JOSH GREEN, M.D.
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, 2023

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 2023: July 1, 2023 to June 30, 2024. 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 2024 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

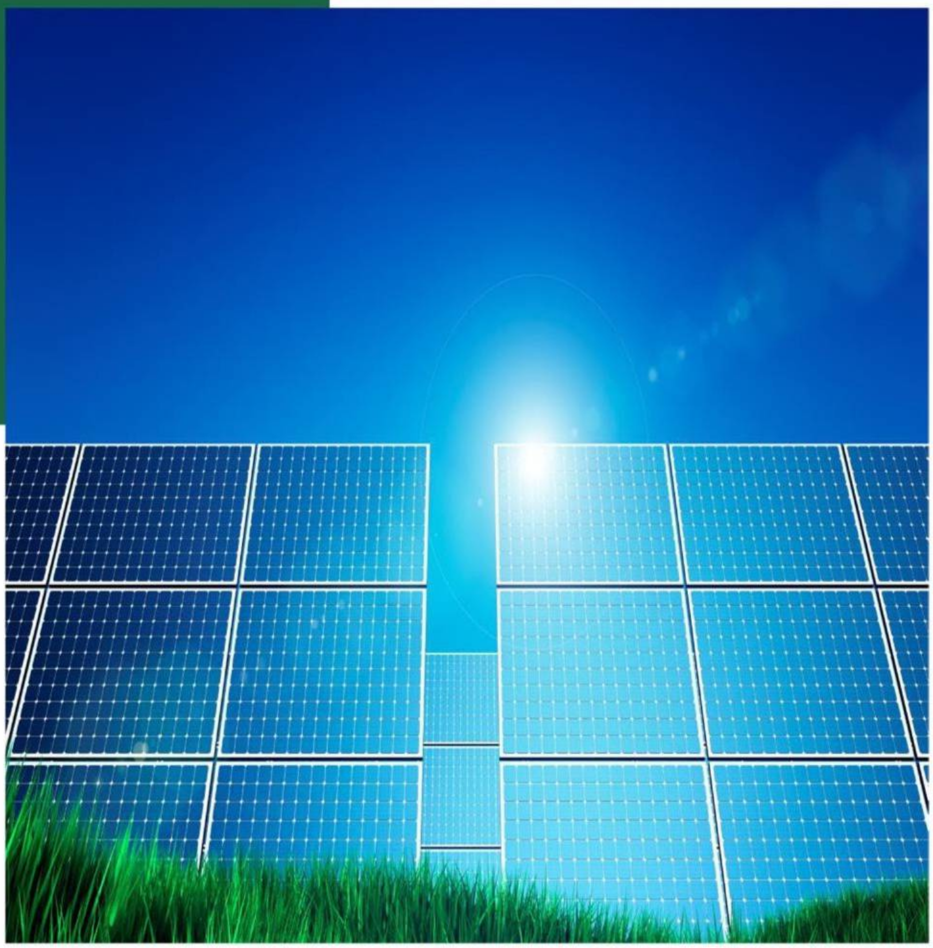
Kevin M. Katsura (electronic)
Manager-Regulatory Non-Rate Proceedings
Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.
P.O. Box 2750
Honolulu, Hawaii 96840-0001
Kevin.katsura@hawaiianelectric.com

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 31, 2023.



Annual Plan
Fiscal Year 2024
July 1, 2023 to June 30, 2024

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

Department of Business, Economic Development & Tourism
March 2023

Table of Contents

Executive Summary

Setting the Table

As Hawaii emerged from the pandemic, the Authority continued to "set the table" in alignment and in preparation towards its FY 2025 milestones. Areas of focus during the year included:

Expanding Access to Capital

Following the "worst economic crisis since the 1930s depression"[1] and understanding the current struggles of our underserved ratepayers, in August 2022, the Authority submitted Program Notification No. 15, requesting approval from the Hawaii Public Utilities Commission to, amongst other things, further expand access to capital to Hawaii's underserved ratepayers - - even ratepayers with disconnection notices, as well as to finance Community-led Community Solar projects.

Additionally, HGIA launched three federally funded, SSBCI programs to increase access to capital for small businesses and nonprofits statewide.

Energy Equity

Both on an international level as well as in our backyard, the Authority worked with Moldovan officials, utility executives and energy stakeholders to design an on-bill repayment program to help low-income ratepayers in a Country previously reliant on Russian oil lower their energy costs.

In partnership with the State Energy Office, City, Hawaii Energy, Hawaiian Electric Company and other energy stakeholders, the Authority has been working with Waianae and Ko'olauloa community leaders to launch a Solarize808 campaign.

