

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

FILED

2016 AUG 26 A 11:06

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. 9 FOR  
THE GREEN INFRASTRUCTURE LOAN PROGRAM,  
ATTACHMENT A & B  
AND  
CERTIFICATE OF SERVICE**

DOUGLAS S. CHIN  
Attorney General of Hawaii

BRYAN C. YEE  
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

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of	)	
	)	
THE STATE OF HAWAII	)	
DEPARTMENT OF BUSINESS,	)	
ECONOMIC DEVELOPMENT,	)	
AND TOURISM	)	Docket No. 2014-0135
	)	
For an Order Approving the Green	)	
Infrastructure Loan Program.	)	
	)	

---

**PROGRAM NOTIFICATION No. 9 FOR  
THE GREEN INFRASTRUCTURE LOAN PROGRAM**

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

The Hawaii Green Infrastructure Authority (“HGIA” or “Authority”) of the State of Hawaii<sup>1</sup> 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.<sup>2</sup> Within the

---

<sup>1</sup> 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.

<sup>2</sup> 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.*<sup>3</sup> The Application stated that DBEDT or the Authority<sup>4</sup> 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”).<sup>5</sup>

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.<sup>6</sup>

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

---

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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.

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



Notification,<sup>7</sup> 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.”<sup>8</sup>

## **II. Program Notification**

The purpose of this Program Notification is to provide the Commission with additional information regarding the GEMS Commercial PV Loan Product: Project Sponsor<sup>9</sup> and GEMS Commercial PV Loan Product: Direct,<sup>10</sup> which are consistent with the Fiscal Year 2017 Annual Plan submitted to the Commission<sup>11</sup> and Exhibit 9 of the Application as included in the Annual Plan.<sup>12</sup> These loan products replace the financing arrangements allowed under the GEMS Small Business Loan Product, submitted to the Commission in Program Notification No. 3 on April 8, 2015,<sup>13</sup> and GEMS Nonprofit Loan Product, originally submitted to the Commission in the Initial Program Notification on December 31, 2014,<sup>14</sup> and further modified in Program Notification No. 3 on April 8, 2015.<sup>15</sup>

The GEMS Small Business and Nonprofit Loan Products were terminated in December 2015 due to the loss of its tax equity partner.<sup>16</sup> The GEMS financing product for small businesses and

---

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

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

<sup>9</sup> See “Attachment A: GEMS Commercial PV Loan Product: Project Sponsor”

<sup>10</sup> See “Attachment B: GEMS Commercial PV Loan Product: Direct.”

<sup>11</sup> See “Annual Plan Fiscal Year 2017: July 1, 2016-June 30, 2017,” filed in Docket No. 2014-0135 on March 31, 2016, herein referred to as “Annual Plan,” at p. 16.

<sup>12</sup> See Annual Plan at Attachment 1.

<sup>13</sup> See “Program Notification No. 3,” filed in Docket No. 2014-0135 on April 8, 2015.

<sup>14</sup> See “Initial Program Notification,” filed in Docket No. 2014-0135 on December 31, 2014.

<sup>15</sup> See “Program Notification No. 3,” filed in Docket No. 2014-0135 on April 8, 2015.

<sup>16</sup> “Annual Plan,” at p. 7.

nonprofits was a pre-paid PPA. Reasons this product was unsuccessful include: (1) uncompetitive PPA rates compared to other commercial entities targeting this market segment; (2) lack of flexibility regarding the equipment installed; (3) difficulty meeting the requirements of the tax equity partner; and (4) misaligned incentives for GEMS commercial PV deployment partners to source deals. The proposed Commercial PV Loan Product: Project Sponsor and Commercial PV Loan Product: Direct are structured to address these issues and enable the financing of PV installations for the underserved in the Hawaii marketplace.

The Commission allows the Authority flexibility in allocating funds between customer types,<sup>17</sup> and granted GEMS the ability to finance PV systems for nonprofits and small businesses in previous notifications.<sup>18</sup> The Commission does not oppose the Authority operating with flexibility in the finalization of details as long as sufficient oversight and reporting is established.<sup>19</sup>

The GEMS Commercial PV Loan Product: Project Sponsor and GEMS Commercial PV Loan Product: Direct are subject to the same reporting metrics as previous loan products.

Additionally, consistent with Program Notification No. 2,<sup>20</sup> these loan products require the ratepayer to receive specific minimum savings from the proposed installations.

