MINUTES - MEETING NO. 009 HAWAII GREEN INFRASTRUCTURE AUTHORITY State of Hawai'i

January 21, 2016 – 2:00 PM

Department of Business, Economic Development and Tourism

Honolulu, Hawai'i 96813

ATTENDANCE

Members Present:	Mark Glick, Jeff Mikulina, and Luis Salaveria
Members Absent:	Wesley Machida and Kalbert Young
Staff Present:	Gregg Kinkley (Deputy Attorney General), Tara Young, Holly Broman and Grace Weaver-Reyes
Members of the Public:	None

I. <u>ROLL CALL</u>

Chair Salaveria called the meeting of the Hawaii Green Infrastructure Authority (HGIA) to order at 2:04 PM.

Chairperson Salaveria	Present
Vice Chair Glick	Present
Secretary Mikulina	Present

MATERIALS DISTRIBUTED

- 1. Agenda for January 21, 2016 Meeting
- 2. Minutes of the Regular Meeting on October 1, 2015
- 3. Report of the Executive Director

II. <u>APPROVAL OF MINUTES</u>

Chair Salaveria announced that the first item on the agenda was the approval of the minutes of the October 1, 2015 regular meeting, and asked for a motion to approve the minutes. Secretary Mikulina moved, and Vice Chair Glick seconded. The members declined further discussion.

Chair Salaveria called for a vote.

Ayes: Members Glick, Mikulina, and Salaveria Nays: None Absent: Machida and Young

The motion carried unanimously, 3 to 0.

III. <u>REPORT OF THE EXECUTIVE DIRECTOR</u>

Chair Salaveria stated that the next section on the agenda was the report of the Executive Director. Tara Young would be presenting the report.

Ms. Young reported these items:

1. Program Updates

a. Consumer Photovoltaic

First three consumer loans have been funded. Loans total \$107,000 to three homeowners on Oahu. The overall progress of this program has been disappointing due to several external factors and public policy changes; interconnection and permitting delays, competitive products in the commercial market, and change in the net metering tariff. There are 12 deployment partners currently engaged. Near term actions to address are; modification of underwriting standards to broaden applicability of this program, and modifying terms to reduce rejections due to ineligible properties which has proven to be a leading cause.

b. Non-Profit

As of right now, this program is on hold. No loans are currently being funded. These loans have a longer sales cycle than consumer products. They are affected by the same commercial market and public policy factors as the consumer loan program. The fund administrator, Clean Power Finance, notified HGIA that they will discontinue participation in this program, due to a loss of a tax equity partner and ceased all marketing activities as of December 2015. They are hoping to identify a new tax equity partner in Q1 2016. In the event Clean Power Finance is not able to identify a new partner, they have indicated they are not interested in moving forward with the program.

c. Other Approved Programs

Commercial Energy Efficiency which is a program for financing energy saving capital improvements for commercial entities and non-profits. This program notification was approved by the PUC in July 2015. Currently finalizing approval of a capital partner, and once that is done, marketing activities will commence in Q1 2016. This program has a lengthy sales cycle, same as the non-profit PV program, therefore first funding not anticipated until early 2017.

2. Status of GEMS Funds

a. Financial Summary

As of December 31, 2015, total fund balance is \$145,461,072.21. Over the last quarter 2015, expenditures totaled \$430,201.13.

3. Stakeholder Engagement

Ms. Young has been on the job since October 16, 2015. Since then, she's been actively engaged with numerous stakeholders. She's had over 30 meeting with key PV installers and developers, met with many Legislators, representatives from the major local retail banks, HECO, real estate entities, government agencies, and Energy industry groups here in Hawaii and on the mainland. Additionally, Ms. Young is learning about best practices and spoke to leading national Green Banks.

