

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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In the Matter of the Application of)
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 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. 8 FOR
THE GREEN INFRASTRUCTURE LOAN PROGRAM,
ATTACHMENT A
AND
CERTIFICATE OF SERVICE**

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**PROGRAM NOTIFICATION No. 8 FOR
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TO THE HONORABLE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII:

The Hawaii Green Infrastructure Authority (“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 or modifications to 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 Public Utilities Commission (“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 Division of Consumer Advocacy (“Consumer Advocate” or “CA”) recommended that DBEDT submit market assessments and cost-benefit analyses for the financing of technologies related to solar PV that will mitigate grid saturation prior to DBEDT’s submission of a Program

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.

Notification,⁷ and the Commission then directed DBEDT “to provide the information identified by the Consumer Advocate concerning market assessments and cost-benefit analyses for approved non-Solar PV clean energy technology with any Program Notification that is submitted to finance those technologies.”⁸

II. Program Notification

The Commission was informed of the GEMS Commercial Energy Efficiency (EE) Loan Product in Program Notification No. 5, filed on July 15, 2015.⁹ This Program Notification informs the Commission that HGIA redefines “Eligible Participants”¹⁰ under the GEMS Commercial Energy Efficiency EE Loan Project Deployment Guidelines to include all commercial enterprises in the State of Hawaii served by Hawaiian Electric Company or its affiliates (collectively referred to as “HECO” or the “Utility Company”).

The Authority finds that the current definition of “Eligible Participants,”¹¹ which includes non-profits and small businesses as defined by SBA guidelines, does not sufficiently capture Hawaii’s commercial energy market.¹² According to the Study presented to the Commission by EnerNoc Utility Solutions Consulting Inc. on January 15, 2014,¹³ the commercial sector

⁷ See “Division of Consumer Advocacy’s Statement of Position,” filed in Docket No. 2014-0135 on August 7, 2014, at p. 13.

⁸ See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 85.

⁹ See “Program Notification No. 5 for the Green Infrastructure Loan Program,” Filed in Docket No. 2014-0135 on July 15, 2015.

¹⁰ See “Attachment A: GEMS Commercial EE Project Deployment Guidelines,” filed in Docket No. 2014-0135 on July 15, 2015, at p. 13.

¹¹ *Id.*

¹² See *Hawaii Small Business Profile, 2016*, US Small Business Office of Advocacy, available at: <https://www.sba.gov/sites/default/files/advocacy/Hawaii.pdf>. (last visited June 2, 2016); See *STATE OF HAWAII ENERGY EFFICIENCY POTENTIAL STUDY FINAL*, Project #1448, available at http://puc.hawaii.gov/wp-content/uploads/2013/04/State_of_HI_Potential_Study_Final.pdf

¹³ *STATE OF HAWAII ENERGY EFFICIENCY POTENTIAL STUDY FINAL*, Project #1448, available at http://puc.hawaii.gov/wp-content/uploads/2013/04/State_of_HI_Potential_Study_Final.pdf

comprises 52% of statewide electricity use.¹⁴ If employee headcount is used as a proxy for commercial energy consumption, SBA guidelines disqualify almost half of the 4,983 GWh of commercial energy use identified by the Study as eligible for efficiency upgrades.¹⁵ In expanding “Eligible Participant” to include businesses larger than SBA guidelines, GEMS Commercial EE Loan Product¹⁶ can significantly reduce the amount of electricity purchased in Hawaii.¹⁷ The Authority therefore redefines “Eligible Participants” under the GEMS Commercial EE Loan Project Deployment Guidelines to include any nonprofit, small business, or other commercial enterprise as defined in Attachment A of this program notification.¹⁸

Government agencies, departments, and municipalities are also described as “commercial” activities in the EnerNoc Study and are added to the definition of “Eligible Participants.” Although Hawaii government agencies constitute a significant component of energy usage in the state, renewable energy infrastructure and efficiency improvements by government agencies are limited. GEMS therefore has significant potential to serve this market with its Commercial EE Loan Product.¹⁹ For example, municipalities service all the water/wastewater and street lighting in the State, and therefore are responsible for a large portion of the State’s electric load. In allowing municipalities to participate in the GEMS Commercial EE Loan Product, GEMS can further the State’s 100% RPS goal and decrease municipal entities’ operating costs. Although municipalities have access to tax exempt bonds or other tax exempt financing structures that provide a low cost of capital for desired projects, there is a limit to the amount of financing that municipalities can utilize without damaging their credit rating. Municipalities therefore find

¹⁴ See *id.* at p. xiii.