Federal Funds

In additional to USDA funds, the Authority has been actively working with the Environmental Protection Agency's Environmental Financial Advisory Board in providing feedback on the Greenhouse Gas Reduction Funds and other matters.

Hawaii Green Infrastructure Authority

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 ratepayers.

The Authority'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.

As HGIA expands it programs and sources of funds, it is rebranding from "GEMS" to the "Hawaii Green Infrastructure Authority".

[1] BBC News on April 9,. 2020.

Impacts as of December 31, 2022

Hawaii Green Infrastructure Authority

$5.7 Million

Cumulative Excess Revenue over Expenses prior to **$12.1 million** transferred to PUC

$16.5 Million

Hawaii State Tax Revenue Generated

$278.5 Million

Economic Multiplier Impact

943,775,495

kWh

Estimated kWh Produced/Reduced over Lifetime

283,877

Estimated Metric Tons of CO2

Total Greenhouse Gas Avoicided over Lifetime

579,489

Barrels

Estimated Total Petroleum Displaced Over Lifetime

1,361

Jobs Created or Retained

84%

Underserved Residential Households Served

SSBCI HI-CAP Collateral Support & Loans Programs

$1.4 million in Federal SSBCI Funds have caused **$8.3 million in loans** and credit facilities for eligible small businesses and nonprofits.

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.[2] 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."[3] The Authority therefore submits this Fiscal 2024 Annual Plan, which covers the period from July 1, 2023 to June 30, 2024 ("Annual Plan").

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.[4] The Program Order approved the use of funds deposited in the Green Infrastructure Special Fund[5] to establish and implement the GEMS Program, subject to the modifications described within the order.[6]

As stated in the Application and paraphrased from the Preamble of Act 211, the key

[2] Hawaii Revised Statutes ("HRS") §196-63 to §196-64.
[3] HRS §196-64(b).
[4] 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.
[5] 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.
[6] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 1 and restated on p. 33.

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;
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[7] financing program.

Annual Plan Requirements

The Application submitted by the Authority further defined the Annual Plan as containing "information on the budget, operations, and plans for the coming fiscal year."[8] 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."[9] 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.[10] The Quarterly Reports also contain information required for the Annual Plan, such as:

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[7] With the PUC's Order No. 34930 filed in Docket No. 2014-0135, requiring the Authority to transfer all loan principal and interest repayments to the Commission's special fund on an annual basis, the Authority was no longer able to be a sustainable financing program.
[8] 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.
[9] 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 legislature 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.
[10] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 95.

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.[11]
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".[12]
c. Information on utility system costs resulting from GEMS Program-funded projects.[13]

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."[14]
3. Summarized "[final] details of both the direct billing and On-bill Mechanism to be used in the GEMS Program".[15]

Summary of Activities

Quarterly Report Summary

Since the filing of its last Annual Plan for Fiscal Year 2023 in March 2022, the Authority submitted four Quarterly Reports to the Commission:

1. Quarterly Report: January 1, 2022 to March 31, 2022;
2. Quarterly Report: April 1, 2022 to June 30, 2022;
3. Quarterly Report: July 1, 2022 to September 30, 2022; and
4. Quarterly Report: October 1, 2022 to December 31, 2022

During the reporting period, the Authority continued funding loans and worked on collaborative projects with other public and private entities. The following is a summary of the activities reported in the Quarterly Reports and filed with the Commission during the 2022 calendar year.

Summary of Administrative Activities

The following administrative activities were reported in the Quarterly Reports. Additional activities that occurred after December 31, 2022 are reported in the Section titled "Additional

[11] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 59-60.
[12] 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.
[13] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 97.
[14] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 50.
[15] See "Decision and Order No. 32318," filed in Docket No. 2014-0135 on September 30, 2014, at p. 71.

Activities" and will be included in the HGIA's next Quarterly Report for the quarter ending March 31, 2023.

