



Hawaii Green Infrastructure Authority  
Green Energy Market Securitization (GEMS) Program

Open Solicitation for Financing Arrangements

(Ongoing Solicitation)

Version 1.0  
July 2016

## 1.0 Introduction

### 1.1 Overview of the Open Solicitation Process

The Hawaii Green Infrastructure Authority (“**HGIA**”) invites clean energy industry participants to propose transactions involving partnership with HGIA’s Green Infrastructure Loan Program (also known as “Green Energy Market Securitization” or “GEMS” Program). HGIA is interested in participating in transactions that utilize funds to further its high-impact, market-based strategy to deploy clean energy infrastructure financing that will expand access and affordability of clean energy while contributing toward Hawaii’s pursuit of its Renewable Portfolio Standard (“**RPS**”) and Energy Efficiency Portfolio Standard (“**EEPS**”).

Email submission of responses (each, a “**Proposal**”) to this Open Solicitation for Financing Arrangements (“**OSFA**”) is required. All Proposals should be submitted to [gems.proposals@hawaii.gov](mailto:gems.proposals@hawaii.gov). This OSFA will remain open, and Proposals will be evaluated on a rolling basis, as received. The most current version of the OSFA will be posted at [gems.hawaii.gov/partner-with-us](http://gems.hawaii.gov/partner-with-us) while the solicitation remains open. The purpose of an ongoing open solicitation process is to ensure that all potential HGIA clients and partners have an opportunity to propose transactions and financing arrangements, including over time, as market needs develop and change.

Direct communication and engagement between HGIA and respondents to this OSFA (“**Proposers**”) is encouraged, both before and after the submission of a Proposal. While communication is encouraged, it is not a substitute for a complete Proposal. **Failure to respond to this OSFA in a complete manner by addressing all the matters described in Section 2.0 (Eligibility Requirements), Section 3.0 (Proposal Contents), and Section 4.0 (Proposal Evaluation) may disqualify a proposal from eligibility.**

If you have questions or seek further engagement, please contact [gems.proposals@hawaii.gov](mailto:gems.proposals@hawaii.gov).

As this is an ongoing open solicitation, Proposers have the opportunity to revise and resubmit disqualified Proposals.

### 1.2 HGIA Background

HGIA is an independent authority that sits within Hawaii’s Department of Business, Economic Development, and Tourism. HGIA administers GEMS, which is a market-based financing program designed to expand Hawaii consumers’ access to clean energy, while also addressing market gaps and other challenges that impede the deployment of eligible clean energy technologies. GEMS use of funds is subject to Hawaii Public Utilities Commission (“**PUC**”) approval.

The GEMS Program is an important tool in the State of Hawaii's effort to achieve its ambitious clean energy and climate goals. In particular, the GEMS program's Key Objectives are to:

- (a) Address financing barriers to increase the installation of clean energy projects and infrastructure to meet the State's clean energy goals, including the Renewable Portfolio Standards and Energy Efficiency Portfolio Standards;
- (b) Democratize clean energy by expanding access and affordability of renewable energy and energy efficiency projects for identified underserved markets (including low and moderate-income individuals, renters, and non-profit organizations) while expanding the market generally;
- (c) Enable more ratepayers to reduce their energy use and energy costs by helping them finance clean energy improvements;
- (d) Partner with and support existing market entities in the clean energy and financing sector to ensure the GEMS Program can bridge financing gaps and facilitate a sustainable and efficient private sector market; and
- (e) Balance the aforementioned policy goals and objectives with repayment risk to ensure an appropriate rate of return and build a sustainable financing program.

Throughout all of its activities, HGIA collects loan performance data (on an aggregated and anonymized basis) and may disseminate such data, again on an anonymized basis, to facilitate improving investor confidence, in addition to promoting standardization wherever possible to help drive down transaction costs.

