

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

FILED

In the Matter of the Application of)
)
THE STATE OF HAWAII)
DEPARTMENT OF BUSINESS,)
ECONOMIC DEVELOPMENT,)
AND TOURISM)
)
For an Order Approving the Green)
Infrastructure Loan Program.)
_____)

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PUBLIC UTILITIES
COMMISSION

Docket No. 2014-0135

**INITIAL PROGRAM NOTIFICATION FOR
THE GREEN INFRASTRUCTURE LOAN PROGRAM
INCLUDING ADDITIONAL DETAILS ON GEMS PROGRAM FINANCING DESIGN
WITH EXHIBITS AND CERTIFICATE OF SERVICE**

RUSSELL A. SUZUKI
Attorney General of Hawaii

DEBORAH DAY EMERSON
GREGG J. KINKLEY
Deputy Attorneys General
Department of the Attorney General
State of Hawaii
425 Queen Street
Honolulu, Hawaii 96813
Tel. 586-1180
Attorneys for the Department of Business,
Economic Development, and Tourism

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TO THE HONORABLE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII:

The HAWAII GREEN INFRASTRUCTURE AUTHORITY (“Applicant”, “HGIA”, or “Authority”) of the STATE OF HAWAII,¹ pursuant to the Program Order (as defined below) of the Hawaii Public Utilities Commission (the “Commission”), submits this Initial Program Notification, through its Deputy Attorney General.

I. BACKGROUND

Decision and Order No. 32318, filed on September 30, 2014 in Docket No. 2014-0135 (the “Program Order”) approved the “Application of the Department of Business, Economic Development, and Tourism for an Order Approving the Green Infrastructure Loan Program,” filed on June 6, 2014 (“Application”) for the use of funds deposited in the Green Infrastructure Special Fund to establish and institute the Green Infrastructure Loan Program (“GEMS

¹ HRS §196-63 provides that until the Authority is duly constituted, the Department of Business, Economic Development, and Tourism of the State of Hawaii (DBEDT) may exercise all powers reserved to the Authority pursuant to HRS §196-64, and shall perform all responsibilities of the Authority. As the Authority has now been duly constituted, the Authority assumes in its own right, pursuant to statute, all of the functions, powers, and obligations, including responsive or informational submissions in this Docket, which had heretofore been assigned to DBEDT.

Program”), subject to the modifications described within the Program Order.² Within the Application, a governance process was proposed for the GEMS Program that used mechanisms for updates to or modifications from the approved GEMS Program guidelines. In this process, Program Notifications are used to provide additional details on GEMS Program components including *project, program, financing, or other arrangements (clean energy technology, parties intended to benefit, loan program or other arrangements, and credit sources and funding); minimum lending, credit or investing criteria; and repayment mechanisms and processes.*³ The Application stated that DBEDT or the Authority⁴ will use Program Notifications to report and certify information on implementation of key GEMS Program components that are within the scope of the Program Order parameters and exhibits issued by the Commission.⁵

The Program Order approved the Program Notification process with a modification requiring that the Authority file any GEMS Program Notification with the Commission no less than fifteen (15) business days prior to implementation instead of the proposed ten (10) days stated in the Application.⁶

The Program Order also required the Authority to include (1) detailed consideration and discussion of how the green infrastructure it proposes to finance will be successfully integrated into the grid, and (2) how such infrastructure will continue to support the ongoing transformation

² See Decision and Order No. 32318, filed in Docket No. 2014-0135 on September 30, 2014, at p. 1.

³ Paraphrased from HRS §269-170 and 269-171, as referenced in “Application of Department of Business, Economic Development, and Tourism: Verification; Exhibits; and Certificate of Service,” filed in Docket No. 2014-0135 on June 6, 2014 at p. 15. Emphasis added.

⁴ Prior to the Authority’s establishment, DBEDT is authorized to exercise the Authority’s powers and is required to effectuate the Authority’s responsibilities (see HRS §196-63). Accordingly, references to the “Authority” and “HGIA” in this Program Notification include DBEDT acting on behalf of the Authority, as explained in footnote 1 above.

⁵ See “Application of Department of Business, Economic Development, and Tourism: Verification; Exhibits; and Certificate of Service,” filed in Docket No. 2014-0135 on June 6, 2014 at p. 15.

