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 29, 2021

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 – HGIA Annual Plan

The Hawaii Green Infrastructure Authority respectfully submits this Green Energy Market Securitization Program Annual Plan for the Fiscal Year 2022: July 1, 2021 to June 30, 2022. This report fulfills the requirement for the Annual Plan in accordance with Hawaii Revised Statutes §196-64(b) and 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 HGIA's Fiscal Year 2022 Annual Plan has 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
consumeradvocate@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

Robert Mould
Executive Director
Hawaii Solar Energy Association
P.O. Box 37070
Honolulu, HI 96837
rmould@hsea.org

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

Dated: Honolulu, Hawaii, March 29, 2021.

Hawaii Green Infrastructure Authority

Making green energy accessible and affordable for Hawaii's underserved ratepayers

Annual Plan
Fiscal Year 2022:
July 1, 2021 – June 30, 2022

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 2021

Department of Business, Economic Development & Tourism

CONTENTS

I. Executive Summary

COVID-19 Response. With the onset of the pandemic early last year, followed by the Governor's Stay-At-Home Order issued effective March 25, 2020, the Authority, along with other state agencies, departments, businesses and nonprofit organizations immediately leaned in to assist our clients. Best defined by the Hawaiian term, *huki like* – to work shoulder-to-shoulder to get the job done – the Authority joined other entities in rising to the occasion to help businesses and displaced workers in need, utilizing our resources as best needed to serve Hawai'i.

Progress. Like the rest of the state, nation and world, the COVID-19 pandemic disrupted HGIA's implementation of its FY2021 goals and objectives. In spite of a number of commitments aggregating $11.1 million being cancelled during the year, the Authority accomplished the following:

- Continued its focus on providing clean energy financing to underserved ratepayers by committing an additional $8.8 million in loan capital. Aggregate loan funds committed as of December 31, 2020 totaled $87.4 million, facilitating over $114.0 million in clean energy projects;
- Recognized by the U.S. Department of Energy as a 2020 Goal Achiever for exceeding its fiscal 2020 $25.0 million funding goal;
- Responded in a number of ways to the COVID-19 pandemic; and
- Started its risk mitigation, automation and efficiency projects.

Opportunities. While the pandemic has resulted in projects being reconsidered or delayed, with President Biden's proposed Recovery Plan, additional Federal funds may become available to green banks across the nation.

In preparation, the Authority has been working with key legislators to establish a loan 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 and advance the State's clean energy goals.

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.

2. Dashboard

Impacts

As of December 31, 2020

Economic Multiplier Impact: $238.9 Million

Jobs Created or Retained: 1,175

Hawaii Tax Revenues Generated: $14.4 Million

Est. kWh Produced/ Reduced over Lifetime: 851,019,829

Est. Barrels of Petro Displaced Over Lifetime: 855,521

Est. Metric Tons GHG Avoided over Lifetime: 255,964

3. 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 State's Chief Energy Officer, 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 2022 Annual Plan, which covers the period from July 1, 2021 to June 30, 2022 ("Annual Plan").

3.1 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;
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;

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[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.

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.

3.2 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]
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]

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[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.

[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.

4. Summary of Activities

4.1 Quarterly Report Summary

Since the filing of its last Annual Plan for Fiscal Year 2021 in March 2020, the Authority has submitted four Quarterly Reports to the Commission:

1. Quarterly Report: January 1, 2020 to March 31, 2020;
2. Quarterly Report: April 1, 2020 to June 30, 2020;
3. Quarterly Report: July 1, 2020 to September 30, 2020; and
4. Quarterly Report: October 1, 2020 to December 31, 2020

During the reporting period, the Authority continued funding loans and worked on COVID-19 relief projects. The following is a summary of the activities reported in the Quarterly Reports and filed with the Commission during the 2020 calendar year.

4.1.1 Summary of Administration Activities

The following administrative activities were reported in the Quarterly Reports. Additional activities that occurred after December 31, 2020 are reported in Section 4.2 and will be included in the next GEMS Quarterly Report for the quarter ending March 31, 2021.