More information can be found on the following sites:

- HGIA and GEMS: <http://gems.hawaii.gov/>
- Renewable Portfolio Standard: [http://www.capitol.hawaii.gov/hrscurrent/Vol05\\_Ch0261-0319/HRS0269/HRS\\_0269-0091.htm](http://www.capitol.hawaii.gov/hrscurrent/Vol05_Ch0261-0319/HRS0269/HRS_0269-0091.htm)
- Energy Efficiency Portfolio Standard: [http://www.capitol.hawaii.gov/hrscurrent/Vol05\\_Ch0261-0319/HRS0269/HRS\\_0269-0096.htm](http://www.capitol.hawaii.gov/hrscurrent/Vol05_Ch0261-0319/HRS0269/HRS_0269-0096.htm)
- Hawaii State Energy Office: <http://energy.hawaii.gov/>
- Hawaii PUC: <http://puc.hawaii.gov/>
- Hawaii PUC Docket #2014-0135: <http://dms.puc.hawaii.gov/dms/DocketSearch.jsp> (Enter Docket No. in search field to review documents)
- GEMS Program Order: <https://gems.hawaii.gov/wp-content/uploads/2016/06/Order-32318-GEMS-Program-Approval-9-30-2014.pdf>

## **2.0 Eligibility Requirements**

GEMS seeks proposals that address its Key Objectives while conforming to standards of

eligibility as described below.

## 2.1 Eligible Investments

GEMS financing is designed to support residential, non-profit, public-sector, commercial, industrial, and utility-scale clean energy projects that deploy commercially proven technologies in energy efficiency, renewable energy, energy storage, and related clean energy uses and drive progress towards the State of Hawaii's RPS and EEPs in the context of the GEMS program's aforementioned Key Objectives.

**All technologies supported with GEMS financing must first be approved by the PUC.** Attachment B (Eligible Clean Energy Technologies) includes a list of technologies that have been pre-approved by the PUC. GEMS may consider supporting and/or participating in financing arrangements that include projects using technologies beyond the scope of Attachment B, in cases in which Proposals demonstrate the technology's commercial track record as well as alignment with State energy policies and GEMS Key Objectives<sup>1</sup>.

The underlying technologies for Proposals utilizing technologies not listed on Attachment B require PUC approval, the process for which would be undertaken jointly by HGIA and Proposer after HGIA has evaluated the Proposal and indicated its desire to proceed. This PUC review process entails a minimum of 90 additional days and may require outside engineering, marketing, and/or legal support, the cost of which will be borne by the Proposer.

All proposed projects must connect to an electric grid serviced by the HECO Companies, and comply with HECO Companies' interconnection standards, including but not limited to those described in Rule 14H where applicable.<sup>2</sup>

GEMS does not expect to provide capital directly to companies to fund their general business operations or project identification/qualification expenditures.

## 2.2 Eligible Financing Arrangements

GEMS seeks proposals for transactions that are consistent with its objectives and operating principles. Eligible financing arrangements include, but are not limited to, GEMS participating in transactions as a:

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<sup>1</sup>Subject to laws, regulations, and administrative actions, including approval by Hawaii's Public Utilities Commission prior to the execution of a contract or agreement.

<sup>2</sup>[https://www.hawaiianelectric.com/Documents/my\\_account/rates/hawaiian\\_electric\\_rules/14.pdf](https://www.hawaiianelectric.com/Documents/my_account/rates/hawaiian_electric_rules/14.pdf)

- lender (e.g., senior, mezzanine, or subordinated),
- credit enhancement provider (e.g., a reserve account or a junior interest),  
or
- warehouse provider with the likelihood of being taken out by private sector third parties within prescribed time periods and upon certain events (e.g., the aggregation of an agreed upon amount of assets fitting certain credit and other parameters).

Project-related financing arrangements include transactions in which GEMS provides support related to specific project(s) or to an entity that is funding loans, leases, or other structures related to a portfolio of projects.