- **Board Meetings**. The Authority held the following board meetings during the reporting period:
    - January 28, 2022, during which it approved HGIA's Quarterly Report for the period ended December 31, 2021.
    - March 29, 2022, during which it approved HGIA's Fiscal 2023 Annual Plan.
    - April 29, 2022, during which it approved HGIA's Quarterly Report for the period ended March 31, 2022.
    - August 2, 2022, during which it re-elected Scott Glenn as Vice Chair and Richard Wallsgrove as Secretary, established a Permitted Interaction Group and approved HGIA's Quarterly Report for the period ended June 30, 2022.
    - October 14, 2022, during which the Permitted Interaction Group provided its report and recommendations to the Board on the design of the Commercial Property Assessed Financing Program authorized under Act 183, SLH 2022.
    - October 31, 2022, during which it adopted and accepted the recommendations of the Permitted Interaction Group on the Commercial Property Assessed Financing Program and approved HGIA's Quarterly Report for the period ended September 30, 2022.
    - November 21, 2022, during which it approved to reallocate funds from the Nonprofit category to the Small Business and LMI Household categories, as well as approved an Employment Agreement for the Executive Director.
    - December 19, 2022, during which it elected Dennis Wong Vice Chair, replacing Scott Glenn who was appointed Director of the Office of Planning, accepted HGIA's 2022 Financial Audit report for the fiscal year ended June 30, 2022 and DBEDT/HGIA's 2022 Bond Fund Audit report for the fiscal year ended June 30, 2022, and approved the Authority's 2022 Report to the Governor and Legislature.

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, 2022 are reported in the Additional Activities Section and will be included in HGIA's next Quarterly Report for the quarter ending March 31, 2023.

- **Docket Filings & Other Activity** – Filings during the reporting period included the following:

- Quarterly Report. The Quarterly Report covering the period of October 1, 2021 to December 31, 2021 was filed with the Commission on January 31, 2022 in Docket No. 2014-0135.
- Preliminary Approval. On March 7, 2022, Governor David Ige preliminarily approved HGIA's request to borrow $20.0 million from the U.S. Department of Agriculture ("USDA"), pending USDA's loan approval.
- Information Requests. On March 22, 2022, the Commission filed an Information Request regarding the Authority's Quarterly Report for the period ending December 31, 2021, in Docket No. 2014-0135.
- Annual Plan. The Authority filed its Annual Plan for the Fiscal Year 2023 on March 29, 2022 in Docket No. 2014-0135.
- Response to Information Requests. On April 5, 2022, the Authority filed its response to the Information Requests from the Commission regarding its Quarterly Report for the period ended December 31, 2021 in Docket No. 2014-0135.
- Quarterly Report. The Quarterly Report covering the period of January 1, 2022 to March 31, 2022 was filed with the Commission on April 29, 2022 in Docket No. 2014-0135.
- USDA Loan Approval. On May 19, 2022, the United States Department of Agriculture's (USDA) Rural Utility Service approved HGIA's request to borrow $20.0 million. Formal approval from the Governor is pending review of loan documents from the USDA.
- SSBCI HI-CAP Approval. On May 19, 2022, the United States Treasury approved HTDC's SSBCI Hawaii Small Business Capital (HI-CAP) Program, which includes two sub-programs under the administration of the Authority, the HI-CAP Collateral Support and HI-CAP Loans Programs.
- Environmental Financial Advisory Board. On June 21, 2022, the U.S. Environmental Protection Agency appointed Gwen Yamamoto Lau to its Environmental Financial Advisory Board (EFAB), with a term to expire June 15, 2025.
- Act 183, SLH 2022, Relating to Financing. On June 27, 2022, Governor Ige signed Act 183 into law authorizing Property Assessed Financing in Hawaii.
- SSBCI HI-CAP Collateral Support Program Launch. On July 12, 2022, the Authority launched the HI-CAP Collateral Support Program.

- Quarterly Report. The Quarterly Report covering the period of April 1, 2022 to June 30, 2022 was filed with the Commission on July 29, 2022 in Docket No. 2014-0135.
- Bill Signing Ceremony. On August 5, 2022, Governor Ige hosted a bill signing ceremony for Act 183, authorizing Property Assessed Financing in Hawaii.
- SSBCI HI-CAP CDFI Loan Pool & Loan Programs Launch. On August 11, 2022, the Authority launched the HI-CAP CDFI Loan Pool and Loan Programs.
- Program Notification No. 15. On August 12, 2022, the Authority filed Program Notification No. 15 in Docket No. 2014-0135 requesting seven (7) changes to the GEM$ Program: (1) Applicant Eligibility – eliminate the Disconnection disqualification requirement; (2) Project Eligibility – transition from a "bill" savings requirement to an "energy (kWh)" savings requirement; (3) eliminate reporting metrics with little meaning or value; (4) authorize GEM$ financing for Community Based Renewable Energy projects; (5) Expand the application of the on-bill repayment mechanism for projects not requiring HGIA financing; (6) Include non-utility expense savings for EV charging system sizing; and (7) enable HGIA to bundle retrofits to meet savings requirements.
- Establishing the Procedural Schedule to Review PN No. 15. On August 30, 2022, the Commission filed in Docket No. 2014-0135, an Order Establishing the Procedural Schedule to Review Program Notification No. 15.
- Public Comment. On August 31, 2022, Susan Wiener filed comments in Docket No. 2014-0135 supporting HGIA's requested changes in Program Notification No. 15.
- C-PACE Permitted Interaction Group Meeting. On September 2, 2022, the Permitted Interaction Group met to discuss program design.
- Information Requests. On September 12, 2022, the Commission filed Information Requests in Docket No. 2014-0135 on Program Notification No. 15.
- Information Requests. On September 16, 2022, the Consumer Advocate filed Information Requests in Docket No. 2014-0135 on Program Notification No. 15.
- Response to Information Requests. On September 23, 2022, the Authority filed in Docket No. 2014-0135, its responses to the Commission's Information Requests.
- Response to Information Requests. On September 30, 2022, the Authority filed in Docket No. 2014-0135, its responses to the Consumer Advocate's Information Requests.

