

Debtwire GEMS article (untitled)

By Marissa Capodanno
Debtwire
November 5, 2014

The State of Hawaii priced its USD 150m green energy securitization tight of earlier price guidance to a hybrid investor base of ABS, municipals and self-described socially responsible investors, according to two sources familiar.

The USD 50m A1 class of bonds priced at I-Swaps+ 30bps the afternoon of 4 November, and the USD 100m A2 priced at I-Swaps+ 75bps, according to one source. That's 5bps inside the tight end of price talk for the A1 class of bonds and 10bps tight of guidance on the A2 (see article, 30 October).

Bookrunner Goldman Sachs structured the transaction as a crossbreed of a government issuance and utility rate reduction bonds, accounting for the diverse investor base audience. Twenty-five different investors participated in the transaction, following a roadshow that reached out to around 50, according to the first source.

An ABS buysider pointed to the deal size as big enough for an energy-related ABS, comparing it to the first solar deals that barely skimmed the USD 100m mark. Still, liquidity continues to be a concern for such an off-the-run issue, the buysider said.

Underpinning the pool are Hawaiian Electric Company customer fees. An added novelty for the utility transaction was that the pooled fees will be deducted from an existing charge called the Public Benefits Fee, according to filings with the Hawaii Public Utility Commission (see article, 19 September).

Unlike a traditional rate reduction bond, the transaction's proceeds will go toward a new plan from Hawaii's Department of Business, Economic Development and Tourism, which will finance energy efficiency loans for customers in underserved communities. The Green Energy Markets Securitization (GEMS) program is emphasizing solar panel installations, which has led some investors to view the deal as a AAA alternative to other energy efficiency and solar ABS structures, as previously reported.

The state plans on evaluating the GEMS program's success over the first year or two before deciding to issue further ABS, according to the second source.