DAVID Y. IGE
GOVERNOR

GWEN S. YAMAMOTO LAU
EXECUTIVE DIRECTOR

HAWAII GREEN INFRASTRUCTURE AUTHORITY

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813 Telephone: (808) 587-3868
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804

March 31, 2020

The Honorable Chair and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Kekuanaoa Building
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2014-0135 – GEMS FY2021 Annual Plan

The Hawaii Green Infrastructure Authority respectfully submits this Green Energy Market Securitization Program Fiscal 2021 Annual Plan. This report fulfills the requirement for the Annual Plan as specified in Decision and Order No. 32318, filed on September 30, 2014 in Docket No. 2014-0135.

As always, should you have any questions or if I can be of assistance to you, please do not hesitate to contact me.

Sincerely,

Gwen S. Yamamoto Lau
Executive Director

Attachment

cc: Service List

SERVICE LIST

An electronic copy of the GEMS Fiscal Year 2021 Annual Plan hase been filed in Docket No. 2014-0135, together with this Certificate of Service, in addition to the following, at the following addresses:

State of Hawaii (electronic)
Public Utilities Commission
465 S. King Street
Honolulu, Hawaii 96813
puc@hawaii.gov

Dean Nishina (electronic)
Executive Director
Department of Commerce and Consumer Affairs
Division of Consumer Advocacy
PO Box 541
Honolulu, Hawaii 96809
dnishina@dcca.hawaii.gov

Kevin M. Katsura (electronic)
Manager-Regulatory Non-Rate Proceedings
Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.
P.O. Box 2750
Honolulu, Hawaii 96840-0001
Kevin.katsura@hawaiianelectric.com

And by electronic transmission to

Rick Reed
Director
Hawaii Solar Energy Association
P.O. Box 37070
Honolulu, HI 96837
rreed@solarsupply.com

Melissa Miyashiro
Chief of Staff
Blue Planet Foundation
55 Merchant Street, 17th Floor
Honolulu, Hawaii 96813
melissa@blueplanetfoundation.org

Dated: Honolulu, Hawaii, March 31, 2020.

State of Hawaii

Department of Business, Economic Development & Tourism

Hawaii Green Infrastructure Authority

ANNUAL PLAN

Fiscal Year 2021: JULY 1, 2020 – JUNE 30, 2021

REPORT TO THE
STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
Pursuant to:

Hawaii Revised Statutes §196-64(b)
and
Decision and Order No. 32318 filed in Docket No. 2014-0135

MARCH 2020

Table of Contents

1 Executive Summary

Strengthening Commitment to the Underserved. While the Hawaii Public Utilities Commission's Decision and Order No. 32318 filed on September 30, 2014 did not limit GEMS funding to only underserved ratepayers, over the course of this past year, the Authority proactively strengthened its commitment to underserved ratepayers by adopting more stringent eligibility requirements on September 1, 2019, for the remaining funds available.

Progress. The Authority achieved a number of milestones during the year, including:

- Exceeding $90.0 million in loan commitments and facilitating over $120.0 million in clean energy projects;
- Launching its Green Energy Money $aver On-Bill Program;
- Posting excess revenues over expenses, exceeding all prior years' deficits; and
- Celebrating its 5th year in operation.

Over the past year, the Authority continued to approve, commit and deploy capital under its existing loan products. Additionally, on April 8, 2019, Governor Ige announced the official launch of the Green Energy Money $aver ("GEM$") On-Bill Program.

Murray Clay, Ulupono Initiative President; James "Jay" Griffin, PUC Chair; Governor David Ige; Gwen Yamamoto Lau, HGIA Executive Director; and Scott Seu, HECO Senior Vice President

Hawaii's on-bill program has created a buzz nationally and the Authority continues to be invited to participate in forums and webinars to share GEM$ with other states and municipalities.

Financial Viability. As of September 30, 2019, the Authority has committed $90.0 million in GEMS capital, leaving only approximately $7.4 million remaining to lend to State Agencies and $31.2 million

GEMS

Who We Are

The Hawaii Green Infrastructure Authority ("HGIA" or "Authority") was created by the Legislature to make clean energy investments accessible and affordable to Hawaii's rate payers.

HGIA's GEMS financing program was capitalized through an innovative market-driven financing mechanism, accessing non-public funds, to benefit underserved communities, low and moderate-income households, renters, small businesses and non-profits, while collectively advancing the State's Energy Efficiency Portfolio Standards ("EEPS") and support efforts to achieve its 100% Renewable Portfolio Standard ("RPS") goal in the electricity sector by 2045.

remaining to lend to the state's most vulnerable ratepayers. Additionally, the Authority's financial statements reconfirms its ability, if provided the opportunity, to independently support its operations without additional administrative resources from our taxpayers.