In keeping with Key Objectives, transactions may include private sector financial parties. Participation by a private sector financial entity can be structured in various ways, such as debt and/or equity financing at transaction close or as the takeout of a GEMS-sponsored warehouse facility at an agreed upon aggregation level. Proposals should provide clarity as to proposed capitalization amounts and be specific as to the respective roles for, and relationship between, GEMS and the proposed other capital providers and degree of commitment of other parties. Preference will be given to proposals that utilize GEMS financing to leverage other sources of financing, though projects in which GEMS financing is the sole source of funds will be considered but in such cases there would need to be clear justification for the lack of co-investment by private capital.

GEMS will consider various transaction sizes and participation levels. Proposers should use the evaluation and selection criteria described in Section 4.0 (Proposal Evaluation) as guidance for GEMS financial participation.

### 2.3 Eligible Proposers

GEMS is seeking proposals from:

- (a) Private sector financial institutions or other third-party capital providers that are financing, or intending to finance, clean energy investments in the State of Hawaii and within the service area of the Hawaiian Electric Companies;
- (b) Industry participants including developers, ESCOs, owner/operators, equipment manufacturers, or others that provide equipment, materials, and/or services related to eligible investments and technologies (see Section 2.1); and/or
- (c) Not-for-profit organizations including Community Development Financial Institutions (CDFIs), organizations that promote affordable housing, economic development, and/or address the needs of disadvantaged populations.

Proposers can apply on a standalone basis or as part of a team (a “**Proposal Team**”). A Proposal Team, for example, could consist of a developer/sponsor, lead equipment provider, and/or lead debt provider. Proposers should note that the entire Proposal Team must be identified and committed when the Proposal is submitted. Proposal Teams should designate a lead organization.

Proposers must have directly relevant experience in the transaction/project type being submitted, and the relevant technologies consistent with Section 2.1 (Eligible Investments).

## 2.4 Acceptable Terms

GEMS seeks to price its investments to cover its operating expenses and portfolio default risk. In so doing, GEMS intends to serve as both a prudent custodian of public funds and an agent for advancing its Key Objectives. GEMS investment terms will be determined by credit risk and exposure assumed by GEMS and other investment participants. GEMS financing is not intended to replace other financing that is available, but rather to enable projects that would not otherwise be able to proceed without the financing being sought from GEMS. GEMS does not offer grants, nor does it expect to forgive any portion of any loans it makes. For GEMS products, origination fees and other customary fees and reimbursements generally apply.

GEMS can develop products that can be offered to many industry participants, or it can work on a proprietary basis with a single party. While it could pursue individual negotiated transactions as a result of this solicitation, Proposers should again note that the ability to scale or replicate transactions is an important consideration as GEMS measures Proposals against its Key Objectives. This element will be evaluated as part of the criteria detailed in Section 4.0 (Proposal Evaluation).

## 3.0 Proposal Contents

Each Proposal should be organized and labeled according to Categories A-I below and should address **all** aspects of the categories in a clear and concise manner, even if certain items may appear self-evident. GEMS employs a rigorous evaluation process to determine completeness of all Proposals against the requirements of this OSFA, eligibility, and a Proposer’s ability to articulate the fit of the proposed transaction and GEMS investment within GEMS Key Objectives. HGIA has the right to disqualify proposals that do not conform to categories A-I below.

### A. Cover Letter

Please include a cover letter executed by an authorized officer on behalf of the Proposer or Proposal Team. If a submission represents a Proposal Team, please clearly designate

the lead organization and include signatures of an authorized officer of each party to the Proposal.

B. Brief Description

Provide a summary of the financing arrangement proposed including the parties involved, the role of each party including the desired GEMS role, the clean energy market segment of focus, the type(s) of project(s) to be financed, and the expected impact.

