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Solar financing program warrants further scrutiny

GEMS, the Green Energy Market Securitization program proposed by the state Department of Business Economic Development and Tourism, raises serious questions and should be a serious campaign issue. Do we really want the state to get into the banking business?

Two years ago the Legislature authorized on-bill financing, where utility bills would include solar loan payments. On-bill financing has been vetted by an array of stakeholders. It's just about ready to be launched but has regrettably become entangled with GEMS.

GEMS is much more complex and political than on-bill financing. It creates the

Green Infrastructure Authority, a new agency controlled by DBEDT, which will sell \$150 million of ratepayer-backed bonds to finance solar systems for buyers who are otherwise "underserved." The justification is that this will "democratize" solar power and increase the amount of residential photovoltaic, or PV, use in Hawaii.

DBEDT is pushing GEMS on the basis of abstruse legislation appropriating about \$230 million for it for 2013-2015. DBEDT wants to launch GEMS by November even if on-bill financing is not launched and won't be available as a mechanism to bill loan payments.

Some say GEMS is no longer relevant in a market

where demand for PV has declined, where people worry about interconnection and where mainland contractors who offer more creative PV financing are steadily displacing or acquiring local PV installers.

At the same time, the utility has stepped up to build big PV farms. Many people would be pleased to see that as the renewable of the future, since it avoids the need to take out mortgages for PV or deal with the risks of maintenance and installer longevity.

GEMS will require a formidable bureaucracy. To manage the program and presumably the borrowers and installers, DBEDT selected Renewable Funding of Oakland, Calif. Given the problems in our local PV industry, do we really want a mainland operator to be the program manager? And how will GEMS benefit our local PV and banking industries?

What are the costs? Beside the costs of expanded bureaucracy, the Green Infrastructure Authority will be taking advantage of the state's renewable energy tax

credits. That will cost taxpayers millions in addition to what we'll have to pay as ratepayers.

Indeed, as ratepayers we'll have to pay a "Green Infrastructure Fee" to cover the program. However, DBEDT says it will be diverting funds away from energy efficiency so "in most cases" the Public Benefits Fee should go down. Is that good policy? A PUC intervention is pending on how this works.

DBEDT says GEMS won't compete with or replace commercial lending because it's focused on buyers who have low credit scores. That's no comfort. If homeowners can't qualify, they shouldn't buy PV. Why should ratepayers have to cover risky loans?

After DBEDT has funded or purchased a PV loan and the installer has been paid off, he will be out of the picture. Who will handle defects and service for those projects? Will we be paying for that, too?

Although GEMS could also theoretically include loans to the utility for smart

grid equipment, that possibility seems unlikely since this equipment is expensive and DBEDT's stated priority is to securitize "underserved" residential PV applicants.

Is GEMS helpful for the clean energy initiative? As much as we argue over interconnection, the grid can't take lots more renewables until we spend the money to deal with interconnection and storage. Shouldn't DBEDT be focusing on that instead?

This is the first time that DBEDT has sought PUC approval of an energy program. There are motions to intervene that will involve control of the \$150 million fund. Right now it's inside baseball, thin on detail and hard to vet. Will it be pushed through anyway?

Once GEMS is in place, it will be there long after the election cycle. Terminating it will be costly, so we can't

afford mistakes. The details should be fully vetted by every agency responsible or affected.

The PUC is supposed to act on GEMS 90 days after it gets answers to questions it has posed to DBEDT. The Consumer Advocate, the Legislature, the utility and all other stakeholders should be in the dialogue, just as they were for on-bill financing.

Is GEMS worth it, or will it just be a magnet for big bureaucracy, cost and abuse? Should DBEDT be financing private transactions with public money? Aren't we already paying way too much for energy?

Unless full transparency is forthcoming and a good and public case can be made, the PUC should hold up on any approval until the Legislature can take another look at it.

And, yes, this really should be a campaign issue.

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