- **Board Meetings**. The Authority held the following board meetings during the reporting period:
  - January 24, 2020, during which it approved HGIA's Quarterly Report for the period ended December 31, 2019.
  - March 27, 2020, during which it approved an emergency postponement of loan payments and a temporary moratorium on collection activities to provide relief to GEMS borrowers due to the negative economic impact of the COVID-19 pandemic, and HGIA's Fiscal 2021 Annual Plan.
  - April 29, 2020, during which it approved HGIA's Quarterly Report for the period ended March 31, 2020.
  - July 24, 2020, during which it elected Scott Glenn as Vice Chair and Dennis Wong as Secretary and approved HGIA's Quarterly Report for the period ended June 30, 2020.
  - October 28, 2020, during which it approved HGIA's Quarterly Report for the period ended September 30, 2020.
  - December 18, 2020, during which it accepted HGIA's 2020 Financial Audit report for the fiscal year ended June 30, 2020 and DBEDT/HGIA's 2020 Bond Fund Audit report for the fiscal year ended June 30, 2020, and approved the Authority's 2020 Report to the Governor and Legislature.

4.1.2. 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, 2020 are reported in Section 4.2 and will be included in the next GEMS Quarterly Report for the quarter ending March 31, 2021.

- **Docket Filings & Activity** – Activity in Docket No. 2014-0135 during the reporting period included the following:
  - Response. The Authority filed a Response to the Commission's Information Requests dated December 23, 2019 on January 17, 2020 in Docket No. 2014-0135.

- Quarterly Report. On January 27, 2020, HGIA's Quarterly Report for the period of October 1, 2019 to December 31, 2019 was filed in Docket No. 2014-0135.
- HGIA's Temporary COVID-19 Assistance. On March 27, 2020, the Authority submitted HGIA's Resolution on Temporary COVID-19 Assistance to inform the PUC of its intended actions. Said Resolution was filed on March 31, 2020 in Docket No. 2014-0135.
- PUC Acknowledgement. The Commission acknowledged the Authority's COVID-19 related plans and confirmed that these actions are consistent with the Commission's interest in encouraging new proposals that can help residents and businesses better manage their utility bills during this emergency via a letter filed on March 31, 2020 in Docket No. 2014-0135.
- Annual Plan. The Authority filed its Annual Plan for the Fiscal Year 2021 on April 2, 2020 in Docket No. 2014-0135.
- Quarterly Report. On April 30, 2020, HGIA's Quarterly Report for the period of January 1, 2020 to March 31, 2020 was filed in Docket No. 2014-0135.
- Quarterly Report. On July 31, 2020, HGIA's Quarterly Report for the period of April 1, 2020 to June 30, 2020 was filed in Docket No. 2014-0135.
- Repayment Instructions. On September 4, 2020, the Commission filed a Repayment Instructions letter in Docket No. 2014-0135 instructing HGIA on which transaction codes to use to transfer GEMS loan repayments to the PUC.
- Information Request. On October 26, 2020, the Commission requested information on the $4,004,860.68 that HGIA transferred to the Public Utilities Commission, filed in Docket No. 2014-0135.
- Quarterly Report. On October 30, 2020, HGIA's Quarterly Report for the period of July 1, 2020 to September 30, 2020 was filed in Docket No. 2014-0135.
- Response to the Commission. On November 9, 2020, the Authority filed its response to the Commission's information request in Docket No. 2014-0135.

4.2 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, 2021, covering the activities from January 1, 2021 through March 31, 2021.

- Board Meeting. The Authority held a board meeting on January 27, 2021, at which it approved HGIA's quarterly report for the period ended December 31, 2020.
- Quarterly Report. On January 28, 2021, the Authority filed its Quarterly Report for the period ended December 31, 2020 in Docket No. 2014-0135.
- Presentations. The Authority participated in the House Committee on Pandemic & Disaster Preparedness Information Briefing for CARES funded programs on January 6, 2021; the Hawaii State Energy Office & Hawaii Energy Policy Forum's 2021 Legislative Energy Briefing on January 15, 2021; conducted a presentation to the Molokai community on January 26, 2021; participated in a Clean Energy Financing Program for the California Public Utilities Commission

on January 29, 2021 and was a panelist for a Social Equity Forum sponsored by Renew Rebuild Hawaii on March 23, 2021.

4.3 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.