4. Future Opportunities

a. Battery Storage

This is driven by two simultaneous market developments. One is maturing technology that is now commercially offerable. Second, since the PUC's decision to end net metering and the 35MW cap on grid supply, the only option for consumers once grid supply is fully subscribed will be to have a battery storage option. There are currently limited financing options available to consumers. Financing options will largely drive adoption. Ms. Young has been actively pursuing opportunities with deployment partners and OEM's. She's speaking to all the large deployment partners and battery manufacturers and soliciting feedback from them for the financing product they would like to see. One of the key items for battery solutions are the warranties. While HGIA is able to offer a 20-year loan, the warranties are only for 5-10 years. The battery manufacturers are working on a 20-year warranty. They are not there yet, but will get there in a couple months.

b. Community Renewables

Community renewables are strongly aligned with HGIA's mission. This allows consumers who are not able to install their own renewable infrastructure (renters or apartment owners) to buy fractional shares of utility scale projects and receive the benefits on their utility bill. Unfortunately, this is pending status of an investigative docket with the PUC and it delays the ability to pursue opportunities. This may delay the program one to two years.

c. Project Finance

There is demand for other renewable energy projects where HGIA may not have a financing program in place, but the projects still meet HGIA's mission and serves the public interest. Ms. Young has proposed an open solicitation model which allows HGIA to receive proposals and vet them in a responsible and transparent way, and is an approach used by leading green banks. Ms. Young plans to open the solicitation process to begin second quarter of 2016.

5. External Factors

There are external factors that exists for HGIA. Delivery of on-bill repayment mechanism has been delayed for a variety of reasons. The PUC is managing the development of OBR. The contract for the company selected to develop OBR expired December 2015 and the PUC is in the RFP process to select a replacement contractor. Current estimates by the PUC project OBR development by the second quarter of 2016. There continue to be interconnection issues, a 35 megawatt cap on grid-supply, and new developments in energy storage and grid technology. Lastly, changes in availability and competitiveness of private sector financing alternatives. Private sector is very competitive in their financing options.

6. Three Year Plan – 2016 – 2018

Significant capital will not be deployed in 2016. This is a three year program, starting now in 2016 that is going to continue through 2018. Consumer PV and Non-profit programs were developed and launched in 2015.

- Given the end of NEM and the slow uptake and cap on grid supply, there will not be much deployment of capital under the consumer PV program, possibly one or two million dollars. Once grid supply has been fully subscribed, consumers will not be purchasing PV only systems and this financing program, as it currently exists, will end.
- For the Non-profit program, due to the loss of the fund administrator, we do not see any money deployed for this product in the near future.

In light of the fact that existing programs have not met expectations and will not result in significant capital deployment, Ms. Young outlined new opportunities to be explored and possibly pursued by HGIA.

- The open solicitation program, an approach used by leading green banks, could present a large opportunity for HGIA. Not having conducted that process, we can't speculate on the sizes and nature of projects that would be received.
- Consumer battery (a new technology to be financed under existing Consumer PV program), will have deployment of capital in 2017 and 2018.
- Commercial energy efficiency has PUC approval to move forward and deployment of capital could occur in 2017 and 2018.
- Community renewables is delayed due to the investigative docket, but could see a large deployment of capital in 2018.
- State and County projects. HGIA is exploring opportunities with government agencies and has been speaking with OpTerra and the DOE about financing some of these projects. There are other state agencies where opportunities exists to use GEMS financing.

7. Opportunities for GEMS Funds

There are significant opportunities that exist to deploy GEMS funds for the public benefit. It's a dynamic market affected by both private sector and public policy factors. There's significant opportunity to deploy GEMS capital against new opportunities to accelerate adoption of new technologies/models and drive the State's renewable energy goals. The speed to market and agility are critical to successful programs. Lastly, there are changes underway at HGIA to bring the right skills and resources to capture these opportunities.

Chair Salaveria asked if there were any questions from the members. There were none.

IV. DISCUSSION AND/OR DECISION MAKING

Chair Salaveria moved on to the next item on the agenda – Approval of Supplemental Budget Request to Increase the HGIA Appropriation Ceiling for FY 2017.

A. Approval of Supplemental Budget Request to Increase the HGIA Appropriation Ceiling for FY 2017.

Chair Salaveria asked Ms. Young for a brief outline of the request. Ms. Young reported that the appropriation ceiling is set at one million dollars and is requesting a Governor's message seeking a supplemental budget consideration of an additional \$500,000 to operate the HGIA for FY 2017. Subsequent to the budget request submission deadlines, Ms. Young was hired in October and conducted an assessment of 2017 budget and details. The challenge of deploying an additional \$145 million within the next three years requires additional and experienced staff to get the programs to start in a competitive time frame. The \$500,000 request is for two associate positions and one analyst position, who will be mainly responsible for analysis and reporting. Funds are also for related fringe benefits and additional contractual services.