Opportunities. In order to achieve the State's goals of energy self-sufficiency, energy security and energy diversification, the investment in clean energy technology and infrastructure is estimated to cumulatively total $12.8 billion.

Due to the significant amount of capital required, it is critical for public finance authorities to leverage private investment with the objective of accelerating clean energy market growth, making energy cheaper and cleaner for ratepayers, driving job creation and preserving taxpayer dollars. Deploying low-cost capital efficiently through financing and lowering the cost of clean energy will spark consumer demand, instead of relying on subsidies, to bring markets to scale. The public sector's goal should be to seek new methods of using public funds in a sustainable manner, with an exponential potential for greater impacts by recycling, reinvesting and relending that same public dollar.

To meet the projected need, the Authority will be actively seeking opportunities to attract outside capital to be blended and leveraged with GEMS funds to stretch the amount we have left to lend. Attracting outside capital will require the establishment of a new fund, tentatively named the Clean Energy and Energy Efficiency Revolving Loan Fund ("Fund"), so not to intermingle these fund balances with GEMS fund balances. This new Fund will enable the Authority to continue its lending programs and further diversify its loan products to meet market needs for our underserved ratepayers.

For Fiscal Year ("FY") 2021, due to the disruption caused by the COVID-19 pandemic, coupled with the more stringent eligibility requirements to access financing, the Authority plans to fund between $10.0 to $15.0 million in funds through its existing and possibly new loan products and programs.

GEMS Impacts at a Glance
(As of December 31, 2019)

Cumulative Excess Revenues Over Expenses*: $1,722,579

Jobs Created or Retained: 1,052

Hawaii Tax Revenue Generated: $12.8 million

Estimated kWh Produced/Reduced: 785,385,964**

Estimated Barrels of Petroleum Displaced: 482,365**

Estimated Metric Tons Greenhouse Gas Avoided: 236,289**

* Excess Revenues over Expenses is does not include $1.3 million in expenditures for loan repayments to be transferred to the Public Utilities Commission.

** Over lifetime of equipment financed.

2 Introduction and Background

The GEMS Program leverages public and private capital to deploy clean energy infrastructure that will contribute towards Hawaii's pursuit of its statutory 100% clean energy goals by 2045 and to help consumers lower their energy costs. Act 211 Session Laws of Hawaii 2013 ("Act 211"), created the framework for establishing the GEMS Program, including its oversight, governance, and reporting processes. The Program is governed by the Hawaii Public Utilities Commission in Docket No. 2014-0135 and the five-member Hawaii Green Infrastructure Authority, consisting of the Director of Business, Economic Development, and Tourism, the Director of Finance, the Energy Program Administrator, and two members appointed by the Governor with the advice and consent of the Hawaii State Senate.

As a part of Act 211, the Authority was established to fulfill specific duties, responsibilities and requirements.[1] As part of its statutory requirements, "the [A]uthority shall submit to the [Commission] an annual plan for review and approval no later than ninety days prior to the start of each fiscal year. The annual plan submitted by the [A]uthority shall include the [A]uthority's projected operational budget for the succeeding fiscal year."[2] The Authority therefore submits this Fiscal 2020 Annual Plan, which covers the period from July 1, 2019 to June 30, 2020 ("Annual Plan").

2.1 Introduction and Procedural History

The Commission issued and filed Decision and Order No. 32318 on September 30, 2014 in Docket No. 2014-0135 (the "Program Order") that approved the "Application of the Department of Business, Economic Development, and Tourism for an Order Approving the Green Infrastructure Loan Program," filed by the Authority ("Application") on June 6, 2014.[3] The Program Order approved the use of funds deposited in the Green Infrastructure Special Fund[4] to establish and implement the GEMS Program, subject to the modifications described within the order.[5]

As stated in the Application and paraphrased from the Preamble of Act 211, the key objectives of the GEMS Program are to:

1. Address financing market barriers to increase the installation of clean energy projects and infrastructure to meet the State's clean energy goals, including the RPS and EEPS Standards;

---

[1] Hawaii Revised Statutes ("HRS") §196-63 to §196-64.

[2] HRS §196-64(b).

[3] 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.

[4] Concurrently with the proceedings in Docket No. 2014-0135, the Commission also examined the financing structure for the issuance of the GEMS bonds in Docket No. 2014-0134 and issued Decision and Order No. 32281, the "Financing Order", that approved the Green Infrastructure Fee that was securitized for the issuance of $150,000,000 in Green Energy Market Securitization Series 2014-A Bonds on November 13, 2014. The GEMS bond sale proceeds were deposited into the Green Infrastructure Special Fund.

[5] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 1 and restated on p. 33.