Under the Commercial PV Loan Product: Project Sponsor, the savings requirement is met when the power purchased from the proposed PV system, combined with the remaining utility bill, results in a minimum required savings when compared to the original utility bill. The

---

<sup>17</sup> 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.

<sup>18</sup> See *supra* at note 12; See *supra* at note 13.

<sup>19</sup> See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 76.

<sup>20</sup> See “Program Notification No. 2 for The Green Infrastructure Loan Program” filed in Docket No. 2014-0135 on April 2, 2015, at p.13.



following is a representative example of a nonprofit or small business project that could be financed under the Commercial PV Loan Product: Project Sponsor structure.

It is assumed that the Project Sponsor installs a system that produces approximately 4,000 kWh/month for a Participant that uses approximately 5,500 kWh/month via a Standard Interconnection Agreement with HECO. Based on the current energy consumption and HECO's Rate Schedule J effective 8/1/16, the Participant's monthly utility bill (including the minimum demand charges and all fees) would total \$1,409.27/month. With the installation of the PV system, the Participant's energy consumption from HECO decreases to 1,500 kWh/Month. The lower consumption now qualifies the Participant for HECO's Schedule G Rates and would yield a monthly utility bill (including all fees) of \$386.28. Adding the purchase of 4,000 kWh from the PPA at \$0.18/kWh, the amount paid to the Project Sponsor is estimated at \$720.00/month for a combined utility + PPA payment of \$1,106.28/month representing a \$302.99 or 21.50% bill savings. See matrix below:

Small Business or Nonprofit	<b>No PV</b> (Schedule J) 5,500 kWh/Month Usage	<b>With PV</b> (Schedule G) 1,500 kWh/Month HECO 4,000 kWh/Month PPA
Utility Bill	\$1,409.27	\$386.28
PPA: \$.18/kWh	N/A	\$720.00
Final Bill	\$1,409.27	\$1,106.28 (21.5% savings)

Under the Commercial PV Loan Product: Direct, the savings requirement is met when the utility bill after the PV installation plus Bank and GEMS debt payments meet the minimum required savings when compared to the utility bill before the PV installation. Similar to the Commercial PV Loan Product: Project Sponsor example above, it is assumed in this example that the small business uses approximately 5,500 kWh/month with a monthly utility bill of \$1,409.27 (as calculated above). In this case, it is assumed that the small business obtains a combination of Bank/GEMS financing to install a system, connected via a Standard Interconnection Agreement with HECO,

that produces approximately 4,000 kWh and the business consumes all of the electricity provided by the system, so that the utility bill after the PV installation is equal to the remaining usage of 1,500 kWh (5,500 kWh – 4,000 kWh). The combined Bank/GEMS loan payments over the first seven years (when the Bank loan is in place), based on standard rates and terms, are estimated to be \$738.00/month. The GEMS loan payment for the remaining term of the loan after the bank loan is paid off is estimated to be \$719.00/month. The business is expected to enjoy bill savings of \$284.99/month (or 20.22%) during the first 7 years of the loan, and assuming HECO rates remain unchanged, the business will enjoy bill savings of \$303.99/month (or 21.57%) over the remaining term of the GEMS loan. See matrix below:

Old Monthly Utility Bill	\$1,409.27
New Monthly Utility Bill with PV	\$ 386.28
Bank & GEMS Monthly Loan Payments	\$ 738.00
Monthly Utility Bill and Loan Payments – 1 <sup>st</sup> 7 Years	\$1,124.28
Monthly Savings – 1 <sup>st</sup> 7 Years	\$ 284.99 or 20.22%
GEMS Monthly Loan Payment – After Bank Loan paid off	\$ 719.00
Monthly Utility Bill and GEMS Loan Payment – Year 8+	\$1,105.28
Monthly Savings – Year 8+	\$ 303.99 or 21.57%

Negotiation of terms for the deployment of funds will follow industry guidelines, as well as those established in Attachments A and B to ensure that the bond proceeds securitized through ratepayer fees are expended efficiently and prudently. The following summarizes the changes provided from the original Attachments A (Nonprofit Loan Product<sup>21</sup>) and B (Small Business Loan Product<sup>22</sup>) as compared to the Attachment A (Commercial PV Loan Product: Project Sponsor) and Attachment B (Commercial PV Loan Product: Direct) provided in this Notification:

<sup>21</sup> See “Program Notification No. 3,” filed in Docket No. 2014-0135 on April 8, 2015.

<sup>22</sup> See “Program Notification No. 3,” filed in Docket No. 2014-0135 on April 8, 2015.



