

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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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.)
)

PUBLIC UTILITIES
COMMISSION

Docket No. 2014-0135

**PROGRAM NOTIFICATION No. 3 FOR
THE GREEN INFRASTRUCTURE LOAN PROGRAM,
ATTACHMENTS A, B, AND C,
AND
CERTIFICATE OF SERVICE**

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**PROGRAM NOTIFICATION No. 3 FOR
THE GREEN INFRASTRUCTURE LOAN PROGRAM**

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

The Hawaii Green Infrastructure Authority (“Applicant”, “HGIA”, or “Authority”) of the State of Hawaii¹, submits this 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 Program”), subject to the modifications described within the Program Order.² Within the

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.

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

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

II. Program Notification

The purpose of this Program Notification is (1) to provide additional information on the GEMS Program as approved in the Program Order, specifically by providing more information about a commercial loan product that allows small businesses to access financing for solar

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.

photovoltaic (“PV”) systems; and (2) to allow for increased flexibility in the deployment of capital and efficiency in the deployment of that capital for the GEMS Nonprofit Loan Product and the GEMS Consumer Loan Product.

The Program Order approved the financing of PV systems, and the technology and physical infrastructure that support Solar PV interconnection and installation, as stated in the Application⁷ along with additional categories proposed by the Authority and directed by the Commission.⁸ The Commission also allowed the Authority flexibility in allocating funds between customer types and did not restrict funding to the underserved⁹ so that the long-term viability of the GEMS Program is addressed.¹⁰ The Commission also did not oppose the Authority operating with flexibility in the finalization of details as long as sufficient oversight and reporting is established.¹¹

Though small businesses were not named as underserved, DBEDT notes here that financing available to small businesses is limited because small businesses lack investment-grade ratings, which investors use to determine eligibility for financing. As a result, traditional underwriting criteria requiring investment-grade ratings hinder the ability of small businesses to access financing. Though DBEDT does not intend to add small businesses to the critical underserved groups as identified in the Application¹² or modify the metrics for “underserved” through this notification, as this notification serves to provide information about the GEMS Program as

⁷ Paraphrased from “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, “Exhibit 9”.

⁸ See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 48.

⁹ The Application named underserved homeowners, renters and non-profit customers as the underserved market. 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. 3

¹⁰ See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 55.

¹¹ See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 76.

¹² 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, “Exhibit 6” as referenced by “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 8.

approved, DBEDT may choose to address the classification through other docket-related filings in the future. DBEDT indicates that the Program Order did not restrict the GEMS Program from providing small businesses access to PV systems in its approval.

GEMS Small Business Loan Product

The GEMS Small Business Loan Product will be a form of leveraged debt, as approved by the Commission in D&O 32318. The GEMS Small Business Loan Product complies with the GEMS Program Guidelines approved in Exhibit 13 of the Application. Through the GEMS Small Business 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 for small businesses that meet the specifications in Attachment A (attached hereto). The agreement guarantees twenty (20) years of energy production from a PV system with full monitoring, maintenance, and insurance. The small business is 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 small businesses while protecting ratepayer funds that back 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 Small Business Loan Product, including information about the underwriting criteria and repayment, please see Attachment A.

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, which allows the GEMS Program to charge participants lower interest rates when compared to direct billing and payment. Currently, the availability of on-bill repayment is limited to specific rate schedules as governed by the Commission in Docket No. 2014-0129. Therefore the ability of a small business to use on-bill repayment will depend on the power demand and energy usage of the small business. The GEMS Program also is awaiting approval and further direction from the Commission and its contractors for the GEMS Program's 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.

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 those who were unable to receive financing previously. The Authority anticipates ongoing flexibility is necessary to allow for program adjustments based on product performance and evaluation of the GEMS Program.

Flexibility in the GEMS Nonprofit Loan Product and the GEMS Consumer Loan Product

On December 31, 2014, the Authority filed “Initial Program Notification for the Green Infrastructure Loan Program Including Additional Details on GEMS Program Financing Design with Exhibits and Certificate of Service.” In this document, product information sheets for the GEMS Nonprofit Loan Product and the GEMS Consumer Loan Product were exhibited. The Authority included information on the GEMS Products collateral/security, which stated that UCC financing lien and security agreements would be required. In further negotiations with Deployment Partners that have occurred since the review period of the Program Notification was completed, the Authority has been informed that such UCC liens may not be *required* in all cases, and if necessary, they are more efficiently (simply and least expensively) obtained upon a default event. Given this information, the Authority would like to maintain some flexibility over the security/collateral requirement submitted in the original product sheet. Because this level of detail is very specific to the participants’ and Deployment Partners’ agreements for the operation of the GEMS Program, the Authority would like to remove this requirement from the product sheets and submits, attached hereto, Attachments B and C as revised.

III. Subsequent Authority Action

Upon completion of the fifteen (15) business-day-term of Program Notification, HGIA may establish and implement the products described in Attachment A. 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.¹³ The Authority shall, upon Commission request, file the executed agreements and contracts as exhibits to quarterly and/or annual reports.

Submitted this 8th day of April, 2015, in Honolulu, Hawaii.



Gregg J. Kinkley
Deputy Attorney General for the Authority

¹³ See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 90.



GEMS Financing Program

ATTACHMENT A: SMALL BUSINESS LOAN PRODUCT

Objective To expand access and affordability of renewables for small business 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.

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 Small businesses in the State of Hawaii, served by Hawaiian Electric Company or its affiliates, that do not have investment grade ratings. Small businesses are defined by the standards set by the U.S. Small Business Administration (<https://www.sba.gov/content/summary-size-standards-industry-sector>).

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

Credit Criteria The following credit assessments may apply: financial strength assessment, debt service coverage ratio, business plan evaluation 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: 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.
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 C: CONSUMER LOAN PRODUCT

Objective To expand access and affordability of renewables for consumers that do 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.
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 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:

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Dated: Honolulu, Hawaii, April 8, 2015.

HAWAII GREEN INFRASTRUCTURE
AUTHORITY



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