2. Democratize clean energy by expanding access and affordability of renewable energy and energy efficiency projects for identified underserved markets, while expanding the market generally;
3. Enable more ratepayers to reduce their energy use and energy costs by helping them finance clean energy improvements;
4. Partner with and support existing market entities in the clean energy and financing sector to ensure the GEMS Program can bridge market gaps and facilitate a sustainable and efficient private sector market; and
5. Balance the aforementioned goals and objectives with repayment risk to achieve an appropriate rate of return and build a sustainable financing program.

2.2 Annual Plan Requirements

The Application submitted by the Authority further defined the Annual Plan as containing "information on the budget, operations, and financial plans for the coming fiscal year."[6] The Program Order then placed requirements on the contents of the Annual Plan in addition to the statutory plan requirements in HRS §196-64(b) and the description in the Application. Specifically, the Program Order states that "all parties involved should endeavor to ensure that such capital is used as efficiently as possible for that purpose."[7] The Program Order directs the Authority to develop administrative cost controls and submit them as part of its initial Annual Plan. The Order also requires that the Authority include:

1. Summaries of all Quarterly Report information provided over the Annual Plan reporting period.[8] The Quarterly Reports also contain information required for the Annual Plan, such as:
   a. Information on the use of GEMS funds for utility-scale projects and specifics that need to be reported in the event that GEMS funds are used for utility-scale projects.[9]
   b. A report of the "details of any failure on the part of any Deployment Partner to comply with these consumer protection policies to the [C]omission, including the number of complaints and the steps taken to address such complaints".[10]
   c. Information on utility system costs resulting from GEMS Program-funded projects.[11]

---

[6] See "Application of the Department of Business, Economic Development, and Tourism for an Order Approving the Green Infrastructure Loan Program," filed in Docket No. 2014-0135 on June 6, 2014, at p. 17.
[7] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 38. See Act 211, Section 1 which states that [t]he legistlature further finds that the upfront costs of green infrastructure equipment are a barrier preventing many electric utility customers from investing in these infrastructure installations. Existing programs and incentives do not serve the entire spectrum of the customer market, particularly those customers who lack access to capital or who cannot afford the large upfront costs required, thus creating an underserved market. It is in the public interest to make cost-effective green infrastructure equipment options accessible and affordable to customers in an equitable way.
[8] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 95.
[9] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 59-60.
[10] Consumer protection policies must be developed by the Authority. See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 65-66.
[11] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 97.

2. "[D]etailed consideration and discussion of how the green infrastructure [HGIA] proposes to finance will be successfully integrated into the grid, and how such infrastructure will continue to support the ongoing transformation of the State's electric systems over time."[12]
3. Summarized "[final] details of both the direct billing and On-bill Mechanism to be used in the GEMS Program".[13]

3 Summary of Activities

3.1 Quarterly Report Summary

Since the filing of its last Annual Plan for Fiscal Year 2020 in March 2019, the Authority has submitted four Quarterly Reports to the Commission:

1. Quarterly Report: January 1, 2019 to March 31, 2019;
2. Quarterly Report: April 1, 2019 to June 30, 2019;
3. Quarterly Report: July 1, 2019 to September 30, 2019; and
4. Quarterly Report: October 1, 2019 to December 31, 2019

During the reporting period, the GEMS Program continued funding loans and expanding its product mix. The following is a summary of the activities reported in the Quarterly Reports and filed with the Commission during the 2019 calendar year.

3.1.1 Summary of Administration Activities

The following administrative activities were reported in the Quarterly Reports. Additional activities that occurred after December 31, 2019 are reported in Section 3.2 and will be included in the next GEMS Quarterly Report for the quarter ending March 31, 2020.

- **Board Meetings**. The Authority held the following board meetings during the reporting period:
  - January 28, 2019, at which it approved HGIA's Quarterly Report for the period ended December 31, 2018.
  - March 22, 2019, at which it approved HGIA's 2020 Annual Plan.
  - April 26, 2019, at which it approved HGIA's Quarterly Report for the period ended March 31, 2019.
  - June 14, 2019, at which it approved (1) the establishment of a Permitted Interaction Group to investigate and make a recommendation regarding the allocation of the remaining GEMS loan funds available; (2) a temporary moratorium on accepting commercial applications effective July 1, 2019 pending a recommendation from the Permitted Interaction Group; and (3) conducted a performance evaluation of its Executive Director.
  - July 29, 2019, at which it heard the report and recommendations of the Permitted Interaction Group and approved HGIA's Quarterly Report for the period ended June 30, 2019.

[12] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 50.
[13] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 71.