- Capital Deployment Partner. Under the Nonprofit and Small Business Loan Programs, the loans were to be underwritten, approved, documented and funded by Pacific Rim Bank and purchased by GEMS. As such, Capital Deployment Partners like Pacific Rim Bank needed to meet criteria detailed on Exhibit 10<sup>23</sup> to execute a Loan Purchase Agreement. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, the loans will be underwritten, approved,<sup>24</sup> documented and funded by HGIA. Therefore, Capital Deployment Partners are not applicable for these products.
- Eligible Technology. Energy storage was eliminated as an “Eligible Technology” to reflect that this Notification is only for PV and PV-related financing.
- Loan Purpose. Under the Nonprofit and Small Business Loan Programs, the loans were to be made specifically to finance Prepaid PPAs. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, the loans will be to finance the cost of PV and PV related installations.
- Leverage. Under the Nonprofit and Small Business Loan Programs, leverage was to be provided by a single tax equity partner. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, leverage will be provided by conventional financial institutions.
- Term. Under the Nonprofit and Small Business Loan Programs, the term was fixed at 20 years, fully amortizing. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, the loan term may be for up to 20 years and repayments

---

<sup>23</sup> 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 10.”

<sup>24</sup> Program loans will be approved by HGIA’s Loan Committee or Board.



could be a combination of interest only payments, principal reductions, and/or level principal and interest payments.

- Collateral/Security: Under the Nonprofit and Small Business Loan Programs, no collateral or security was required. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, GEMS will require a UCC-1 Financing statement and security agreement over the equipment financed (subordinate to conventional financial institution debt).
- Eligible Solar Installers. Under the Nonprofit and Small Business Loan Programs, solar installers were required to be a GEMS Deployment Partner. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, in order to provide greater flexibility to potential borrowers and co-lending Financial Institutions, GEMS will generally follow the Installer Guidelines detailed on Exhibit 10,<sup>25</sup> however, Installers will not be required to become a Deployment Partner and therefore will not be required to execute a Contractor Participation Agreement, be “pre-approved,” provide certain documents or be maintained on an “Approved List.” Financial Institutions will also conduct their own due diligence, separate from GEMS on the energy contractors for the projects being financed.
- Minimum Loan Amount. Under the Nonprofit and Small Business Loan Programs, the minimum loan amount was \$150,000. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, in order to better assist nonprofits and small

---

<sup>25</sup> 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 10.”

businesses with financing, as well as to accommodate the co-lending arrangement, the minimum loan amount will be decreased to \$50,000.

- Eligible Borrowers. Under the Nonprofit Loan Program, the eligible borrowers were nonprofits served by the HECO Companies. Under the proposed Commercial PV Loan Product: Project Sponsor, the eligible borrowers shall be corporations, organizations or individuals. The Eligible Participants (rate payers) under this proposed product shall be nonprofit organizations and small businesses (defined by U.S. Small Business Administration standards) served by the HECO Companies. Under the Small Business Loan Program, the eligible borrowers were small businesses in the State of Hawaii served by the HECO Companies that do not have investment grade ratings. “Small business” was defined by the U.S. Small Business Administration’s 7(a) loan program. Under the proposed Commercial PV Loan Product: Direct, the eligible borrowers shall be small businesses in the State of Hawaii, defined by all U.S. Small Business Administration loan program standards, as well as for-profit apartment building owners served by the HECO Companies.
- Installed Cost. Under the Nonprofit and Small Business Loan Programs, there were maximum installed cost restrictions as determined by GEMS. Under the proposed Commercial PV Loan Product: Project Sponsor and Direct, the GEMS program installed cost restrictions shall apply only if the borrower does not meet the Accredited Investor<sup>26</sup> criteria. The rationale for this change is to provide those that

---

<sup>26</sup> An accredited investor is an investor with a special status under financial regulation laws. The ostensible purpose of the status designation is to protect potential investors from risk. The assumption underlying accreditation is that individuals or organizations who qualify will have sufficient financial sophistication to understand and take on the risks associated with complex investment offerings. GEMS shall use the Accredited Investor definition as provided by the U.S. Securities and Exchange Commission, Rule 501, Regulation D.



might be considered naïve and inexperienced borrowers who may need to rely on GEMS' consumer protection policies<sup>27</sup> with more stringent guidelines and rigid rules, while allowing those who might be considered more investment savvy, the flexibility to determine the type and cost of equipment that best meets their needs.