⁶ See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 84.

of the state's electric systems over time in its first Program Notification and ongoing annual plans.⁷

II. PROGRAM NOTIFICATION

The purpose of this Program Notification is to provide additional information on the GEMS Program as approved in the Program Order and meet the qualifications specified in the Program Order for the initial Program Notification. This Program Notification:

1. Provides more information to the Commission about the deployment of capital into the nonprofit sector through a nonprofit product ("GEMS Nonprofit Loan Product");
2. Provides more information to the Commission about the deployment of capital to consumers through a consumer product ("GEMS Consumer Loan Product"); and
3. Discusses how the green infrastructure that the Authority proposes to finance will be successfully integrated into the grid and how such infrastructure will continue to support the ongoing transformation of the state's electric systems.

A. GEMS Nonprofit Loan Product

The GEMS Nonprofit Loan Product will be a form of leveraged debt, as approved by the Commission in the Program Order. The GEMS Nonprofit Loan Product complies with the GEMS Program Guidelines approved in Exhibit 13 of the Application. Through the GEMS Nonprofit Loan Product, GEMS Program funds will be combined with capital from a private capital provider to cover the total cost of PV systems. A lender will approve loans in the amount of the prepaid or power purchase agreement to nonprofits that meet the specifications in Attachment A. The agreement guarantees twenty (20) years of energy production from a PV

⁷ See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 50.

system with full monitoring, maintenance, and insurance. The nonprofit is only responsible for repaying the GEMS loan, which are fixed monthly payments with no increases or escalators.

Selection of Deployment Partners, such as the capital provider and lender, will follow Exhibit 10 of the Application, and will be done through a thorough negotiation of terms to ensure that bond proceeds securitized through ratepayer fees are expended efficiently and prudently. The loan terms will follow general industry guidelines and are created by the HGIA with the intent of addressing the needs of nonprofits while protecting the investment of ratepayer funds into the GEMS Program. The lender will be responsible for compliance with all federal and State lending laws and regulations. For a description of the GEMS Nonprofit Loan Product, including information about the underwriting criteria and repayment, please see Attachment A.

B. GEMS Consumer Loan Product

The GEMS Consumer Loan Product will be a form of unleveraged or leveraged debt, as approved by the Commission in the Program Order. The GEMS Consumer Loan Product adheres to the GEMS Program Guidelines approved in Exhibit 13 of the Application. Through the GEMS Consumer Loan Product, GEMS will fund loans approved by lenders to consumers that meet the specifications in Attachment B. The loan program is designed to address the needs of the market for consumers regardless of their ability to monetize the tax credits used to reduce the cost of a solar PV system. Unleveraged loans may be used to fund all PV system costs if consumers own the PV system and take the relevant state and federal tax credits. Leveraged loans may be used to fund a prepaid power purchase agreement or lease if consumers are unable to take the relevant tax credits. The consumer is only responsible for repaying the GEMS loan, involving fixed monthly payments with no increases or escalators.

Selection of Deployment Partners, such as lenders and servicers, will follow Exhibit 10 of the Application, and will be done through a thorough negotiation of terms to ensure that bond

proceeds securitized through ratepayer fees are expended efficiently and prudently. The loan terms will follow general industry guidelines as created by the HGIA with the intent of addressing the needs of consumers while protecting the investment of ratepayer funds into the GEMS Program. The lender will be responsible for compliance with all federal and State lending laws and regulations. For a description of the GEMS Consumer Loan Product, including information about underwriting criteria and repayment, please see Attachment B.

C. Repayment Mechanisms and Processes

All payments will be accepted by GEMS-approved loan servicers. Payments will be accepted in accordance with all applicable federal and state lending and servicing requirements, as required in GEMS Program documentation with each servicer.

It is a goal of the GEMS Program to use on-bill repayment as much as possible for program participants. The implementation of on-bill repayment is essential to providing GEMS participants with additional savings since using an on-bill mechanism reduces repayment risks, thereby allowing the GEMS Program to charge participants lower interest rates when compared to direct billing and payment. Currently, the GEMS Program is awaiting direction and further clarity from the Commission to understand the qualification, design and implementation requirements for use of on-bill repayment. In the event that on-bill repayment is available to serve GEMS participants, payments will be collected by the utility and remitted by the Commission's Finance Program Administrator to GEMS-approved loan servicers. When both direct and on-bill repayment is available to a GEMS participant, the participant may opt for their preferred method of repayment. If on-bill repayment is not available, participants must use direct repayment.