5. Program Highlights

5.1 COVID-19 Response

HGIA's COVID-19 Responses included the following:

5.1.1 Loan Deferrals

In response to the Governor's Stay-At-Home order effective March 25, 2020 to prevent the spread of the virus, the Authority quickly shifting its focus from loan origination to loan servicing to help borrowers negatively impacted by the COVID-19 pandemic by offering loan deferrals for up to six months. Approximately 63% of HGIA's residential portfolio and 89% of its commercial portfolio opted in for the deferral.

From the Pacific Business News:
https://www.bizjournals.com/pacific/news/2020/03/31/hawaii-green-infrastructure-authority-board.html

Hawaii Green Infrastructure Authority Board approves loan deferrals

Mar 31, 2020, 12:56pm HST

In an effort to lessen the financial impact of the COVID-19 outbreak on residents and businesses in Hawaii, the board of directors of the Hawaii Green Infrastructure Authority (HGIA) approved an emergency postponement of direct loan and on-bill loan payments to the Green Energy Money Saver On-Bill Program last Friday.

Interested borrowers of loans under the GEMS Program can opt-in to defer payments for up to six months.

The Green Energy Money Saver program helps

In its letter to the Authority dated March 31, 2020 acknowledging HGIA's plan to provide temporary relief to all GEMS borrowers due to the negative economic impact of COVID-19, the Commission requested that the Authority develop a plan on how it will repay the Public Benefits Fund after the temporary assistance is offered under the proposed plan, and include details of that compensation plan as part of its next Annual Plan.

The Commission correctly anticipated that said assistance would reduce near-term repayments to the Public Benefits Funds, however, as the assistance offered were loan deferrals and not loan forgiveness, the amounts deferred, while delayed by six months, are still due and payable in full.

Additionally, due to the state of the national economy, the Treasury has activated a number of monetary policy tools, resulting in mortgage rates dropping to an all-time low. This has resulted in many GEMS borrowers refinancing their mortgage to consolidate debt, including their GEMS loan. As a result, the Authority is experiencing a higher than normal level of prepayments, which will likely offset the impact of the temporary payment deferrals.

5.1.2 SBA Paycheck Protection Program Outreach and Technical Assistance

As an agency attached to DBEDT, HGIA supported small businesses by participating in a number of community outreach efforts in April 2020, encouraging small businesses to apply for SBA's Paycheck Protection Program (PPP). Outreach included:

- The Windward Business and Non-Profits Town Hall sponsored by Senators Laura Thielen and Jarrett Keohokalole; Representatives Chris Lee, Cynthia Thielen, Lisa Kitagawa and Scot Matayoshi; and Councilmember Ikaika Anderson on April 6, 2020;
- Governor Ige's Community Connection Broadcast on April 7, 2020 with Dennis Ling, which posted 12,600 views;
- A Chinatown Small Business Technical Assistance Training sponsored by Congressman Ed Case and Councilmember Carol Fukunaga on April 16, 2020; and
- A podcast with Ryan and Yunji on April 27, 2020.

Additionally, through the various ethnic Chambers, HGIA facilitated the translation of the SBA's PPP application into Chinese, Korean, Japanese, Tagalog, Thai and Vietnamese to assist our [English as a Second Language] small business owners.

Community Connection on Facebook live: Dennis Ling, DBEDT; Governor David Ige; and Yamamoto Lau

5.1.3 Hawaii Restaurant Card

HGIA served as project lead for the Hawaii Restaurant Card, a public-private economic stimulus program to inject $75.0 million of Federal CARES Act funds into Hawaii's economy to immediately drive business to the struggling restaurant industry and stimulate economic activity for the state's entire food supply chain, including farmers, fishermen, ranchers and distributors, while providing direct assistance to unemployed residents who have been negatively impacted by the COVID-19 pandemic.

Alyssa Lee, Da Farm; Sherry Menor-McNamara, Chamber of Commerce Hawaii; Rich Wacker, American Savings Bank; Yamamoto Lau; and Governor David Ige (10/14/20)

Hawaii Restaurant Card Economic Impacts

Accounts Enrolled
148,576
Cards Activated
142,504 or 95.9%

Dollars Loaded
$ 74,288,000
Dollars Spent
$69,332,750 or 93.3%

Administrative Overhead of less than 1.0% (0.928% or $650,000)