- Response to Information Requests. On October 7, 2022, the Authority filed in Docket No. 2014-0135, its responses to the Consumer Advocate's Information Requests.
- Quarterly Report. The Quarterly Report covering the period of July 1, 2022 to September 30, 2022 was filed with the Commission on October 31, 2022 in Docket No. 2014-0135.
- Notice of Technical Conference on Program Notification No. 15. On November 2, 2022, the Commission filed in Docket No. 2014-0135, a Notice of Technical Conference on Program Notification No. 15, to be held on December 5, 2022 via Web-ex.
- Information Requests. On November 18, 2022, the Commission filed Information Requests in Docket No. 2014-0135 on Program Notification No. 15.
- Response to Information Requests. On November 29, 2022, the Authority filed in Docket No. 2014-0135, its responses to the Commission's Information Requests.
- Technical Conference. On December 5, 2022, the Authority participated in the Commission's virtual Technical Conference from 10:30 a.m. to 12:30 p.m., responding to questions from the Consumer Advocate, Public Utilities Commission and others regarding Program Notification No. 15.
- Presentation for Technical Conference. On December 5, 2022, the Authority filed its powerpoint presentation for the December 5, 2022 Technical Conference in Docket Number 2014-0135.
- Presentation for Technical Conference. On December 6, 2022, HECO filed its powerpoint presentation for the December 5, 2022 Technical Conference in Docket No. 2014-0135.
- Statement of Position. On December 19, 2022, the Consumer Advocate filed its Statement of Position on Program Notification No. 15 in Docket No. 2014-0135.
- 2022 Report to the Governor and Legislature. On December 28, 2022, HGIA's report was distributed to the Governor, Legislature and other required recipients.
- Response to Statement of Position. On December 29, 2022, the Authority filed its response to the Consumer Advocate's Statement of Position on Program Notification No. 15 in Docket No. 2014-0135.

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, 2023, covering the activities from January 1, 2023 through March 31, 2023.

- Board Meeting. The Authority held a board meeting on January 30, 2023, at which it approved a Secretary's Certificate for the $20.0 million USDA RESP Loan and HGIA's quarterly report for the period ended December 31, 2022.
- Quarterly Report. On January 31, 2023, the Authority filed its Quarterly Report for the period ended December 31, 2022 in Docket No. 2014-0135.
- Public Comment. On March 10, 2023, Ho'oahu Energy Cooperative Molokai filed a letter in support of HGIA's request to finance community solar projects under Program Notification No. 15 in Docket No. 2014-0135.
- Public Comment. On March 20, 2023, Ulupono Initiative filed a letter in support of HGIA's request to finance community solar projects under Program Notification No. 15 in Docket No. 2014-0135.

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.

2022 Activities

Expanding Access to Capital

Green Energy Money $aver ("GEM$") On-Bill Financing Program

Even before the White House's Justice40 Initiative brought a heightened awareness of environmental justice nationwide, Hawaii's policymakers already recognized the importance of providing a non-traditional financing option for underserved rate payers locked out of solar with the creation of HGIA and the implementation of the GEM$ Program.

Often touted as one of the best in the green finance industry with unique program innovations, the Authority receives meeting requests on a regular basis from other Countries (e.g., Japan, Moldova, etc.) as well as across the United States (e.g., Alaska, California, Colorado, District of Columbia, North Carolina, Puerto Rico, U.S. Virgin Islands, etc.) from other green banks or financing authorities seeking to learn about GEM$.