C. Project Fit with GEMS Key Objectives and Additionality

Describe the Key Objective(s) that would be advanced through GEMS participation in the financing for the project(s). Describe how GEMS participation will help facilitate the transaction being done at all, more quickly, or with additional Key Objective outcomes that would not otherwise occur without GEMS support.

D. Financing Structure and GEMS Financing Support

Provide a description of the overall financing structure and describe the GEMS financing support (or alternative forms of GEMS participation) that is requested, including proposed terms. Include a transaction schematic along with a description of key risks and mitigants relating to the proposed GEMS exposure. Where a Proposal seeks GEMS warehouse financing, provide the key underwriting criteria and methods that will be used to identify and evaluate the projects expected to form part of the pipeline for the warehouse or aggregation facility. Also, describe the existing pipeline and further origination and marketing plans to achieve aggregation thresholds and market scale. For all transactions, specific return expectations, including yield and interest rates, should be provided for GEMS and other market participants, in addition to base case return on investment (“**ROI**”) and internal rate of return (“**IRR**”) at the project level.

If Proposers are presenting a single project investment opportunity, a project model, including sources and uses of funds, key assumptions, and financial projections should be provided of a duration at least equal to the requested term of GEMS participation. Additionally, Proposers should provide clarity regarding all of the status of contracts and arrangements materially affecting the valuation and risk of the project (e.g., PPA/lease and/or other revenue agreements, royalty or other similar arrangements, Operation and Maintenance (“**O&M**”) contracts, technology warranties or other performance guarantees, engineering, procurement and construction (“**EPC**”) contract(s), shared facilities and/or other key infrastructure, site control, key permits, etc.). If Proposers are presenting a transaction that may ultimately be securitized, include a representative model that details cash flows for a typical single asset to be generated under the arrangement.

Provide a project schedule detailing the timing of key milestones, including execution of all material contracts, permits, and PUC and other approvals necessary to bring the project to completion. Include milestones achieved as well as future milestones, along with expected timing.

#### E. Comparable Transactions

Include relevant previous market transactions that are directly or indirectly comparable. If there are not specific comparable transactions, provide a description of applicable precedents in other financial sectors where the underlying counterparty credit and/or project risks have been previously underwritten (directly or indirectly) by the private market on a commercial basis.

#### F. Technical Considerations

Provide a description of the eligible proven technologies involved in the proposed transaction. Include information about previous applications of the technologies. In addition, describe technical aspects of the proposed project(s). Identify the parties responsible for the key aspects of project design and installation/construction. Describe the plan or contractual arrangements for O&M, quality control, and warranties. Identify the parties that will bear technology performance risk and briefly describe the key terms of that risk assumption.

#### G. Expected Clean Energy Outcomes & Ongoing Tracking/Reporting Capability

Provide a summary description of expected energy outcomes including: number of projects to be financed, expected MWh or MMBtu of energy savings and/or MW of clean energy generation over an identified time period, along with the planned methodology and inputs used to quantify these expectations. Additionally, provide a description of the methodology that the Proposer (or designated third party) plans to employ to track, record, and monitor energy-related impacts (e.g., actual savings and/or generation), greenhouse gas impacts, customers served, financial products offered (e.g., PPAs, leases, loans, etc.), and clean energy measures supported. If Proposer intends to track its own outcomes, describe any third-party verification or audits planned to confirm results periodically. Ongoing reporting should be provided to HGIA on a quarterly basis.

#### H. Qualifications & Experience, Officers & Staffing

Briefly summarize the Proposer's (or the Proposal Team's) institutional qualifications and experience to undertake the project(s) or financing of the project(s). Include directly relevant experience executing comparable transactions. For each comparable transaction, describe financial, energy, and end-user outcomes of the project(s). As



relevant, provide a summary of loss rates and loss experience on the Proposer's (or Proposal Team's) prior comparable projects. For each comparable transaction, provide a reference familiar with the transaction.