In "Letter From: Consumer Advocate, To: The Commission, Regarding HGIA Annual Plan FY 2017," dated April 8, 2016, the Consumer Advocate requested HGIA describe the intended beneficiaries of any new commercial PV loan product, as well as explain how the proposed products are differentiated from other loan products that may exist in the marketplace.<sup>28</sup> The following sections therefore provide more detail regarding the proposed loan products and discuss the intended beneficiaries.

A. GEMS Commercial PV Loan Product: Project Sponsor

The GEMS Commercial PV Loan Product: Project Sponsor is a form of leveraged or unleveraged debt as approved by the Commission in the Program Order, and complies with the GEMS Program Guidelines approved in Exhibit 13 of the Application. Under the GEMS Commercial PV Loan Product: Project Sponsor, GEMS financing is provided to a Project Sponsor<sup>29</sup> who develops a PV system for a small business or non-profit entity. The Project Sponsor typically receives a return on investment through a twenty-year power purchase agreement (PPA) with the PV system recipient. The established PPA rate must ensure the small business or non-profit also realizes savings on their electric bill. For further information regarding the GEMS Commercial PV Loan Product: Project Sponsor, see Attachment A.

---

<sup>27</sup> See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 65-66.

<sup>28</sup> See "Letter From: Consumer Advocate, To: The Commission, Regarding HGIA Annual Plan FY 2017," filed in Docket No. 2014-0135 on April 8, 2016, at p. 6

<sup>29</sup> Typically defined as an investor who possesses the sufficient tax liability to receive the benefits of renewable energy infrastructure tax credits otherwise unavailable to non-profits or other businesses.

The Authority anticipates the types of entities that will benefit from this financing arrangement are organizations such as churches, social service agencies, charities, or small businesses that do not possess sufficient tax liability to capitalize on the tax credits granted through the purchase of PV systems. Additionally, nonprofit multi-family projects and associations that administer apartments or condominiums can also benefit from this loan product.<sup>30</sup> The energy savings gained by an association could result in a reduction of maintenance and common area fees for the association's residents.

The GEMS Commercial PV Loan Product: Project Sponsor is different from other loan products on the market because it partners with conventional lenders—in this case predominantly Hawaii-based, traditional financial institutions—to form a “capital stack” that enables private lenders to stay within their required underwriting criteria. GEMS funds are used to support the loan and extend the loan term over twenty years, which provides greater flexibility for prospective Project Sponsors. Partnering with local financial institutions also creates a vital source for new deals by leveraging their existing customer bases and community relationships. The Authority anticipates this loan product will enable the development of smaller commercial PV systems for nonprofits and small businesses generally overlooked by Project Sponsors and private lenders that demand a greater return on investment over shorter loan terms. The GEMS Commercial PV Loan Product: Project Sponsor therefore provides a financing mechanism that does not compete with other financial institutions, is cost effective, expands the GEMS market portfolio, reaches the underserved, and furthers the state's 100% RPS goal.

---

<sup>30</sup> See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014 at p. 8. (Non-profit organizations and renters are among the groups identified by the Commission as “target groups for GEMS Program services.”)



#### B. GEMS Commercial PV Loan Product: Direct

The GEMS Commercial PV Loan Product: Direct is a form of leveraged or unleveraged debt as approved by the Commission in the Program Order, and complies with the GEMS Program Guidelines approved in Exhibit 13 of the Application. The GEMS Commercial Loan Product: Direct collaborates with conventional lenders to form a “capital stack” that is loaned directly to a small business with sufficient tax liability for PV installations. The PV installation must generate savings that are in excess of the loan payments and remaining electric bills. For further information regarding the GEMS Commercial PV Loan Product: Direct, see Attachment B.

The Authority anticipates the types of entities that will benefit from this financing arrangement are small businesses and for-profit apartment building owners. The GEMS Commercial PV Loan Product: Direct amortizes up to twenty years and offers greater flexibility than other financial products that typically have much shorter terms. The extended loan term allows for a positive cash flow that otherwise could not exist under conventional loans. The GEMS Commercial PV Loan: Direct therefore provides a financing mechanism that does not compete with other financial institutions, is cost effective, expands the GEMS market portfolio, reaches the underserved, and furthers the state’s 100% RPS goal.<sup>31</sup>

### **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 PV installations for small business, nonprofits and for-profit apartment building owners as

---

<sup>31</sup> See “Decision and Order No. 32318,” filed in Docket No. 2014-0135 on September 30, 2014, at p. 37

described under Attachment A and B of this notification. Any subsequent changes to the details described herein will be proposed through the GEMS Annual Plan.