- August 15, 2019, at which it heard public testimonies regarding the recommendations of the Permitted Interaction Group ("PIG"). It also accepted and approved the recommendations of the PIG, except for the proviso to exclude small businesses; elected new officers for fiscal 2020 and approved lending authority for Director Wong.
- October 23, 2019, at which it approved HGIA's Quarterly Report for the period ended September 30, 2019.
- December 20, 2019, at which it approved a Memorandum of Understanding with the Division of Financial Institutions for a Limited Scope review and HGIA's 2019 Report to the Governor and Legislature; as well as accepted HGIA's 2019 Financial Audit report for the fiscal year ended June 30, 2019 and DBEDT/HGIA's 2019 Bond Fund Audit report for the fiscal year ended June 30, 2019.

3.1.2 Summary of Program Development and Implementation

The following program development and implementation activities were reported in the Quarterly Reports. Additional actions that occurred after December 31, 2019 are reported in Section 3.2 and will be included in the next GEMS Quarterly Report for the quarter ending March 31, 2020.

- **Docket Filings & Activity** – Activity in Docket No. 2014-0135 during the reporting period included the following:
  - Quarterly Report. On January 30, 2019, HGIA's Quarterly Report for the period of October 1, 2018 to December 31, 2018 was filed in Docket No. 2014-0135.
  - Annual Plan. The Authority filed its Annual Plan for the Fiscal Year 2020 on March 27, 2019 in Docket No. 2014-0135.
  - Joint Filing. On April 8, 2019, the Authority and Hawaiian Electric Companies submitted a Joint Filing and related tariffs Pursuant to Order No. 35918 providing the Commission notice that the on-bill repayment mechanism is ready for implementation, in Docket No. 2014-0135.
  - Quarterly Report. On April 29, 2019, HGIA's Quarterly Report for the period of January 1, 2019 to March 31, 2019 was filed in Docket No. 2014-0135.
  - Information Request. On July 10, 2019, the Commission requested information on the GEMS Quarterly Report for the quarters ended June 30, 2018, September 30 2018, December 31, 2018 and March 31, 2019 as well as the 2020 Annual Plan in Docket No. 2014-0135.
  - Quarterly Report. On July 31, 2019, HGIA's Quarterly Report for the period of April 1, 2019 to June 30, 2019 was filed in Docket No. 2014-0135.
  - Motion. On July 31, 2019, the Authority filed a Motion for an extension of time to respond to the Commission's Information Requests in Docket No. 2014-0135. The Commission granted the Authority's extension request on August 12, 2019.

- Response to the Commission. On August 13, 2019, the Authority filed its response to the Commission's information requests in Docket No. 2014-0135.
- Changes to the GEMS Program. On August 20, 2019, the Authority filed a letter to inform the Commission of changes to the GEMS program.
- Information Request. On August 21, 2019, the Commission requested information on the GEMS Quarterly Report for the quarter ended June 30, 2019 in Docket No. 2014-0135.
- Response to the Commission. On September 12, 2019, the Authority filed its response to the Commission's information requests in Docket No. 2014-0135.
- Quarterly Report. On October 24, 2019, HGIA's Quarterly Report for the period of July 1, 2019 to September 30, 2019 was filed in Docket No. 2014-0135.
- Information Request. On December 23, 2019, the Commission requested information on the GEMS Quarterly Report for the quarters ended June 30, 2019 and September 30, 2019 in Docket No. 2014-0135.

3.2 Additional Activities

The following activities represent a summary of some of the activities that have occurred since the last Quarterly Report and which have therefore not yet been reported to the Commission. These items will appear in the Authority's next quarterly report due to the Commission on April 30, 2020, covering the activities from January 1, 2020 through March 31, 2020.

- Response to the Commission. On January 17, 2020, the Authority filed its response to the Commission's information requests in Docket No. 2014-0135.
- Board Meeting. The Authority held a board meeting on January 24, 2020, at which it approved HGIA's quarterly report for the period ended December 31, 2019.
- Quarterly Report. On January 27, 2020, the Authority filed its Quarterly Report for the period ended December 31, 2019 in Docket No. 2014-0135.