D. Development and Finalization of Terms

The Authority assures the Commission that the terms for GEMS products are defined to protect GEMS participants and ratepayer capital. The Authority is responsible for the rapid deployment of bond proceeds in a way that assures repayment of GEMS funds. This requires that any GEMS product be designed in a way that encourages uptake by the underserved market, including providing attractive terms, while accounting for risks associated with lending to underserved populations. The GEMS Program anticipates that ongoing flexibility is necessary to allow for program adjustments based on product performance and evaluation of the GEMS Program.

Upon completion of the fifteen (15) business-day-term of Program Notification, the Authority may establish and implement the products described in Attachments A and B. Additional product details will be shared with the Commission as part of the approved reporting process as defined in Exhibit 15 of the Application and as further developed through the metrics discussions as ordered by the Commission.⁸ The Authority shall, upon Commission request, file the executed agreements and contracts as exhibits to quarterly and/or annual reports.

III. ADDITIONAL DISCUSSION ON GREEN INFRASTRUCTURE INTEGRATION INTO THE GRID

With regard to the issue of solar photovoltaic (“PV”) interconnection, which may greatly impact the deployment of GEMS funds, HGIA plans to make GEMS financing products available to fund grid-connected, non-export PV systems that allow for the installation of PV without excess energy flowing back onto the grid. The financing would be available to fund energy storage technologies as approved by the Commission in Decision and Order No. 32318.⁹

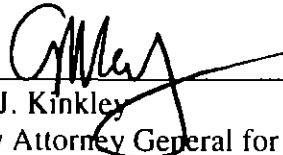
⁸ See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 90.

⁹ *Ibid.*, p. 48.

Details of this model and product will be shared through the Program Notification process as defined in the Application and modified in the Program Order. However, clarity and resolution relating to interconnection procedures and guidelines that enable expedited approval of non-export systems is needed from Docket No. 2014-0130 in order for GEMS to be certain that interconnection will not hinder fund deployment under this model.

Resolution of interconnection procedures and guidelines in Docket No. 2014-0130 would enable GEMS to facilitate the installation of non-export systems that not only support the utilization of distributed energy resources without causing detrimental grid stability concerns, but may in the future also provide ancillary services to further support the grid and integration of renewables. HGIA plans on continuing to work with applicable energy industry stakeholders, the utility, solar developers, solar installers, technology providers and other Deployment Partners to more effectively create products that broaden the underserved market's access to PV under approved interconnection guidelines while judiciously expending the Green Infrastructure Special Fund proceeds.

Submitted this 31st day of December, 2014, in Honolulu, Hawaii.



Gregg J. Kinkley
Deputy Attorney General for the Authority



GEMS Financing Program

ATTACHMENT A: NONPROFIT LOAN PRODUCT

Objective To expand access and affordability of renewables for nonprofit entities that do not have cash available or cannot access financing for a solar photovoltaic (PV) system.

PRODUCT DESCRIPTION

Eligible Technology	Solar PV systems, energy storage, advanced inverters, smart modules, monitoring devices, other technologies that support solar PV system interconnection, and physical infrastructure to support solar PV installations.
Allowable Uses	Financing is available for up to 100% of solar PV system costs, including financing of pre-paid leases or pre-paid power purchase agreements. Other financeable cost may include: financing cost; required electrical upgrades to conform to building permits; electrical permits; fees related to Net Energy Metering approval; and other hard cost and structural improvements.
Term	Twenty (20) year fixed rate, fully amortizing.
Down Payment	Not required.
Collateral/Security	Required UCC financing lien and security agreement over: (1) assets of the business; and (2) furniture, fixture, and equipment (FFE) when applicable.
Eligible Solar Installers	The GEMS Program, and/or its designee will maintain a list of eligible solar installers. The borrower must use one of the installers on the approved list.
Interest Rate	Not to exceed 9.999%, tiered based on debt service coverage ratio. All debt service coverage ratios will be considered.
Loan Amount	Minimum loan amount of \$150,000 as established by GEMS. Exceptions may be granted.
Eligible Borrowers	Nonprofit organizations in the State of Hawaii served by Hawaiian Electric Company or its affiliates (collectively referred to as HECO or the Utility Company).
Eligible Properties	Fee Simple or leasehold properties. Leasehold restrictions may apply.
Credit Criteria	The following credit assessments may apply: financial statement and cash flow assessment, debt service coverage ratio and utility bill assessment.
Utility Bill Savings	Utility bill savings required. Savings dependent on system specification, loan qualification, use of storage, on-bill, and other factors.
Solar PV Equipment	Solar PV equipment requirements must meet minimum standards as defined by the GEMS Program and/or its designee.
Installed Cost	Maximum installed cost restrictions as determined by GEMS.
System Sizing	System sizing not-to-exceed 100% of past usage, though exceptions may be allowed after review.

