

## **Hawaii \$150M Sale First for GEMS Program**

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LOS ANGELES - Hawaii plans to price \$150 million in taxable green bonds the week of Nov. 3 in the first bond sale for its new Green Energy Market Securitization Program to fund the purchase of energy saving devices for homeowners.

Hawaii received a preliminary AAA-structured finance rating from Fitch Ratings ahead of the sale of the green market energy securitization bonds.

The bonds being issued by the state acting through the Department of Business, Economic Development and Tourism will fund a program to provide low-interest loans targeting residents with poor credit or low income who want to install energy saving devices like solar panels on their homes.

Goldman, Sachs and Co. is lead manager for the bond sale. First Southwest Company acted as financial advisor. Sidley Austin is bond counsel.

A special retail order period will be held ahead of investment sales, according to a DBEDT release.

The bonds, which are special and limited obligations of the state, will be issued in two tranches. The \$50 million A-1 tranche will have an expected weighted average life of 3.05 years with a final payment date on July 1, 2020 and a final maturity on July 1, 2022. The \$100 million A-2 tranche will have an expected weighted average life of 10.21 years with a final payment date of Jan. 2, 2029 and a final maturity date of Jan. 1, 2031.

The state also expects to receive Aaa and AAAsf ratings from Moody's Investors Service and Standard & Poor's, according to the preliminary offering statement.

Fitch said the ratings do not reflect final ratings, however, and are dependent on final documents conforming to information already received.

Fitch analysts cited the non-bypassable surcharge applicable to all current and future electric utility ratepayers and the true-up mechanism that provides the ability to adjust the surcharge to meet the bond obligation debt payment for its rating.

The bond structure employed through GEMS was modeled after stranded-asset bonds and rate reduction bonds that utilities have used for decades, according to DBEDT officials. Hawaii is the first state in the nation to use this type of financing to help consumers pay for clean energy installations.

While somewhat similar in concept to PACE (Property Assessed Clean Energy), the bonds would be repaid from a surcharge on the bills of Hawaii Electric customers, not added to the property tax bill. The surcharge, being called a green infrastructure fee, will be offset by a reduction in the public benefits fee that is currently on electric bills.

Hawaii Governor Neil Abercrombie in June 2013 signed the legislation establishing the GEMS program. Hawaii's Public Utilities Commission approved the bond issue on Sept. 4.

"The GEMS program initially will focus on investments in PV systems and other technologies that support PV interconnection, such as energy storage, advanced inverters and monitoring devices," according to DBEDT officials. "Other proposed clean energy projects will be evaluated on a case-by-case basis through a process being established by the program."

Interest on the bonds is exempt from state taxes, but is included in gross income for federal income taxes.