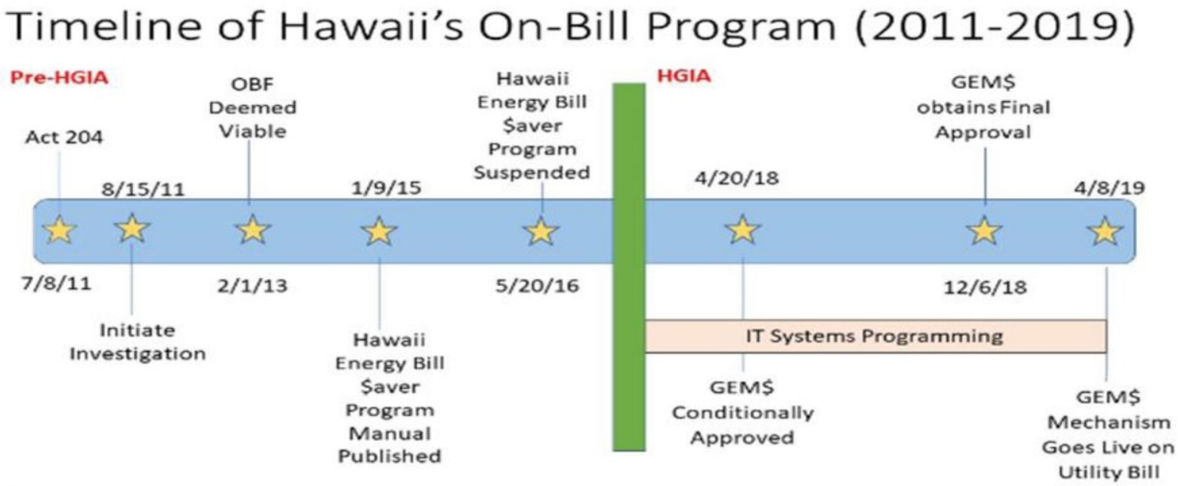
3.3 Program Metrics

HGIA's Program Metrics are regularly reported in detail in its Quarterly Reports. Please refer to the Authority's Quarterly Reports filed in Docket No. 2014-0135 for details.

4 Program Highlights

Lending activity markedly increased, up over 311%, due to the launch of the GEM$ On-Bill Program, a significant accomplishment which implemented a 2011 vision of the Hawaii State Legislature.

The journey of Hawaii's on-bill financing program began with Act 204, which was signed into law on July 8, 2011 and culminated after almost eight years of work invested by the Hawaii Public Utilities Commission, the Hawaiian Electric Companies and other energy stakeholders.

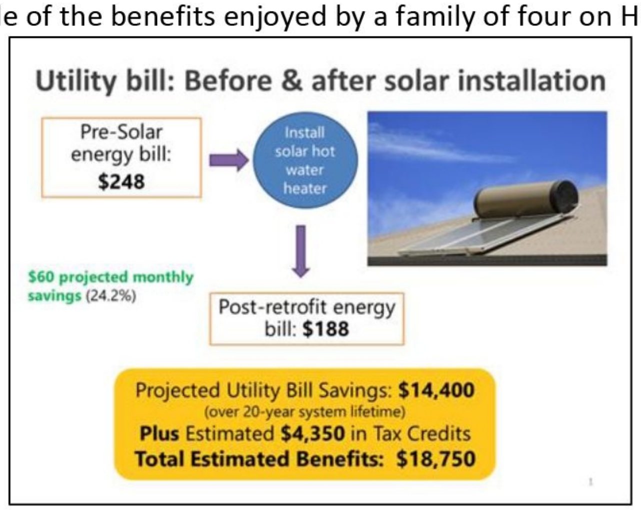


While the PUC, utility and energy stakeholders were hard at work on Hawaii's on-bill program since August 2011, as reflected in the timeline above, HGIA was not actively involved with the development of this program until after 2016, when the PUC suspended the Hawaii Energy Bill $aver Program and directed the utility to work with HGIA to design and implement an on-bill repayment mechanism.

The unique features of GEM$, which enables the program to qualify low and moderate-income homeowners, renters, nonprofits and small businesses, includes:

- Non-traditional underwriting, which means no credit reports and no debt-to-income calculations;
- Funds paid to install the energy improvement are tied to the utility meter (not a person), which allows the obligations to transfer from ratepayer to ratepayer, a critical component for rental properties.
- Below market interest rates and longer terms to enable more ratepayers to enjoy immediate bill payment benefits as well as environmental benefits.

The following is an example of the benefits enjoyed by a family of four on Hawaii Island:



"Accessibility and affordability are other challenges to tackle getting to 100%. Becoming a prosumer and having agency over energy choices is very hard for renters and single-family homeowners. Programs like the Green Energy Money $aver Program, known as GEM$, are working to mitigate that barrier for consumers."

Will Giese, Executive Director, HSEA
Hawaii's Charge to Reach 100% Renewable
Pacific Business News, September 13, 2019

With 43% of Hawaii's households renting and almost half of Hawaii's households classified as ALICE (Asset Limited Income Constrained, Employed), or below, the Authority realized that it was important to Hawaii's policy makers and regulators that Hawaii's on-bill program be designed for low and moderate-income households, renters, non-profits and other hard-to-reach segments.

Accordingly, as GEMS funds available to lend continued to decrease, the Authority felt it important to pause from its "first come, first served" policy to deploy funds to eligible borrowers as quickly as possible, to determine if certain underserved and hard-to-reach segments should be provided more time to adopt clean energy. To accomplish this, HGIA's Board of Directors approved the establishment of a Permitted Interaction Group ("PIG") on June 14, 2019 to investigate and make a recommendation regarding the allocation of the remaining GEMS loan funds. On July 29, 2019, the PIG presented its findings and on August 15, 2019, HGIA's Board of Directors approved changes to the GEMS Program, effective September 1, 2019.