¹⁵ See *supra* note 11.

¹⁶ See “Program Notification No. 6,” filed in Docket No. 2014-0135 on February 23, 2016.

¹⁷ See *supra* note 11.

¹⁸ See Attachment A.

¹⁹ See *supra* note 15.

value in utilizing alternate funding strategies to keep debt capacity in reserve and preserve their credit rating. An Energy Services Agreement provided by a Deployment Partner and funded in part by GEMS is “off-credit” and will not impact a municipality’s credit rating or debt capacity. The GEMS Commercial EE Loan Product can therefore enable municipalities to complete projects that are delayed due to credit rating and debt capacity concerns.

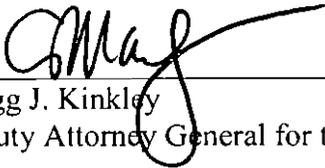
The Authority will coordinate with Hawaii Energy and the Public Benefits Fund Administrator to ensure that resources are allocated efficiently in the pursuit of commercial EE projects.²⁰

III. Subsequent Authority Action

Unless informed otherwise by the Commission, upon completion of the fifteen (15) business-day-term of Program Notification, HGIA may implement the deployment of capital to finance commercial energy efficiency to state government agencies and departments, municipalities, nonprofits, business, or any other commercial enterprise as defined in Attachment A of this document. Any subsequent changes to the details described herein will be proposed through the GEMS Annual Plan.

²⁰ The Public Benefits Fund (PBF) surcharge is assessed on residential and commercial customers of the Hawaiian Electric Companies. The residential customer class includes Rate Schedules R, TOU-R, TOU EV, and EV-R. The commercial customer class includes Rate Schedules G, J, DS, P, F, U, TOU-G, TOU-J- SS, EV-C. The underlying goal of the PBF is to procure electric energy savings from efficiency programs at a cost lower than that of avoided generation. Revenues collected from the Public Benefit Fund surcharge pay for the costs of the energy efficiency programs managed by the third-party administrator. Collection strategy results in a split based on revenue contributions by customer class: 45% Residential and 55% Commercial. The Hawaii Energy Program maintains incentive portfolios for both residential and commercial customer classes. Customer eligibility is differentiated by the type of electric service a customer receives. As such, government agencies that are commercial utility customers fall under the PBF commercial customer class and are eligible to take advantage of Hawaii Energy commercial incentive programs.

Submitted this 25th day of July, 2016, in Honolulu, Hawaii.



Gregg J. Kinkley
Deputy Attorney General for the Authority



GEMS Financing Program

ATTACHMENT A: GEMS Commercial EE Project Deployment Guidelines

GEMS Commercial Energy Efficiency Projects should expand access and affordability of energy efficiency for commercial entities that do not have cash available or cannot access financing for energy efficiency.

Eligible Technologies	HVAC, Lighting (LED, CFL), Controls and monitoring devices, and Mechanical upgrades, Other Commercial EE.
Allowable Uses	Financing is available for up to 100% of equipment costs. Other financeable cost may include: financing cost; required electrical upgrades to conform to building permits; electrical permits; and other hard cost and structural improvements.
Term	No more than twenty (20) year fixed rate, fully amortizing.
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 \$1,000,000 as established by GEMS. Exceptions may be granted.
Eligible Participants	Hawaii commercial enterprises (i.e. nonprofit organizations, businesses, government agencies, and municipalities) 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.
Savings Requirements	Energy savings required. Savings dependent on system specifications, loan qualification, use of storage, on-bill, and other factors.
Installed Cost	Maximum installed cost restrictions as determined by GEMS.
Project Design	Project design is dependent on past usage, and must produce energy savings, though exceptions may be allowed after review.

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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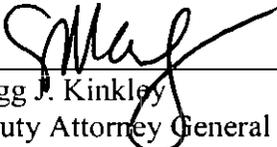
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Dated: Honolulu, Hawaii, July 25, 2016.

HAWAII GREEN INFRASTRUCTURE
AUTHORITY



Gregg J. Kinkley
Deputy Attorney General