REPAYMENT MECHANISMS

On-Bill Repayment	On-bill repayment may be offered if projects are eligible for PUC's on-bill program and borrowers are in rate schedules approved for participation.
Direct Bill Payment	Loan repayments will be directed to the GEMS loan servicer. ACH repayment may be offered.



GEMS Financing Program

ATTACHMENT B: CONSUMER LOAN PRODUCT

Objective To expand access and affordability of renewable for consumers that does not have the cash or cannot get financing for a solar photovoltaic (PV) system.

PRODUCT DESCRIPTION

Eligible Technology Solar PV systems, energy storage, advanced inverters, smart modules, monitoring devices, other technologies that support solar PV system interconnection, and physical infrastructure to support solar PV installations.

Allowable Uses Financing is available up to 100% of the cost of the Solar PV system, including financing of purchases, pre-paid leases or pre-paid power purchase agreements.

Other financeable cost may include: financing cost; required electrical upgrades to conform to building permits; electrical permits; fees related to Net Energy Metering approval; other hard costs and structural improvements.

Term Twenty (20) year fixed rate, fully amortizing.

Down Payment Not required.

Collateral/Security UCC on property not required. May require UCC financing lien and security agreement over furniture, fixture, and equipment (FFE) when applicable.

Eligible Solar Installers The GEMS Program, and/or its designee will maintain a list of eligible solar installers. The borrower must use one of the installers on the approved list.

Interest Rate Not to exceed 9.999%, tiered based on credit score.

Loan Amount Loan amount restrictions, when applicable.

Eligible Borrowers Residential property owners in the State of Hawaii served by Hawaiian Electric Company or its affiliates (collectively referred to as HECO or the Utility Company).

Eligible Properties Fee Simple or leasehold properties. Leasehold restrictions may apply.

Credit Criteria The following credit assessments may apply: consumer credit score(s) assessment; credit report assessment; utility bill assessment; and/or employment assessment.

Utility Bill Savings Utility bill savings required. Savings dependent on system specification, loan qualification, storage, on-bill, and other factors.

Solar PV Equipment Solar PV equipment requirements must meet minimum standards as defined by the GEMS Program and/or its designee.

Installed Cost Maximum installed cost restrictions as determined by GEMS.

System Sizing System sizing restrictions may apply, based on past usage.

REPAYMENT MECHANISMS

On-Bill Repayment On-bill repayment may be offered, if available.

Direct Bill Payment Loan repayments will be directed to the GEMS loan servicer. ACH repayment may be offered.

CERTIFICATE OF SERVICE

I hereby certify that I have this date, in addition to filing an original and three copies with the Commission, served one (1) or two (2) copies of the foregoing GEMS Initial Program Notification, together with this Certificate of Service, by making personal service (P) or service by electronic mail (M), to the following and at the following addresses:

State of Hawaii (P)(3)
Public Utilities Commission
Department of Budget and Finance
465 S. King Street, #103
Honolulu, Hawaii 96813

Jeffrey T Ono (P)(2)
Executive Director
Department of Commerce and Consumer
Affairs
Division of Consumer Advocacy
P.O. Box 541
Honolulu, Hawaii 96809

Daniel G. Brown (P)(2)
Manager-Regulatory Non-Rate Proceedings
Hawaii Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.
P.O. Box 2750
Honolulu, Hawaii 96840-0001

Warren S. Bollmeier II (M)(1)
President
Hawaii Renewable Energy Association
46-040 Konane Place, #3816
Kaneohe, HI 96744

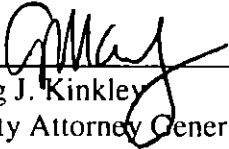
Douglas A. Codiga, Esq. (M)(1)
Schlack Ito
Topa Financial Center
745 Fort Street, Suite 1500
Honolulu, Hawaii 96813

Leslie-Cole Brooks (M)(1)
Executive Director
Hawaii Solar Energy Association
P.O. Box 37070
Honolulu, HI 96837

Henry Q. Curtis (M)(1)
Vice President for Consumer Issues
Life of the Land
P.O. Box 37158
Honolulu, HI 96837-0158

Dated: Honolulu, Hawaii, December 31, 2014.

HAWAII GREEN INFRASTRUCTURE
AUTHORITY



Gregg J. Kinkley
Deputy Attorney General