Specify the Proposer's strategy for engaging target participants, when applicable, such as generating demand if a financing structure is designed to fund future yet-to-be-identified projects (e.g., warehousing and aggregation facilities).

#### I. Other Financial Support or Incentives & Sponsor Capital

Describe any federal, state, utility-based, or other incentive(s) that are expected to be included in the proposed financing structure. Also, clearly identify the amount of Proposer's capital that is at risk (i.e., excluding identified grants and other private capital).

### **4.0 Proposal Evaluation**

Proposals that meet minimum eligibility requirements (see [Section 2.0](#)) and include all Proposal contents (set out in [Section 3.0](#)) will be evaluated by GEMS against the criteria set out in this [Section 4.0](#). Proposals should include information as appropriate to demonstrate:

- Cost-Effectiveness
  - Whether Proposal is a cost-effective use of GEMS capital in addressing Key Objectives
  - Demonstrated Additionality of GEMS contribution
- Effectiveness in Reaching Underserved Customers
  - Whether Proposal supports the goal of providing greater green infrastructure access for underserved customers
- Portfolio Fit
  - Whether Proposal is likely to make positive contributions to the overall GEMS program portfolio of loans and investments
- RPS and EEPS Alignment
  - Whether the Proposal positively impacts the achievement of Hawaii's RPS and EEPS, including the support of stakeholder coordination in achieving the State's clean energy goals
- Transaction Credit, Financial and Risk/Return Considerations

- Creditworthiness (counterparties, underlying technologies, EPC provider(s), O&M, servicer, etc. as applicable) of the project(s), and the terms of the financing support expected to be provided by GEMS:
  - With respect to warehouse/portfolio aggregation proposals, the proposed credit criteria that would be applied for individual transactions to be accepted into the warehouse;
- Pricing competitiveness on a risk-adjusted basis, including projected ROI and IRR at the project level and specific return expectations for GEMS and other transaction participants;
- Value relative to direct or indirect private market comparables (including pricing) as relates to counterparty credit and/or project risks;
- Level of financial commitment of the Proposer(s) and any other parties included in the proposed project;
- Qualifications and experience of Proposal Team and participants;
- Relevant experience and specific track record of all participants in the project(s);
- Ability to deliver the volume necessary to aggregate target portfolios in warehouse/portfolio aggregation proposals, within a reasonable period of time; and
- Consistency with the principle that transactions yield expected financial returns such that the revenues of GEMS on a portfolio basis will be in excess of expected portfolio losses and operating expenses.

## 5.0 General Conditions

### 5.1 Proposal Information Sheet

A completed Proposal Information Sheet (see [Attachment A](#)) must be included with your Proposal.

### 5.2 Proprietary Information

HGIA is keenly aware that commercial markets and their incumbents value non-disclosure extremely highly in protecting confidential transaction terms and other competitive information. HGIA remains highly sensitized to usual and customary confidentiality practices. Nevertheless, as a public agency, certain state laws apply to HGIA and GEMS. It is recommended that careful consideration be given before confidential information is submitted to HGIA as part of any Proposal. Review should include whether it is critical for evaluating a Proposal, and whether general, non-confidential information may be adequate for review purposes.

Information submitted to GEMS that the Proposer wishes to have treated as proprietary and confidential trade secret information, should be identified and labeled "Confidential" or "Proprietary" on each page at the time of disclosure. This information

should include a written request to except it from disclosure, including a written statement of the reasons why the information should be excepted.