The Authority's decision was based on (1) guidance provided by the PUC emphasizing the importance of equitable access to GEMS funds for Hawaiian Electric Companies' customers on all islands and the allocation of funds to underserved customers; (2) the recommendations of the Permitted Interaction Group, and (3) the testimonies presented to HGIA.

While small businesses are not classified as "underserved" in the PUC's Decision and Order 32318, small businesses are considered the backbone of Hawaii's economy. In fact, about 98 percent of all Hawaii businesses are small businesses, and many of them are challenged by access to loan capital at reasonable costs. Further, in the PUC's 2019 Legislative Report, small businesses were considered alongside low-income ratepayers and renters as "hard-to-reach" customers".

"I think without the GEMS program, I don't know that it would have been as easy for the bank to yes. So we're very grateful to the State that they have that program…"

Garrett Marrero, Maui Brewing
Pacific Business News, January 10, 2019

Recognizing that while there is a tension and need for timely clean energy adoption in general, the Board agreed with the Permitted Interaction Group ("PIG") that while it will slow the pace of loan deployment, the real opportunity and objective of the GEMS program should be to provide access to capital for clean energy adoption to the underserved and hard-to-reach.

To effectively manage the use of the remaining GEMS funds and to ensure HGIA achieves its key program objective of democratizing clean energy for Hawaii's low and moderate-income families, renters, and other hard-to-reach segments, effective September 1, 2019, HGIA has set fund allocations for specific segments and will only lend to the following:

Segment	% Allocation
Low and Moderate-Income (as defined by the U.S. Housing and Urban Development) Single-Family residential homeowners and renters	20%
Small Businesses (as defined by the U.S. Small Business Administration)	15%
Multi-Family Rental Projects	35%
Nonprofits	30%

HGIA sets new program allocations in effort to make green energy 'more affordable'

Sep 9, 2019, 2:48pm HST

The Hawaii Green Infrastructure Authority's new fund allocations for its programs, which were established in an effort to reach different market segments of utility ratepayers, went into effect Sept. 1.

"When it comes to supporting solar loans for low income households, Hawaii's GEMS program is an excellent model."

What Should A Great Low-Income Solar Program Look Like?
SolarPowerRocks.com, September 20, 2019

Through the generosity of a public relations and communications grant from the Ulupono Initiative, the Authority was able to step up its external outreach with the following activities:

Articles and Publications. Twenty-Five (25) articles, publications or mentions by **24/7 Wall Street** *("The Most Eco-Friendly States in America")*, **Aurora Blog** *("The Green Bank Programs Making*

Solar Financing More Accessible"), **Big Island Now** *("New Program Makes Clean Energy More Accessible…"; "HGIA Strengthens Commitment to Low and Moderate-Income…")*, **Electrek** *("EGEB: Plans for World's Largest Battery…")*, **Environmental and Energy Study Institute** *("Hawaii Launches Innovative Financing Model for Clean Energy")*, **Governor's E-Newsletter**, **Governor's Website** *("GEM$: Making Clean Energy Affordable for Consumers"; "Taking Action Statewide for a Sustainable Hawaii")*, **GreenTech Media** *("Hawaii's On-Bill Financing Program Unlocks Energy Upgrades for the Masses")*, **Grid Edge** *("Hawaii's On-Bill Financing Program Unlocks Energy Upgrades…")*, **Hawaii Business Magazine** *("Green Hawaii Insert")*, **Hawaii Home + Remodeling Magazine** *("Green Hawaii Insert")*, **Hawaii Public Radio**, **Honolulu Magazine** *("Green Hawaii Insert")*, **Ho'oku'i Newsletter** *("On-Bill Program Supports Clean Energy Goals")*, **MauiNow** *("Governor Ige Announces New Clean Energy Program")*, **MauiTime** *("New GEM$ Program Takes Hawaii Closer to Green Energy Goals")*, **Pacific Business News** (*"Maui Brewing invests over $9.0 million…'; "Hawaii Green Energy Loan Programs Sees Revival…"; "HGIA Sets New Program Allocations…"; "Hawaii's Charge to Reach 100% Renewable"; "Industry Update: What's Making Headlines in Hawaii's Energy Sector")*, **Progressive Labs** (*"Why Green Banking May Help Pave the Way for a Green New Deal")*, **Solar Power Rocks.com** *("Affordable Solar Power for Low-Income Families…"; "A 2019 Update to Affordable Solar in Hawaii"; "What Should a Great Low-Income Solar Program Look Like?")*, **The Maui News** *("On-Bill Program to Help Pay for PV, Solar Heaters")*, and **Utility Dive** *("Hawaii Launches On-Bill Financing Program…")*.