Multiplier Output
$ 151,233,083

State Tax Revenue Generated
$ 8,858,929

Jobs Created/Retained
1,162

Data by County

Cumulative to date	Hawaii	Honolulu	Kauai	Maui	Allocated to State
Total amounts spent for period	$ 8,966,688	$39,629,668	$5,418,771	$13,851,944	$ 1,465,679
Total transactions for period	234,199	1,192,769	144,581	372,933	113,881
Average transaction value for period	$ 38.00	$ 33.00	$ 37.00	$ 37.00	$ 13.00
Total restaurant locations where cards redeemed	561	2,270	307	581	305
Average transaction value per restaurant for period	$ 15,983	$ 17,458	$ 17,651	$ 23,842	$ 4,806
Transaction percentage by county	13%	57%	8%	20%	2%

Due to the success of the HRC Program, private industry banded together to purchase over 26,000 Hawaii Restaurant Card – Business Holiday Cards to continue to help and invest private capital into the struggling restaurant industry and food supply chain through the first quarter 2021.

Yamamoto Lau; Rich Wacker, American Savings Bank;
Steven Ai, City Mill; and Kim Gennaula, Iolani School (11/12/20)

5.2 Lending Activities

5.2.1 Focus on the Underserved

The Authority continued to originate, underwrite, approve and fund loans to underserved ratepayers during the year leveraging its on-bill repayment mechanism and making clean energy more accessible to previously hard to reach ratepayers.

5.2.2 Department of Energy Goal Achiever

The U.S. Department of Energy recognized the Hawaii Green Infrastructure Authority as a 2020 Goal Achiever for exceeding its $25.0 million funding goal this past fiscal year.

5.3 Program Visibility

During the year, HGIA's financing programs were featured in a number of local and national publications, including the following:

- An editorial column in the Star Advertiser, "In a decade, Hawaii has made great progress on clean energy (https://www.staradvertiser.com/2019/12/31/editorial/island-voices/column-in-a-decade-hawaii-has-made-great-progress-on-clean-energy/);
- American Green Bank Consortium's "Green Banks in the United States 2020 U.S. Green Bank Annual Industry Report" (https://greenbankconsortium.org/annual-industry-report);
- "Better Buildings Initiative Partners Save $11B in Energy Costs" – Utility Dive Facility Executive; U.S. Department of Energy; electricenergyonline.com; buildings.com; June 10, 2020, recognizing DOE Partners and Allies (including HGIA), that achieved its energy financing goals during the year.
- Blue Planet Foundation's Waypoints Report for more sustainable Hawaii (https://www.bizjournals.com/pacific/news/2020/07/18/blue-planet-foundation-report-lays-out-waypoints.html);
- the Environmental and Energy Study Institute's "A Resilient Future for Coastal Communities, Federal Policy Recommendations from Solutions in Practice"; and the Rocky Mountain Institute's "State of Green Banks 2020."
- "State of Green Banks 2020, Rocky Mountain Institute
- "Rise Up Midwest: Our Call to Action for a Midwest Clean Energy Transition," On-Bill Financing Programs: Increasing Solar Adoption and Energy Equity, December 2020

The Authority also participated in the following Zoom presentations during the year:

- Congressional Briefing hosted by the Environmental and Energy Study Institute on March 20, 2020 for Federal policy makers and Congressional staff;
- "Powering the Solar LMI Market with On-Bill Financing" panel on October 22, 2020 during Solar Power International's North America Smart Energy Week Virtual Education Micro-conference;
- "Climate Finance for Climate Justice: Green Banks at Work for Vulnerable Communities panel on November 19, 2020, hosted by the Coalition for Green Capital; and
- "Environmental Justice Panel" on December 8, 2020 during the Second Annual U.S. Green Bank Summit.

5.4 Expand Lending

The Authority had planned on expanding its lending activities during the year utilizing three multi-year tactics, as follows:

5.4.1 Securing Additional Loan Capital

In early 2020, the US Department of Agriculture made its Rural Energy Savings Program, which previously offered 0.0% interest loans only to rural utilities, available to Green Banks nationwide. In order to access this capital source, HGIA needs a revision in its statute to allow debt from the Federal government. HB1844, which was introduced in January 2020, passed the Energy Committees in both the House and Senate. However, the bill was not heard before the session ended in July. Working with key Legislators, HB558 and SB932 were introduced and both are currently waiting to be heard in FIN and WAM.

