

## **Hawaii says aloha to Goldman on green energy securitization**

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The State of Hawaii has gained preliminary ratings for a \$150m securitization which will finance loans for clean energy technologies for low and moderate income homeowners, renters and non-profit organizations in Hawaii.

Proceeds from the bonds, issued under the Green Energy Market Securitization (GEMS) programme, will provide low cost funding to participants in the programme to enable them to install green energy infrastructure like photovoltaic panels.

Goldman Sachs is lead underwriter for the deal and Citi is co-manager.

The programme will be managed by Renewable Funding, the California firm that runs the CaliforniaFIRST Property Assessed Clean Energy programme. Separately, Renewable Funding is also planning its own securitization of non-PACE green energy loans.

### **Common charge**

Cashflows on the GEMS 2014-1 Series A securitization, which is issued by the State of Hawaii rather than by a special purpose vehicle, will come from a securitization charge paid by all customers of the three largest electricity providers in the state — regardless of whether or not those customers decide to take advantage of the funding to install clean energy equipment.

The deal is the first utility cost recovery charge (UCRC) securitization by the State of Hawaii, which has the highest average energy costs in the US and aims to meet 70% of its energy demand with clean energy by 2030.

### **Top ratings**

Moody's has assigned preliminary triple-A ratings to the \$50m A-1 tranche and the \$100m A-2 tranche.

One of the strengths of the deal is that even if customers reduce their electricity consumption as a result of the plan, they will still have to pay the same charge, making the cashflow more stable.

“If customers decide to self-generate to reduce their monthly utility bill they will still be assessed the same dollar securitization charge and it will not result in an increase in the

securitization charge for the customers that do not self-generate,” said Moody’s in a presale report.

“Second, an equal charge eliminates the risk associated with forecasting electricity consumption, which can lead to shortfalls of available funds, consequent draws from reserve accounts, and frequent true-up adjustments.”

### **PUC ruling**

Because the securitization encourages electricity customers to self-generate their own energy, the deal could in theory lead to a reduced customer base to pay the securitization charges on which the transaction’s cashflow is based.

However, Hawaii’s Public Utilities Commission (PUC) ruled on September 30 this year that customers receiving loans from the programme must remain utility customers — and pay the securitization charge — until the loans are paid back.

### **HERO funding**

Earlier this month, the Western Riverside Council of Governments issued its second HERO Funding deal, securitizing PACE assessments. Those bonds have a different structure to the Hawaii GEMS deal, being based on financing for clean energy projects provided through property tax assessments.

The \$129.145m deal was priced to yield 4%. Deutsche Bank was sole structuring lead and sole bookrunner.

The deal followed the first HERO Funding transaction, a \$104.39m deal that was issued in February this year.