Submitted this 26<sup>th</sup> day of August, 2016, in Honolulu, Hawaii.



---

Gregg J. Kinkley  
Deputy Attorney General for the Authority





## GEMS Financing Program

### ATTACHMENT A: GEMS COMMERCIAL PV LOAN PRODUCT: PROJECT SPONSOR

**Objective** To expand access and affordability of renewable energy systems to small businesses and non-profit entities.

#### PRODUCT DESCRIPTION

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

**Allowable Uses** Financing is available for up to 100% of the cost of the energy improvements.  
  
Other financeable cost may include: financing cost; required electrical upgrades to conform to building permits; electrical permits; fees related to HECO approval; and other hard cost and structural improvements.

**Capital Structure** Leverages public-private capital. In addition to HGIA financing, capital sources must include bank debt and may include Project Sponsor equity.

**Term** Up to twenty (20) years.

**Eligible Solar Installers** GEMS will conduct due diligence on a case by case basis.

**Collateral/Security** Required UCC-1 financing lien and security agreement over equipment.

**Interest Rate** Not to exceed 9.999%, tiered based on debt service coverage ratio.

**Loan Amount** Minimum loan amount of \$50,000 as established by GEMS. Exceptions may be granted.

**Eligible Borrowers** Project Sponsors to include corporations, organizations, or individuals.

**Eligible Participant** Nonprofit organizations and small businesses in the State of Hawaii, served by Hawaii Electric Company or its affiliates. Small businesses are defined by the standards set by the U.S. Small Business Administration ([www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs](http://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs))

**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.

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

**Solar PV Equipment** Solar PV equipment requirement must meet minimum standards as defined by the GEMS Program

**Installed Cost** If borrower does not meet Accredited Investor criteria, GEMS program installed cost restrictions will apply.

**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 available and projects are eligible.

**Direct Bill Payment**

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





## GEMS Financing Program

### ATTACHMENT B: GEMS COMMERCIAL PV LOAN PRODUCT: DIRECT

<b>Objective</b>	To expand access and affordability of renewable energy systems to small business entities and for-profit apartment building owners
<b>PRODUCT DESCRIPTION</b>	
<b>Eligible Technology</b>	Solar PV systems, advanced inverters, smart modules, monitoring devices, other technologies that support solar PV interconnection, and physical infrastructure to support solar PV installations.
<b>Allowable Uses</b>	<p>Financing is available for up to 100% of the cost of the energy improvements.</p> <p>Other financeable cost may include: financing cost; required electrical upgrades to conform to building permits; electrical permits; fees related to HECO approval; and other hard cost and structural improvements.</p>
<b>Capital Structure</b>	Leverages public-private capital. In addition to HGIA financing, capital sources must include bank debt and may include equity.
<b>Term</b>	Up to twenty (20) years.
<b>Eligible Solar Installers</b>	GEMS will conduct due diligence on a case by case basis.
<b>Collateral/Security</b>	Required UCC-1 financing lien and security agreement over equipment.
<b>Interest Rate</b>	Not to exceed 9.999%, tiered based on debt service coverage ratio.
<b>Loan Amount</b>	Minimum loan amount of \$50,000 as established by GEMS. Exceptions may be granted.
<b>Eligible Borrower</b>	Small businesses in the State of Hawaii, served by Hawaii Electric Company or its affiliates. Small businesses are defined by the standards set by the U.S. Small Business Administration ( <a href="http://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs">www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs</a> ) and for-profit apartment building owners.
<b>Eligible Properties</b>	Fee simple or leasehold properties. Leasehold restrictions may apply.
<b>Credit Criteria</b>	The following credit assessments may apply: financial statement and cash flow assessment; debt service coverage ratio; and utility bill assessment.
<b>Bill Savings</b>	Bill savings required. Savings dependent on system specification, loan qualification, on-bill, and other factors.
<b>Solar PV Equipment</b>	Solar PV equipment requirement must meet minimum standards as defined by the GEMS Program
<b>Installed Cost</b>	If borrower does not meet Accredited Investor criteria, GEMS program installed cost restrictions will apply.
<b>System Sizing</b>	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 available and projects are eligible.

### **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:

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

Rick Reed (M)(1)  
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, August 26, 2016.

HAWAII GREEN INFRASTRUCTURE  
AUTHORITY

  
\_\_\_\_\_  
Gregg J. Kinkley  
Deputy Attorney General