During the year, the Authority continued its residential and commercial clean energy financing for underserved ratepayers. During the year HGIA received 308 residential applications to install solar hot water or solar PV systems, a 12% increase from the previous year, from low and moderate-income homeowners and renters. However, as concluded by the Federal Reserve

Bank[16] that the path to recovery appears longer for LMI communities, coupled with the significant increase in electric utility rates (up 36%[17]), as mentioned previously, HGIA submitted a request in August 2022 seeking approval from the PUC to further increase inclusivity and expand access to capital for our most vulnerable ratepayers by allowing all LMI applicants access to GEM$ financing, to help reduce their energy burden.

Community Solar

Financing community solar projects like Ho'ahu Energy Cooperative Molokai's Community-Based Renewable Energy (CBRE) project is the essence of what the Authority believes policymakers envisioned when they created HGIA.

Having patient, subordinate GEMS funds as part of the capital stack will help the project attract private capital in the form of debt and/or equity. As such, in late 2021, the Authority set aside $7.5 million, subject to PUC approval on Program Notification No. 15, for the Hoʻahu CBRE project.

Additionally, having the ability to leverage the on-bill repayment mechanism to service CBRE projects, with or without HGIA loan capital, will be a **game-changer**, opening new markets for underserved ratepayers.

State Small Business Credit Initiative (SSBCI) – HI-CAP Programs

On March 23, 2022, HGIA entered into a Memorandum of Agreement with sister agency, the Hawaii Technology Development Corporation (HTDC), to design, implement and administer the Federally funded HI-CAP Collateral Support Program, HI-CAP CDFI Loan Pool Program and HI-CAP Loans Program, with approximately $41.0 million (66%) of total SSBCI program funds expected by the State.

HI-CAP Collateral Support Program.

On July 12, 2022, the Authority launched this credit enhancement program designed to assist eligible small business and nonprofit organizations in obtaining financing by providing cash collateral to Participating Lenders to enhance the collateral coverage of its borrowers.

New program to increase credit access for Hawaii's small businesses

Jul 14, 2022, 2:26pm HST Pacific Business News

A new program launched Tuesday to increase credit access for small businesses and nonprofits across Hawaii.

The Hawaii Green Infrastructure Authority, or HGIA, will administer the Hawaii Small Business Capital Program, or HI-CAP, Collateral Support Program. The HI-CAP Collateral Support Program is a credit enhancement program designed to bridge the collateral and/or equity gap facing many small businesses by providing participating lenders with additional collateral to support loans to their customers, which may help them qualify for financing.

IMAGE PROVIDED BY GETTY IMAGES (DAVID JOYNER)

"We look forward to working with banks and credit unions statewide to participate in this program so that collectively, we can help their small business and non-profit customers access credit," Gwen Yamamoto Lau, executive director of the HGIA told PBN.

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[16] "Gauging COVID-19's Ongoing Impact on LMI Communities," February 22, 2022, Federal Reserve Bank of St. Louis.
[17] Comparing HECO mid-tier December 2022 Residential rates from December 2021.

HI-CAP CDFI Loan Pool Program.

On August 10, 2022, the Authority launched this program designed to provide non-depository Community Development Financial Institutions (CDFI) with low-cost loan capital to re-lend to eligible micro and small businesses in Hawaii.

HI-CAP Loans Program.

On August 10, 2022, the Authority also launched the HI-CAP Loans Program designed to provide financing for businesses and organizations spearheading transformative projects which accelerate the State's economic development goals and provide significant impacts to small businesses within our communities.

Commercial Property Assessed Financing

On January 26, 2022, HB2088 Relating to Financing, was introduced as part of the Governor's bill package. The purpose of the bill was to enable property owners to finance qualifying improvements repaid through a voluntary assessment, pari passu to a real property tax. This innovative financing mechanism, which mitigates lender risks, will open new markets for long-term, below market private capital to help the state solve some of its environmental (e.g. large capacity cesspool migration) and other challenges (e.g., water conservation, hurricane resiliency, flood mitigation, fire suppression systems, etc.), while achieving its clean energy goals. Although the residential program was removed from the bill during the legislative session, Act 183 was signed into law on June 27, 2022, authorizing Commercial Property Assessed Financing in Hawaii.

Hawaii Gov. David Ige signs legislation authorizing C-PACE financing

Aug 16, 2022, 7:10am HST Pacific Business News

Legislation signed recently by Gov. David Ige authorizes funding for commercial property owners through commercial property assessed financing and allows the Hawaii Green Infrastructure Authority to establish program guidelines and administer the soon-to-be available financing program.