To the extent that any of the information submitted to GEMS consists of "government records," as defined in section 92F-3, Hawaii Revised Statutes, the provisions of Chapter 92F, Hawaii Revised Statutes ("Uniform Information Practices Act" or "UIPA") shall apply to the disclosure of information contained in such documents, except where, pursuant to Section 92F-13: (1) the confidential information, if disclosed, would constitute a clearly unwarranted invasion of personal privacy; (2) the confidential information pertains to the prosecution or defense of any judicial or quasi-judicial action to which the State or any county is or may be a party, to the extent that such records would not be discoverable; (3) the confidential information, by its nature, must be confidential in order for government to avoid the frustration of a legitimate government function; or (4) the confidential information, pursuant to state or federal law including an order of any state or federal court, is protected from disclosure. To the extent that such "government records" include information submitted to GEMS that the Proposer has marked "Confidential" or "Proprietary," and those records are requested for production under a valid UIPA request, HGIA will attempt to withhold such information from production if advised by counsel that the confidential information requested is rightly described in the exceptions to disclosure under UIPA found in (1) through (4) above. The confidentiality of any information submitted cannot be guaranteed.

### 5.3 Limitation

This solicitation does not commit GEMS to agree to participate in any transaction, proceed to negotiate any terms or definitive documentation, pay any costs incurred in preparing a Proposal, or to procure or contract for services or supplies. GEMS reserves the right to accept or reject any or all Proposals received, to negotiate with all qualified parties, or to cancel in part or in its entirety this open solicitation when it is in the best interest of the State.

### 5.4 Disclosure Requirement

The Proposer shall disclose, for any team member, any indictment for alleged felony, or any conviction for a felony within the past five years, under the laws of the United States or any state or territory of the United States, and shall describe the relevant circumstances. When a Proposer is an association, partnership, corporation, or other organization, this disclosure requirement includes the organization and its officers, partners, and directors or members of any similar governing body. If an indictment or conviction comes to the attention of GEMS or the State of Hawaii after GEMS has indicated its interest to, or has agreed to enter into or participate in, any transaction GEMS may terminate the agreement and the Proposer may be subject to penalties for violation of any law which may apply in the particular circumstances. Proposers must

also disclose if any team members have ever been disbarred or suspended by any agency of the United States Government or the State of Hawaii.

## **6.0 Attachments**

Attachment A – Proposal Information Sheet (Mandatory)

Attachment B – Eligible Clean Energy Technologies

Attachment A - Proposal Information Sheet

Proposal Title	
Lead Proposer Firm	
Contact Name	
Contact Title	
Email	
Phone	
Address	
Secondary Proposer Firm	
Contact Name	
Contact Title	
Email	
Phone	
Address	

THE PROPOSER MUST ANSWER THE FOLLOWING QUESTIONS:

Do you wish to have any information submitted in your proposal package treated as proprietary or confidential trade secret information? If yes, you must identify and label on each applicable page "confidential" or "proprietary". (For additional information regarding this, please refer to Section 5.2 (Proprietary Information) in the OSFA).

Yes       No

Has the proposer or any team member, or any of their principals, officers, partners, directors or members, been indicted/convicted of a felony within the past five years, or been disbarred or suspended by any agency of the United States Government or the Hawaii Department of Labor and Industrial Relations? If yes, explain on separate page. (For additional information regarding this, please refer to Section 5.4 (Disclosure Requirement) in the OSFA).

Yes       No

## Attachment B - Eligible Clean Energy Technologies

- Solar Photovoltaic Systems including PV-Related Technologies
  - Advanced Inverters
  - Smart Modules
  - Monitoring Devices
  - Other Technologies that Support Solar Photovoltaic System Interconnection
  - Physical Infrastructure to Support Solar Photovoltaic Installations
  
- Energy Storage
  
- Utility Grid Modernization Technologies<sup>3</sup>
  
- Utility Renewable Integration Technologies<sup>3</sup>
  
- Commercial Energy Efficiency<sup>3</sup>
  
- Technologies that Incorporate a Water-Energy Nexus, Including Sewage and Waste Water Treatment<sup>4</sup>
  
- Heating, Ventilating, and Air Conditioning ('HVAC')<sup>4</sup>
  
- LED Systems<sup>4</sup>

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<sup>3</sup> See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 46 and approved at p. 48.

<sup>4</sup> See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 48.