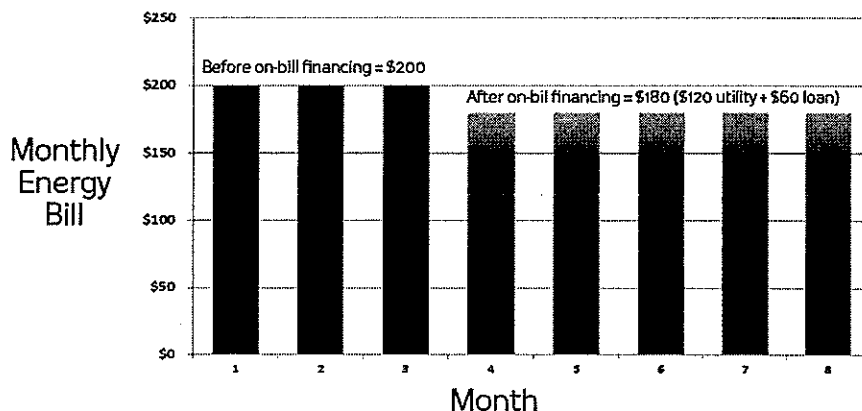
February 13, 2013, 2:50 PM
Conf. Rm. 016

TESTIMONY IN STRONG SUPPORT OF SB 1087
(Testimony is 3 pages long)

Chairs Baker, Dela Cruz, and Gabbard, and members of the Committees:

The Blue Planet Foundation strongly supports SB 1087, enabling the Green Infrastructure Financing Program ("Green Financing"), with one requested housekeeping amendment described below. We support SB 1087 because it will: (1) enable ratepayers at every income level to reduce their energy costs; (2) catalyze those savings by leveraging the power of private investment, without impacting the State budget; and (3) improve our economy by reducing the amount of money sent out of Hawai'i to pay for imported fuels.

Fossil fuel prices have all of us looking for solutions to reduce the increasing burden of energy bills. With every shipment of fossil fuels that arrives at our shores, more of our limited dollars are leaving the state instead of paying down our mortgages, or educating our keiki, or investing in our future. Thankfully, hope has arrived in the form of "on-bill financing," approved by the legislature in 2011, and currently the subject of a Public Utilities Commission ("PUC") docket.





In that docket, the PUC engaged a professional consultant to examine the viability of on-bill financing for Hawai'i, and to specify elements of a successful on-bill financing program. The consultant ultimately concluded that "an on-bill finance program will be effective for Hawaii." Implemented properly, on-bill financing can make energy efficiency, clean energy, and demand response more accessible for residents and businesses; this will reduce our energy bills and accelerate progress toward Hawai'i's energy independence. Thus, the PUC recently issued its decision finding that on-bill financing is a viable solution for Hawai'i.

On-bill financing overcomes the biggest hurdle to energy efficiency and clean energy: the up-front cost. By eliminating the initial cost and enabling ratepayers to pay off the investment directly from energy savings over time, adoption of efficiency and clean energy will accelerate. This will directly benefit participating ratepayers, via lower energy bills.

To achieve this, the on-bill program must identify appropriate sources of capital for the program. Green Financing can be one such source of capital, and offers several critical benefits:

- (1) It can be an "anchor" funding source, ensuring program feasibility irrespective of the scope or magnitude of private funding sources that wish to participate in the on-bill program;
- (2) It can ensure that the on-bill program includes equitable financing options for all residents, including residents who are otherwise unable to access traditional sources of private capital for energy improvements, such as renters and low-income households;
- (3) It can unlock large-scale private capital markets, pushing down the cost of capital, and making energy efficiency and clean energy even more cost effective for ratepayers;
- (4) Green Financing bonds do not become a state liability; thus, the on-bill program catalyzes private investment in our energy infrastructure;
- (5) It does not raise costs for energy ratepayers; the Green Financing fee established by HB 856 can simply utilize a portion of the existing Public Benefits Fee,<sup>1</sup> and bond repayments will be made by the program participants (i.e. the ratepayers whose energy bills will be reduced by energy improvements).

SB 1087 is necessary to establish the mechanisms and safeguards necessary to make these benefits achievable for Hawai'i's ratepayers. Blue Planet respectfully asks that this committee forward SB 1087, to help lower the cost of energy for residents statewide while helping Hawai'i achieve its clean energy goals.

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<sup>1</sup> During the technical session established by the PUC in the on-bill financing docket, the current Public Benefits Fee Administrator indicated that a portion of existing PBF program funds could indeed be used for the purpose of securing financing via mechanisms like the one proposed in SB 1087, with enabling legislation such as that proposed by SB 1087.

***Blue Planet requests one amendment to HB 856:***

As currently drafted, § 269A defines "electric utilities" to mean "all electric utilities subject to collecting and remitting the public benefit fee pursuant to section 269-121, at the time the financing order becomes final." Currently, Kaua'i's utility does not collect and remit the public benefit fee – thus this language may preclude the participation of Kaua'i's ratepayers in on-bill financing.

Blue Planet believes that it is important to make on-bill financing, and its funding mechanisms, accessible to Kaua'i's residents and business. In the on-bill financing docket, we have requested that the PUC establish a deadline for Kaua'i's utility to submit an on-bill financing program to the PUC for approval, or that Kauai be incorporated into the larger on-bill program. By amending the language in § 269A, the PUC will be afforded the flexibility to determine how/whether Kaua'i will be included in the on-bill program. We propose the following revised definition of "electric utility" in § 269A:

"Electric utilities" means all electric utilities subject to collecting and remitting the public benefit fee pursuant to section 269-121, at the time the financing order becomes final, and any other electric utility designated in the financing order.