Together with BDSD, the office of planning and the Hawaii Community Reinvestment Corporation, the Authority is working with investors on a number of potential Opportunity Zone investments on the neighbor islands.

5.4.2 Launch New Loan Products

Launch new loan products. The Authority initially started the development of new loan products, however, when the Stay-At-Home order was issued to prevent the spread of the virus, essentially shutting down all non-essential businesses, the Authority quickly shifting its focus from new product development to helping borrowers impacted by COVID-19 by offering loan deferrals for up to six months. Approximately 63% of its residential portfolio and 89% of its commercial portfolio opted in for the deferral.

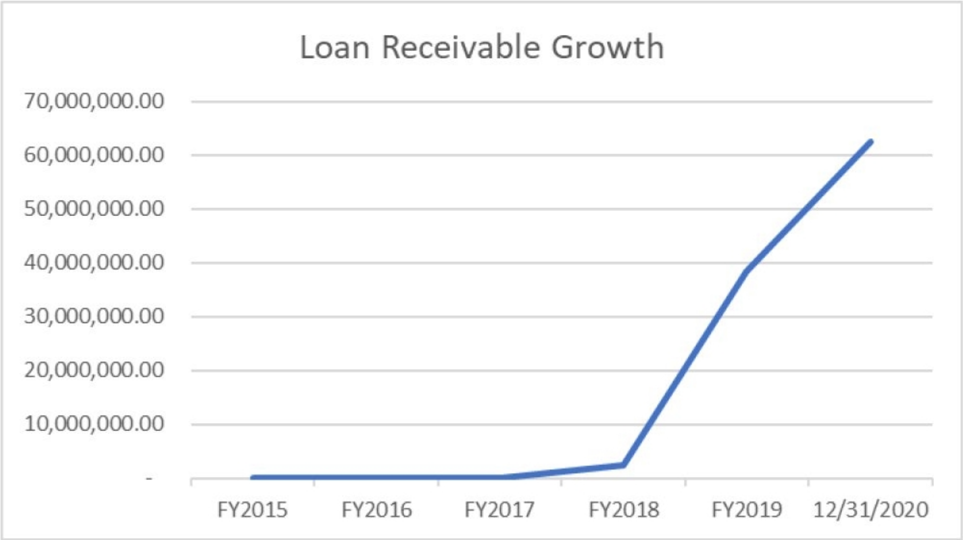
With many unemployed LMI households unable to pay their energy bill, underwriting modifications will be required to assist these ratepayers by lowering their energy cost after the moratorium on utility disconnections is lifted. The Authority will work with the PUC on this modification, as well as continue to develop new products based on market demand.

5.4.3 Increase Private Capital Leverage

Increase leverage of private capital. Similarly, the Authority hoped to explore the opportunity and viability of increasing leverage of private capital from banks and credit unions during 2020. Unfortunately, the pandemic has decimated Hawaii’s tourism industry and economy with temporary and permanent closure of businesses and the highest unemployment rate in the nation. This has also resulted in a shift in priorities for banks and credit unions from expansion in lending, to risk mitigation, debt restructuring and other loss prevention activities.

5.5 Operational Risk Mitigation

HGIA’s loan portfolio has grown significantly over a relatively short period of time, from $10,100 at fiscal year ended June 30, 2016 to $62.4 million at calendar year end December 31, 2020.



An important goal during the year has been mitigating operational risks and increasing efficiencies.

Operational risk mitigation included increasing redundancy in technical expertise, outsourcing accounting functions and leveraging software and technology. In addition to leveraging technology to increase efficiencies, the Authority also planned to engage a 3rd party to review all of HGIA's existing processes, procedures and workflow to recommend enhancements, as may be applicable, based on regulatory, lending and organizational best practices.

1. Outsource accounting functions. To increase redundancy and decrease operational risk, per its last year's annual plan, HGIA outsourced its accounting function during the year. Project completed.

2. Leverage software & technology (multi-year initiative). To increase efficiencies and reporting accuracy, per its annual plan, HGIA is currently 85% complete on its development of an automated online underwriting portal, utilizing Salesforce as a data warehouse for increased accuracy and more robust reporting flexibility.

   The Authority also began transitioning its current manual commercial loan servicing process to a commercial loan servicing platform.