From left, front row: Kanani Fu, Meridian Pacific, Ltd.; Yamamoto Lau, HGIA; Rep Lisa Kitagawa; Gov Ige; Rep Nicole Lowen; Dennis Wong, SBDC; and Nicola Hedge, City; back row: Scott Glenn, HSEO; Josh Stanbro, Elemental Excelerator; Billy Pieper, American Savings Bank; Stuart Coleman, WAI; and Matt Pennaz, Kobayashi Group

Better known as Commercial Property Assessed Clean Energy or C-PACE, Hawaii's program provides the City and Counties the option to authorize HGIA to design and administer the financing program on its behalf or enact its own program.

During its August 2, 2022 board meeting, the Authority established a Permitted Interaction Group (PIG) to design Hawaii's Commercial Property Assessed Clean Energy & Resiliency (C-PACER) program. Members of the PIG included two HGIA Board Members, an Executive Director from a State-Administered PACE Program; the Executive Directors of two leading PACE Industry Associations; a County Director of Finance; a local commercial bank; a C-PACE private capital provider; and a commercial bank C-PACE originator.

PACENation, a national nonprofit association for PACE financing, whose members enabled millions of American property owners to increase the efficiency and resilience of their homes and businesses, recognized the Authority with a PACESetter Award for Advocacy in August 2022.

Energy Equity

Moldova - Hawaii Reciprocal Program

Through a U.S. Department of State, American Councils Professional Fellows Program, in coordination with the U.S. Embassy, HGIA Executive Director Gwen Yamamoto Lau traveled to Moldova in May 2022 on an Outbound Project to meet with Moldovan officials, utility executives, energy stakeholders and engineering students on clean energy financing, with a focus on on-bill financing. Formerly Russian occupied, located between Ukraine and Romania and pre-war, dependent on Russian oil and gas, citizens of Moldova are experiencing unprecedented increases in their energy bill.

Yamamoto Lau met with the Ministry of Infrastructure, Assistant to the Prime Minister, Ministry of Finance, Energy Regulators, Executives of the Electric (Termoelectrica) and Gas (MolovaGaz) Utility Companies, Agency for Energy Efficiency, participated in an Energy Conference and did a presentation, which was featured on JumalTV, Moldova's National News, for the Energetics and Electrical Engineering Faculty and Students at the Technical University of Moldova. HGIA continues to assist Green City Lab, a Moldova nonprofit organization created under a United Nations Development program to implement demonstration projects of energy efficiency and sustainable development, in implementing an on-bill repayment mechanism for its electric and gas utilities.

Solarize808

Together with the Rocky Mountain Institute, Hawaii Energy, Hawaiian Electric Company, Inc., City and County of Honolulu's Office of Climate Change and Resiliency and the Hawaii State Energy Office, HGIA has been working with community leaders in the Waianae and Ko'olauloa communities to launch a Solarize808 campaign.

While rooftop solar has the potential to reduce the energy burden in disadvantaged communities, adoption is hindered by systemic barriers, such as lack of solar education and outreach, and financial challenges for lower income and lower credit score borrowers.

Solarize are community purchasing campaigns, where government partners with local community organizations, to reduce the cost of solar while increasing energy education and outreach. Solarize808 Waianae & Ko'olauloa are expected to launch in April 2023.

Federal Funds

USDA Rural Energy Savings Program

In response to the COVID-19 pandemic, in April 2020, the United States Department of Agriculture's (USDA) Rural Utilities Service (RUS) expanded eligible borrowers under its Rural Energy Savings Program (RESP), which previously only provided loans to rural utilities, to include Green Banks nationwide.

In order to submit an application, a change to the Authority's statute was required. On June 28, 2021, Governor Ige signed Act 107 (SLH 2021) into law, which enabled HGIA to submit its application to RUS. Per RUS procedures, the Authority submitted its Letter of Intent to apply for a $20.0 million RESP loan on July 27, 2021.

On September 16, 2021, HGIA was notified that RUS would be willing to consider a RESP loan application from HGIA, which was submitted on December 13, 2021. On March 7, 2022, Governor Ige preliminarily approved the $20.0 million loan, subject to USDA approval, and on May 19, 2022, HGIA became the first Green Bank in the nation to be approved for a United States Department of Agriculture Rural Energy Savings Program loan.

Upon completion and final review of the RESP loan documents, HGIA will request final loan approval from Governor Green in order to access this additional loan capital, to augment the remaining GEMS funds and assist ratepayers in rural communities.