Chair Salaveria asked if there were any questions for Ms. Young. Vice Chair Glick asked Ms. Young what her current budget was and will she be using all of it. Ms. Young responded with \$1,000,000 and, yes, she will be using it all. Chair Salaveria stated that as a non-general funded entity, HGIA must cover their own fringe benefits costs and essentially adding 50% on top the salaries to cover those expenses. Ms. Young stated that looking on a cash basis, just with the existing approved 5.5 staff, if all the positions were filled, it equates to \$650,000 for salary and fringe benefits, which leaves \$350,000 left for contractual services.

Chair Salaveria asked for a motion to formally approve the supplemental budget request to increase the HGIA appropriation ceiling for FY 2017. Secretary Mikulina moved and Vice Chair Glick seconded the motion.

Chair Salaveria asked the members for any discussion. Member Glick stated that this was an appropriate measure. Chair Salaveria stated that Ms. Young has done a good job at projecting costs and then further stated that this was a ceiling request and if the costs come in lower, the costs come in lower. Ms. Young commented that if HGIA does get the ceiling increased to \$1.5 million approved, total expenses over a 3-year period until all capital is deployed will be less than 3% of the total capitalization and less than comparable organizations.

Chair Salaveria asked for the vote, which was a unanimous 3-0 vote in favor.

B. Approval of Proposed Legislation to Increase the Size and Diversity the Composition of the HGIA Board.

Chair Salaveria moved on to the next item on the agenda regarding approval of proposed legislation to increase the size and diversity and the composition of the HGIA Board. Chair Salaveria asked Ms. Young to give a brief overview of the proposed legislation.

Ms. Young stated that the proposed legislation is to change the size of the board from five to seven members. These seven members will consists of three ex-officio members, the Director of DBEDT, Budget & Finance and DCCA, and four community members, whom two would be required to have energy experience and two with business/finance or economics experience. Chair Salaveria stated that this is not a reflection of the current board members. When the legislation of this Board was initially done, there was a desire to expedite the process, and now there is a functioning board, even with the change in composition, there still be will be quorum. With the consumer loan product portion, it makes sense for the Director of DCCA to be included and an appropriate member going forward. Currently Vice Chair Glick is the only ex-officio member in statute that is not Governor appointed.

Chair Salaveria asked for a motion to approve this proposed legislation. Secretary Mikulina moved and Member Glick seconded the motion.

Chair Salaveria asked if there was any discussion among the members. He further clarified that the purpose of this legislation was more of a housekeeping issue, and to see whether it was it appropriate for the Director of DBEDT to be the designated chair of the board. All of this is going to legislation right now. Seeing no further discussion, Chair Salaveria called for a vote, which passed unanimously 3-0 in favor.

C. Authorization of the Executive Director to Testify on Behalf of HGIA at the Legislature

Chair Salaveria stated that the next item on the agenda was the authorization of the Executive Director to testify on behalf of HGIA at the legislature. Testifying on behalf of the program in the past has been delegated to the program's Executive Director.

Chair Salaveria asked for a motion for authorization of the Executive Director to testify on behalf of HGIA at the Legislature. Secretary Mikulina moved and Vice Chair Glick seconded the motion.

Chair Salaveria asked if there were any discussion. As a point of clarification, Chair Salaveria stated that when Ms. Young drafts testimony, send a copy to the board members as a 'bcc' fyi only, and not for comment or approval.

Chair Salaveria then asked if there were further discussion. Seeing none, he called for a vote, which passed unanimously, 3-0, in favor.

V. ADJOURNMENT

Chair Salaveria asked if there were any other matters to be brought up, or any further discussion.

Vice Chair Glick asked Ms. Young how often the board would be meeting. Ms. Young stated that she would prefer to meet quarterly, subject to something pressing coming up that needed board approval.

Seeing there was no further discussion, Chair Salaveria asked for a motion to adjourn.

Secretary Mikulina moved and Vice Chair Glick seconded the motion. Chair Salaveria called for a vote.

Ayes: Members Glick, Mikulina, and Salaveria. Nays: None

The motion passed unanimously.

Chair Salaveria adjourned the meeting at 2:49 PM.

Respectfully Submitted By:

Jeff Mikulina