Presentations. The Authority conducted eighteen (18) presentations in person or via webinar, including "*Green Energy Money $aver On-Bill Program: Democratizing Energy for our Native Communities*" for the **Office of Hawaiian Affairs**; the **Governor's News Conference**; "*GEM$ Financing Update*" for the **Hawaii Energy Solar Contractor Meetings** in Hilo, Maui and Oahu; "*GEM$ On-Bill Financing"* featured on the **Solar Coaster Radio Show**; *"GEMS 2.0: Innovative & Inclusive"* for the **ReNew ReBuild Hawaii Forum**; *"Drivers and/or Barriers to Adopting Clean Energy"* for the **HECO Integrated Grid Planning Meeting**; *"Financing Your Energy Efficiency Project"* for **Hawaii Energy's Lunch & Learn**; *"Taking Green Banks to Scale"* (along with Michigan Saves and NYSERDA) at the **American Green Bank Summit**; *"Financing the Low-Carbon Future"* (along with Connecticut Green Bank, New York Green Bank, Michigan Saves and Rhode Island Green Bank) at the **Atlantic Council**; *"Energy Efficiency Financing Options"* for the **Departments of Public Safety and Accounting & General Services**; **USDA Energy Roundtable Panel** (along with USDA, US Small Business Administration and Hawaii Energy); Stan the Energy Man; *"The Ins and Outs of On-Bill Financing"* webinar (along with the American Council for an Energy Efficient Economy and the City of Tallahassee, Florida) sponsored by the **Environmental Protection Agency**; *"Unlocking Solar Benefits for Underserved Communities Through On-Bill Financing"* (along with the Environmental and Energy Study Institute, Ouachita Electric Cooperative in Arkansas, and Vote Solar) sponsored by the [National] **Solar Energy Industry Association**; a presentation to graduate students from the **Tucks School of Business**, Revers Center for

Energy, and a **Congressional Briefing** on Financing Climate Mitigation and Resilience: Lessons from Hawaii sponsored by the Environmental and Energy Study Institute.

Tradeshows/Exhibits. The Authority participated in four tradeshows as an exhibitor, including, the Hawaii Energy Innovation Symposium, Hawaii Small Business Fair, Council for Native Hawaiian Advancement Convention Marketplace and the Hawaii Solar Energy Association Expo.

Collateral Material. New, more consumer friendly, collateral material were produced.

5. Budget and Administrative Cost Controls

While the Authority has funded some $27.5 million in loans over the last calendar year, it estimates funding approximately $10 to $15.0 million over the next fiscal year due to the more stringent eligibility requirements committing the remaining GEMS capital to only underserved ratepayers defined as low and moderate-income households, renters, nonprofits, small businesses and multi-family projects, coupled with the significant disruption caused by the COVID-19 pandemic. The Authority will focus its efforts during the upcoming year on strengthening internal infrastructure to mitigate operating risk and decrease errors caused by manual processing and anticipates Administrative & Program Expenses of $1.2 million (see Section 4.1 for details).

While in theory, and based on the administrative cost controls submitted as part of its initial Annual Plan on March 31, 2015, the Authority is self-sustaining with revenues <u>exceeding</u> administrative costs, due to Order No. 34930 Changing the Priority of Uses of GEMS Program Loan Repayments, loan repayments received are now required to be applied first toward the replenishment of the reduced Public Benefits Fee collections before the payment of GEMS Program administrative costs, thereby converting a self-sustainable program into an unsustainable one.

5.1 Proposed Administrative Budget for FY 2021

HAWAII GREEN INFRASTRUCTURE AUTHORITY

ADMINISTRATIVE STAFF	
Salaries	$ 498,416
Fringe Benefits	302,803
Subtotal	$ 801,219
OPERATING EXPENSES	
Office Expenses and Equipment	$ 10,700
Travel Transportation & Subsistence	6,000
Training & Other Support	15,000
Bank Fees	150,000
Subtotal	$ 181,700
PROGRAM MARKETING, OUTREACH & SUPPORT	
Program Administration	$ 231,940
Legal Services	26,500
Accounting Services	86,500
Contractor Outreach, Marketing & Business Development	11,500
Subtotal	$ 356,440
REPAYMENTS AND BAD DEBT (NON OPERATING EXPENSES)	
PUC Repayment	$ 2,500,000
Allowance for Bad Debt	150,000
Subtotal	$ 2,650,000
TOTAL BUDGET	$ 3,989,359
Less: Bank Fees	$ (150,000)
PUC Repayment	$(2,500,000)
Allowance for Bad Debt	(150,000)
Administrative & Program Expenses	$ 1,189,359

The Total Budget for 2021 of almost $4.0 million appears significantly higher than last year's budget of 1.1 million, however, the "apple to apple" comparison of administrative and program expenses only increased by approximately $111,000 or 10%.

