



UNIVERSITY OF HAWAII SYSTEM

Legislative Testimony

Testimony Presented Before the
House Committee on Higher Education
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by
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HB 1509 HD1 – RELATING TO ENERGY

Chair Choy, Vice Chair Ichiyama, and Members of the Committee:

The University of Hawai'i generally supports HB 1509 HD1, which seeks to establish a special fund to fund both net-zero energy efficiency projects and deferred maintenance projects throughout the University system, through the energy savings of such projects.

At a high level, this bill appropriates an initial amount of general funds and authorizes the University to secure third-party financing to design and construct specific deferred maintenance projects that have energy efficiency and renewable energy opportunities at its Mānoa and Hilo campuses. Any energy savings associated with these projects gets deposited into the net-zero special fund, to pay the debt service. The university would like to see this bill return to the language of the early draft that establishes that any savings realized beyond the satisfaction of the debt service, are also paid into the special fund to support future energy reducing and renewable energy projects for the campuses. The university also supports a portion of those savings to be returned for student scholarship. The bill specifically provides that any debt service incurred by the University for these projects shall not exceed the projected energy savings. Management and accountability for the revenues and expenditures of this fund will be reported annually.

The University faces significant challenges with both high energy expenses and an escalating backlog of deferred capital maintenance. As such, we generally support HB 1509 HD1 because it provides much needed general fund capital to partly address some of the deferred maintenance projects on our campuses.

However, we are still evaluating the benefits of the financing model set forth in the bill. For example, we are reviewing the language in 304A-B(c), which defines the formula for calculating the energy savings that gets deposited into the special fund. More specifically, we would like to ensure that adequate safeguards are in place to protect the University from actually experiencing annual energy savings that are less than the cost of financing.

The bill's language would more accurately support the intent of the bill if the definition of Net Zero were, "...*producing as much renewable energy as the system consumes...*". The bill could improve the overall condition of the University if that flexibility could be incorporated into the bill by, for example, replacing the term "shall" with "may" in Section 304A-B(c).

Finally, from a technical standpoint, we will need to ensure that the creation of a special fund will meet the self-sustaining criteria as defined Hawai'i Revised Statutes, Section 37-52.3(4). We are confident that the energy fund concept is viable when addressing stand-alone energy projects. It is not as clear, however, that the financial model is successful when combining an energy saving component within a larger CIP project. The University has not yet been able to establish this financial approach ensures that the fund will be self-sustaining over time.

In closing, the University generally supports the purpose and intent of HB 1509 HD1. We look forward to working out the details of the financing model, and any related project figures, with the committee.