# Sierra Club Hawai'i Chapter

PO Box 2577, Honolulu, HI 96803  
808.538.6616 hawaii.chapter@sierraclub.org

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT  
OPERATIONS AND HOUSING  
SENATE COMMITTEE ON ENERGY AND ENVIRONMENT  
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

February 13, 2013, 2:50 P.M.  
(Testimony is 1 page long)

## **TESTIMONY IN SUPPORT OF SB 1087**

Aloha Chair Dela Cruz, Chair Gabbard, Chair Baker and Members of the Committees:

The Sierra Club, Hawai'i Chapter, with 10,000 dues-paying members and supporters, ***strongly supports*** SB 1087. This measure creates a structure for a clean energy financing program, which would help many Hawaii residents reduce their electric bill through clean energy and energy efficiency investments.

Until we solve the problem of upfront cost, it will be difficult to provide clean energy to renters and low income residents. Our society has evolved into a pay-as-you-go system. No one would consider paying \$19,200 for twenty years of cell phone service, although that is the approximate cost of a modern iPhone (\$80 per month x 12 months x 20 years). Similarly, too few people are willing to pay \$42,000 for a clean energy system that locks in today's energy rates (average bill of \$175 x 12 months x 20 years).

SB 1087 could establish a national precedent. Creating a pay-as-you-save program would lead to the development of a stronger renewable energy market, wean Hawai'i off of fossil fuels, and put more money into the pocket of Hawai'i residents.

Analogous financing systems have led to demonstrable increases in employment and overwhelming public support. The tiny County of Sonoma, for example, has already funded 1750 residential and 57 commercial systems (a total of \$59,756,859 invested in stimulating the economy and reducing electric bills). 86% of these jobs were completed by local contractors.

The Sierra Club respectfully asks that this committee advance this measure. Mahalo for the opportunity to testify.

Testimony Before the Senate Committees  
On  
Economic Development, Government Operations and Housing  
Energy and Environment  
And  
Commerce and Consumer Protection

February 13, 2013 (2:50 PM)

S.B. 1087 RELATING TO GREEN INFRASTRUCTURE

By: Alan Hee  
Director, New Energy Initiatives  
Hawaiian Electric Company, Inc.

Chairs, Vice Chairs, and Members of the Committees:

My name is Alan Hee, and I represent Hawaiian Electric Company, and its subsidiary utilities Hawaii Electric Light Company and Maui Electric Company. I appreciate the opportunity to present testimony on S.B. 1087.

The Companies support the intent of S.B. 1087 to provide low cost clean energy financing to underserved markets. The Companies have also supported on-bill financing during the on-going proceeding at the Commission (Docket No. 2011-0186) in which the Companies indicated their willingness to assist with billing, collecting, and transmitting customer payments related to on-bill financing.

The Companies have been working with DBEDT on amending the companion H.B. 856. That collaborative effort has resulted in language which the Companies strongly support. Therefore, we request that the Senate amend S.B. 1087 to match the version of H.B. 856 that includes DBEDT's amendments, or hold S.B. 1087 so that the amended H.B. 856 can advance.

Thank you for the opportunity to testify on this measure.



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SENATE COMMITTEES ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS & HOUSING/ ENERGY &  
ENVIRONMENT/COMMERCE & CONSUMER PROTECTION  
Wednesday, February 13, 2013 — 2:50 p.m. — Room 016

**Ulupono Initiative Strongly Supports SB 1087, Relating to Green Infrastructure**

Chairs Dela Cruz, Gabbard, Baker and Members of the Committees:

My name is Murray Clay, Managing Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste.

Ulupono Initiative seeks to promote and invest in innovative sustainability ideas and business models that have the potential to make a significant difference for Hawai'i. We work with, and invest in, businesses that show this potential for innovation and local leadership. We strive to develop businesses from ideas and inspiration born in Hawai'i to reach the needs of Hawai'i, and use technologies and models that can be replicated and have potential global applicability.

**Ulupono is testifying in strong support of SB 1087**, which establishes a regulatory financing structure that authorizes the Public Utilities Commission and the State Department of Business, Economic Development and Tourism to provide low-cost loans for clean-energy infrastructure and equipment to benefit consumers. We believe this could be an effective and reasonable approach.

One major obstacle to expanding Hawai'i's energy-efficiency resources is the need for substantial up-front capital investment. We recognize that the State has been supporting many facets of renewable energy and energy efficiency in Hawai'i over the years. However, there are increasingly severe limits to what the State can continue to support and finance. We need to prudently manage those public resources very carefully.

SB 1087 enables the State to raise private capital through the use of revenue bonds, none of which affects the State's debt ceiling because revenue bond financing does not involve the State's full faith and credit. This new source of low-cost financing could be significant.

The on-bill financing mechanism is already being considered by the PUC, where many of the critical issues were addressed and resolved. SB 1087 now provides a mechanism for raising low-cost capital for on-bill financing, while ensuring the PUC maintains the regulatory authority to manage how the program is structured. This bill offers an opportunity for Hawai'i to accelerate energy efficiency for all our ratepayers and lower participant's energy bills. Thank you for this opportunity to testify.

Sincerely,

Murray Clay  
Managing Partner

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