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Testimony of
Gwen Yamamoto Lau
Executive Director
Hawaii Green Infrastructure Authority (HGIA)
before the

**SENATE COMMITTEES ON GOVERNMENT OPERATIONS AND
ENERGY, ECONOMIC DEVELOPMENT AND TOURISM**

Monday, March 25, 2019 at 2:45 P.M.
State Capitol, Conference Room 414

in consideration of
**SENATE CONCURRENT RESOLUTION NO. 156 &
SENATE RESOLUTION 122**
**REQUESTING THE STATE AUDITOR TO CONDUCT A PERFORMANCE AND FINANCIAL AUDIT
OF THE HAWAII GREEN INFRASTRUCTURE AUTHORITY, INCLUDING THE HAWAII GREEN
ENERGY MARKET SECURITIZATION PROGRAM.**

Chairs Thielen and Wakai, Vice Chairs Inouye and Taniguchi and Members of the Committees:

Thank you for the opportunity to testify and provide comments to Senate Concurrent Resolution 156 and Senate Resolution 122, requesting the State Auditor to conduct a performance and financial audit of the Hawaii Green Infrastructure Authority (HGIA or Authority) and the Green Energy Market Securitization (GEMS) Program.

As required by the Hawaii Public Utilities Commission (PUC), since its inception HGIA has provided the PUC with detailed quarterly reports providing GEMS program updates and impacts; a snap shot of HGIA's financial position; and a number of detailed loan and energy related metrics. Additionally, an outside auditing firm is engaged to conduct a financial audit on HGIA and the GEMS funds annually.

In addition to verifying and confirming the program's existing Quarterly Performance and Status reports to the PUC, as well as auditing the 3rd party Auditor, the proposed audit by the State Auditor may also provide an external confirmation and validation that the staffing levels of HGIA should be increased.

When the Authority was constituted in November 2014 with a staff of five (5), its original business model envisioned this very small staff to be primarily responsible for managing third-party

vendors and consultants with all major functions of the Authority, such as marketing; contractor outreach, education and training; loan origination, loan underwriting, loan funding and loan servicing to be outsourced. \$100.0 million of the anticipated loan origination was delegated to Pacific Rim Bank and Clean Power Finance in San Francisco to finance commercial/non-profit PV projects and \$50.0 million of the anticipated loan origination was delegated to WECC/EFS in Wisconsin to finance residential PV installations.

However, with the shuttering of its commercial/non-profit PV loan product in December 2015 (nine-months after its launch without financing a single project), coupled with the slow growth of the residential loan program, primarily due to all of HGIA's 3rd party contractors being located outside of the Hawaii market, it became apparent that the Authority needed to evolve.

A significant change in its business model was a deliberate decision to terminate all out-sourced functions, except for loan servicing, and bring all of these duties and responsibilities in-house for increased focus, time-sensitivity and improved results. This shift has enabled HGIA to significantly increase its loan activity with the responsibility of business development, contractor outreach and loan origination, underwriting, and funding being done locally by HGIA staff.

However, this significant increase in workload, which was previously done by third-party vendors, are now being borne by staff. HGIA team members at minimum, work at least 125% of the normal work-week, with one employee consistently working seven days/week, logging in hours aggregating almost 200% of the normal work-week. While the Authority is extremely mindful of being prudent stewards of the GEMS funds, this is an unsustainable situation with a high risk of employee burn-out, which would result in a major set-back to the Program.

Lastly, the proposed audit by the State Auditor may validate that the GEMS Loan Program could be a sustainable program generating sufficient revenues to offset expenses. As reported to the PUC, HGIA posted pre-transfer Excess Revenues over Expenses of \$1.7 million for the six-month period ended December 31, 2018.

Thank you for this opportunity to testify and offer comments for Senate Concurrent Resolution 156 and Senate Resolution 122.



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To: The Senate Committees on Government Operations;
and Energy, Economic Development, and Tourism
From: Brodie Lockard, 350Hawaii.org
Date: Monday, March 25, 2019, 2:45 pm

In support of SCR156 and SR122

Dear Chairs Thielen and Wakai, Vice Chairs Inouye and Taniguchi and Committee members,

350Hawaii.org supports SCR156 and SR122.

GEMS was a terrific idea, but unfortunately not enough people have used it to make it very effective. Was it not publicized enough? Was it not explained clearly? Was it not publicized to the right people?

Are there other reasons it has not worked well? We need to find out.

Any mistakes uncovered by an audit will help similar programs in the future work better. And if the money isn't being used, we need to make changes to GEMS, or use the money for more effective programs.

Thank you for the opportunity to testify.

Brodie Lockard
350Hawaii.org