

Rating Action: Moody's assigns Aaa to State of Hawaii 2014-A Green Energy Market Securitization Bonds

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\$150 million of asset backed securities affected

New York, November 13, 2014 -- Moody's Investors Service has assigned definitive ratings of Aaa to the series 2014-A green energy market securitization bonds issued by the State of Hawaii's Department of Business, Economic Development, and Tourism (the issuer). This is the State of Hawaii's first utility cost recovery bond issuance.

The bond issuance is permitted under State of Hawaii legislation that authorizes the issuer to fund a green infrastructure loan program via securitization and was authorized under a financing order issued by the Public Utilities Commission of the State of Hawaii (PUC).

The bonds are backed primarily by green infrastructure property, which includes the Issuer's irrevocable right to impose, collect and adjust a non-by-passable securitization charge from all existing and future electric service customers of Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc. and Maui Electric Company, Limited (the servicers).

The complete rating actions are as follows:

Issuer: State of Hawaii Department of Business, Economic Development, and Tourism - Green Energy Market Securitization Bonds, 2014 Ser. A

\$50,000,000 Tranche A-1, Definitive Rating Assigned Aaa

\$100,000,000 Tranche A-2, Definitive Rating Assigned Aaa

RATINGS RATIONALE

The definitive ratings Moody's has assigned to the bonds are based primarily on the following:

- 1) the strength of the State of Hawaii's legislation (Act 211), including the state's non-impairment pledge
- 2) the irrevocable regulatory financing order issued by PUC authorizing the creation of the green infrastructure property
- 3) the remote likelihood of a successful legislative challenge to the securitization charge
- 4) the size, stability, and diversity of the ratepayer base in Hawaii's service area, from whom the charges will be collected
- 5) credit enhancement consisting of a statutory uncapped true-up mechanism that mandatorily adjusts the securitization charges to ensure sufficient collections to allow for timely payments on the bonds, and a reserve subaccount fully funded at closing with 0.50% of the initial principal balance of the bonds
- 6) Moody's assessment of the ability and experience of the servicers

The principal methodology used in this rating was "Moody's Global Approach to Rating Securities Backed by Utility Cost Recovery Charges" published in March 2011. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Factors that would lead to a downgrade of the rating:

Factors or circumstances that could drive the rating down are a significant decline in the ratepayer base in the service area.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not use any stress scenario simulations in its analysis.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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