Environmental Protection Agency's Environmental Financial Advisory Board

At the encouragement of the Coalition for Green Capital and with the support of Senator Brian Schatz, Gwen Yamamoto Lau was nominated for the Environmental Protection Agency's (EPA) Environmental Financial Advisory Board (EFAB) in January 2022. Representing Region 9 and together with twenty-nine other members nation-wide, Yamamoto Lau was appointed to serve on EFAB for a three-year term beginning June 21, 2022. EFAB provides advice to the EPA Administrator and the agency's programs and regional offices on innovative ways to lower costs while increasing investments in environmental and public health protection. A priority for the EFAB is to support the agency's investments through the Bipartisan Infrastructure Law to advance progress on key priorities, including uplifting underserved communities, tackling the climate crisis, and protecting public health.

Inflation Reduction Act's Greenhouse Gas Reduction Fund

The Inflation Reduction Act ("IRA") is described by the U.S. Department of Energy as "the single largest investment in climate and energy in American history," enabling America to tackle the climate crisis, advance environmental justice and put the U.S. on the pathway to achieving its climate goals, including a net-zero economy by 2050.

While there are a number of energy related funding opportunities in the IRA, HGIA's objective to democratize clean energy for underserved ratepayers is in alignment with the IRA's Greenhouse Gas Reduction Fund (GHGRF), with a $7.0 billion carve out for State, Municipals and Tribal Nations, to benefit "Disadvantaged Communities".

The EPA has indicated that it will publish the Notice of Funding Opportunity in June 2023, with the application due in Fall 2023 and awards made in fiscal 2024. HGIA is planning to apply for additional loan capital under the GHGRF.

Program Visibility

Articles and Publications

During the year, the Authority and its financing programs were featured in a number of local and national publications, including the following:

- "Fitch reaffirms GEMS [Triple A] Bond Rating", 5/13/22;
- "Hawaii to receive $62.0 million in federal funding through American Rescue Plan", David Y. Ige/DBEDT News Release, 5/19/22;
- "Borqs Technologies Wins Solar Plus Energy Storage Contract in Oahu, Hawaii Partnering with a State Agency, the Hawaii Green Infrastructure Authority" GuruFocusNews, 6/27/22;
- Water World published the Environmental Protection Agency's Environmental Financial Advisory Board appointees on 7/7/22;
- "State Launches New Program to Increase Access to Capital for Small Businesses", David Y. Ige/DBEDT News Release, 7/12/22;
- "The Role of a Green Bank in South Carolina", report produced by the University of South Carolina, SC Energy Office, SC Office of Regulatory Staff; published week of 9/19/22; and

- Empowered Hawaii: Good Things, Small Packages: https://www.khon2.com/empowered/empowered-hawaii-good-things-small-packages/

Presentations

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

- "Green Financing 101" sponsored by the Council for Development Finance Agencies on 2/1/2022;
- Congressional Briefing: "Momentum for Green Banks Grows in US" on 2/25/22;
- "Hawaii's Energy Transition" – Hawaii-Moldova Outbound Project on 2/14/22
- "HGIA's Financing Programs" – Hawaii-Moldova Outbound Project on 2/15/22
- "HGIA's Financing Programs" – HSEO Wayfinders Training on 3/11/22;
- "Clean Energy Finance: A Deeper Dive", HSEO Wayfinders, 4/1/2022;
- "Investing in Resiliency with Green & Blue Bonds", CDFA/BNY Mellon, 4/19/22;
- "Financing the Future", Alaska Sustainable Energy Conference, 5/4/22;
- "SSBCI and C-PACER Programs", County Economic Development Officers, 6/17/22;
- "USDA Financing", American Green Bank Consortium, 7/6/2022;
- "HI-CAP Credit Programs", HTDC Board meeting on 7/6/22;
- "Hawaii's C-PACE Program", C-PACE Alliance, 7/11/22;
- "Are You Tired of High Electric Bills? Solarize Waianae: A Community Approach to Rooftop Solar", CNHA Native Hawaiian Convention, 7/19/22;
- "Hawaii's C-PACE Program", PACENation, 8/9/22;
- "Greenbanks and the IRA's GHG Reduction Fund", NASEO, 8/31/22;
- "Innovative Finance for Carbon Neutral Housing", Build & Buy Green Conference, 9/23/22;
- "Talk Story with Raya Salter" on energy justice with a briefing of New York's legislation on 10/13/2022;
- Salesforce Innovation Day on December 8, 2022.