3. Engage 3rd party review of lending operations. On December 24, 2019, HGIA and the Division of Financial Institutions ("DFI") executed a Memorandum of Understanding for DFI to conduct a 3rd party review on the Authority's lending operations. The review was scheduled to start on March 30, 2020. However, due to the Governor's Stay at Home order, effective March 25, 2020, the review was cancelled.

6. Budget

In spite of COVID, the Authority funded some $11.6 million in loans over the last calendar year. It estimates funding approximately $10.0 to $15.0 million over the next fiscal year as the economy enters the recovery stage. The Authority will continue its focus on strengthening its internal infrastructure and increasing efficiencies, and anticipates Administrative & Program Expenses decreasing to $1.1 million, as detailed below.

Hawaii Green Infrastructure Authority FY2022 Budget

ADMINISTRATIVE STAFF	
Salaries	$ 498,416
Fringe Benefits (per Comptrollers Memo 2019-12)	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	$ 159,895
Legal Services	20,000
Accounting Services (per Comptrollers Memo 2019-14)	100,000
Contractor Outreach, Marketing & Business Development	11,500
Subtotal	$ 291,395
REPAYMENTS AND BAD DEBT (NON-OPERATING EXPENSES)	
PUC Repayment	$ 2,500,000
Allowance for Bad Debt	50,000
Subtotal	$ 2,550,000
TOTAL BUDGET	$ 3,824,314
Less: Bank Fees	$ (150,000)
PUC Repayment	$ (2,500,000)
Allowance for Bad Debt	(50,000)
Administrative & Program Expenses	$ 1,124,314

7. Operational & Financing Plans for FY 2022

The $1.12 million Administrative & Program Expenses budget is what the Authority anticipates the Legislature will approve for its personnel and other administrative expenses for the upcoming 2022 fiscal year.

Bank fees, repayments to the Commission and allowance for bad debt continue to be excluded from personnel and other administrative expenses, as detailed in last year's annual plan.

The Authority plans to submit Program Notification and Program Modification requests to the Commission, to:

1. Modify the Green Energy Money $aver On-Bill Program to be more inclusive and help our underserved ratepayers, especially those negatively impacted by the pandemic, lower their energy costs;
2. Re-submit a request to finance energy storage;
3. Request approval to finance community based solar projects; and
4. Upon passage of either House Bill 558 or Senate Bill 932, submit a request to allow State agencies to finance options to purchase under an existing power purchase agreement and utilize savings to finance the installation of EV charging stations and/or electric vehicles.

Leveraging additional public funds, in particular Federal funds, to attract private capital to facilitate clean energy adoption will remain a priority for the Authority and the State to achieve its clean energy goals, both in the electricity and transportation sectors. More importantly, while the Authority will remain committed to providing financing to the State's underserved ratepayers, with additional Federal (and or other) funding sources as loan capital, the Authority could also significantly contribute towards economic recovery by stimulating and facilitating investments in public clean energy infrastructure, which in turn, will create/retain jobs and generate state tax revenue.

According to DBEDT's Research and Economic Development department, investments aggregating approximately $15.3 billion in clean energy infrastructure will be required for the state to achieve its 100% clean energy goal. Further, EnerNoc Utility Solutions Consulting, Inc. prepared and presented the "State of Hawaii Energy Efficiency Potential Study, Project #1448" ("Study") to the Hawaii Public Utilities Commission in January 2014 . The Study categorized Hawaii's 2012 energy consumption into five sectors: residential (32%), military (11%), water/wastewater (4%), street lighting (.5%) and commercial (52%). According to the Study, the commercial sector, which includes government, consumes over half of statewide electricity use.

While the Authority will not have the capacity to finance all cost-effective energy efficiency retrofits and/or microgrids, as may be appropriate, across all state assets, the following is a matrix of potential economic impact the Authority could facilitate while helping the State decrease its energy cost over the life of the equipment installed, if it provided low-cost, non-State capital to sister agencies and departments, statewide:

Loan and Investment Amount	Jobs Created/Retained	State Tax Revenue Generated	Estimated Lifetime Energy Cost Savings
$25.0 Million	240	$3.2 million	$11.6 million
$50.0 Million	475	$6.3 million	$23.0 million
$75.0 Million	700	$9.5 million	$34.8 million
$100.0 Million	950	$12.6 million	$46.0 million

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.