The Authority will be embarking on the following initiatives during the upcoming year to mitigate operational risks, increase efficiencies, and comply with Comptroller's Memorandums:

- <u>Administrative Expenses</u>: In accordance with Comptroller's Memorandum No. 2019-12, the Authority increased Fringe Benefits by over $17,000 or 6%.
- <u>Operating Expenses</u>: A new expense category of $150,000 in Bank Fees is being included in the budget. When the original RFP for banking services was issued in 2014, this original RFP focused on a low-fee depository account. As a result, bond proceeds were held in a low-fee, low-yielding account in a mainland trust bank. In 2018, the Authority issued a new RFP for Commercial Banking Services, with a focus on convenient online products and services, competitive yields and fees. As a result, on November 1, 2018, the depository relationship was transferred to a local bank. This line item accounts for estimated bank fees over the next fiscal year. More than offsetting these fees are almost $2.0 million in anticipated investment interest income.
- <u>Automating Processes</u>. To increase efficiencies and reduce human errors due to manual processes, the Authority will be embarking on automating its underwriting utilizing an online loan portal and subscribing to a commercial loan servicing solution. The development of the online portal is estimated at $200,000. This cost shall be capitalized and recognized over a five-year period. The cost for the commercial loan servicer is estimated at $35,000, which shall also be capitalized and recognized over a five-year period. Additional Salesforce, DocuSign and FICS annual subscriber fees are also included in the budget. Additionally, HGIA's loan servicer is requiring additional programming to further automate GEM$ on-bill program electronic feeds from the utility's core system.
- <u>Outsource Accounting & Bookkeeping Services</u>. For a higher level of accounting expertise and in accordance with Comptroller's Memorandum 2019-14, HGIA will be outsourcing its accounting and bookkeeping services, increasing Accounting Services expenses by $26,500 or 44%.
- <u>PUC Loan Repayment</u>. The transfer of loan repayments to the PUC are estimated to be $2.5 million for the upcoming fiscal year.
- <u>Allowance for Bad Debt</u>. While the Authority has not yet suffered a loss on any of its loans, and while the Authority is not regulated by the Federal Deposit Insurance Corporation, HGIA is incorporating policy required by Federal regulators to be consistent with generally accepted accounting principles and is budgeting a $150,000 allowance.

6 Operational and Financing Plans for FY 2021

Leveraging public funds to attract private capital to facilitate clean energy adoption will remain a priority for the State to achieve its clean energy goals, both in the electricity and transportation sectors. With sufficient loan capital, the Authority is poised to play a critical role in the transition by providing below-cost, flexible financing with public funds that can be re-used, re-cycled and re-loaned in a sustainable manner.

In addition to continuing to deploy loan funds in existing programs, the Authority's goals over the next year is to:

1. **Expand loan programs/products to fill market gaps and facilitate clean energy adoption in alignment with the state's goals.** This goal may be achieved and measured in a number of ways, such as:
   - Secure additional loan capital.
     With only a limited amount of GEMS loan capital left, HGIA will be seeking additional loan capital.

     The success of HGIA's ability to source additional loan capital will depend on the Legislature's approval to create a vehicle, such as a Clean Energy and Energy Efficiency Revolving Loan Fund, in which to deposit this new loan capital.

   - Launch additional loan products.
     New loan products and revising the eligibility requirements for existing products could include but not be limited to (1) leveraging the Green Energy Money $aver On-Bill repayment mechanism to facilitate Community Based Solar projects; (2) introducing a PV + Storage loan product; and (3) modifying the existing GEM$ on-bill program to enable HGIA to still provide financing options, like solar hot water heaters for those LMI households with prior disconnection notices, all of which will require approval from the PUC.

   - Increase leverage of private capital.
     Lastly, exponentially increasing impact with the remaining available funds remaining may be accomplished by increasing the leverage of private to public capital. This may be achieved by providing credit enhancements to traditional lenders.

2. **Automate**. As described above, the Authority's focus shall also be to increase efficiencies and increase the accuracy of data and reports, by automating its underwriting and commercial loan servicing.

7 Conclusion

The Authority is uniquely positioned to have a significant, positive impact in the coming years. As a market-based program, it is critical for GEMS financing to remain flexible and open to innovation in a rapidly moving sector of the market.

Additionally, the GEM$ on-bill repayment mechanism has tremendous potential to open new markets and enable more underserved ratepayers to access clean energy.

The ambitious goals of the GEMS program cannot be achieved without with the support and collaboration of the Commission, the Consumer Advocate, the electric utility and industry partners, for which the Authority is deeply grateful.