Budget

With additional funds expected from the USDA, HB949 (if the bill is passed and funds appropriated), as well as the GHGRF (if awarded), the Authority is working on increasing efficiencies to scale lending by leveraging programs like Solarize808.

A $1.2 million Administrative & Program Expenses budget is what the Authority anticipates the Legislature will approve for its personnel and other administrative expenses for the upcoming 2024 fiscal year, which remains relatively flat from its FY23 budget.

Hawaii Green Infrastructure Authority FY2024 Budget

ADMINISTRATIVE STAFF	
Salaries	$ 500,420
Fringe Benefits	382,328
Subtotal	**$ 882,748**
OPERATING EXPENSES	
Office Expenses and Equipment	$ 5,000
Travel, Subsistence & Outreach	15,000
Training & Other Support	10,000
Bank Fees	50,000
Subtotal	**$ 70,992**
PROGRAM MARKETING, OUTREACH & SUPPORT	
Program Administration	$ 165,992
Legal Services	10,000
Accounting Services	100,000
Contractor Outreach, Marketing & Business Development	15,000
Subtotal	**$ 290,992**
REPAYMENTS AND BAD DEBT (NON OPERATING EXPENSES)	
PUC Repayment	$ 4,000,000
Allowance for Bad Debt	25,000
Subtotal	**$ 4,025,000**
TOTAL BUDGET	**$ 5,269,732**
Less: Bank Fees	$ (50,000)
PUC Repayment	(4,000,000)
Allowance for Bad Debt	(25,000)
Administrative & Program Expenses	**$ 1,194,732**

Because Personnel expenses are projected to increase by 4.8%, primarily for collective bargaining and fringe increases, the Authority's other operating expenses must decrease proportionately to maintain a status quo budget.

In the upcoming fiscal year, the Authority is increasing its travel, outreach and marketing budget (from a combined $13,500 to $30,000) to increase program outreach and visibility to scale fund deployment. These increases are offset by decreases in Office Expense, Training and Legal Services.

Bank fees, which are estimated to remain flat, repayments to the Commission, which are estimated to increase from $2.5 million to $4.0 million, and allowance for bad debt, also estimated to remain flat, continue to be excluded from personnel and other administrative expenses, as detailed in previous annual plans.

FY2024 Operational Plan

Over the past few years, the Authority has been setting the table and laying the groundwork towards achieving the following strategic goals by November 2024 (FY2025), its 10th year milestone:

- Transition HGIA to a sustainable business model, with sufficient earned revenue to support its operations;
- Expand financing programs to meet market gaps;
- Increase source(s) of loan capital to continue lending, increase flexibility and retain repaid principal and earned revenue; and
- Collaborate with other agencies/departments to meet the state's goals and objectives.

During fiscal 2024, in addition to continued deployment on its existing programs, the Authority shall also focus on the following initiatives:

1. Increase activity under the HI-CAP Collateral, CDFI and Loans Programs;
2. Launch Hawaii's C-PACER Financing Program;
3. Apply for and be awarded Federal Funds; and
4. Deploy funds under HB949 (if passed)

Additionally, the Authority hopes the Commission will rule favorably on its requests under Program Notification No. 15, and if so, it will:

- 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 by revising its underwriting to incorporate a tiered estimated savings requirement based on the number of Disconnection Notices received by the applicant ratepayer;

- Revise its underwriting to estimated energy savings (rather than bill savings);
- Update the metrics required on Quarterly Reports;
- Include Community Based Renewable Energy projects to be eligible for financing;
- Work with HECO to incorporate the GEM$ Program Charge in its CBRE Portal;
- Expand access to the Authority's on-bill repayment mechanism;
- Revise its underwriting to including non-utility expense savings for additional load expected to charge electric vehicles; and
- Bundle retrofits to meet the minimum savings requirements.

Future Outlook

On January 27, 2021, through Executive Order 14008, the White House's Justice40 Initiative was established to deliver 40% of climate investment benefits to disadvantaged communities. Fortunately, Hawaii's policy makers were already aware of the critical need for energy equity and energy justice for Hawaii's ratepayers with the passing of HGIA's enabling legislation.

The White House Justice40 Initiative will help Hawaii further its climate investments into disadvantaged communities with the availability of additional Federal funds for the Authority, State Energy Office, Department of Education and other state and municipal agencies.

With an injection of flexible loan capital, HGIA can help drive down the cost of energy for underserved ratepayers, while reducing greenhouse gas emissions and helping Hawaii advance towards its clean energy goals. As Hawaii's green bank, the Authority is poised to continue to play a critical role in Hawaii's clean energy transition.

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