

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

THE STATE OF HAWAII)
DEPARTMENT OF BUSINESS,)
ECONOMIC DEVELOPMENT,)
AND TOURISM)

DOCKET NO. 2014-0134

For a Financing Order to Issue)
Bonds and to Authorize the Green)
Infrastructure Fee.)

DECISION AND ORDER NO. 32281

PUBLIC UTILITIES
COMMISSION

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Docket No. 2014-0134

Decision and Order No. **32281**

For a Financing Order to Issue)
Bonds and to Authorize the Green)
Infrastructure Fee.)

DECISION AND ORDER

By this Decision and Order ("Financing Order"), the commission approves the Application (as defined below) of the DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM OF THE STATE OF HAWAII ("DBEDT," "Applicant," or "Department") for authorization to issue Green Infrastructure Bonds as defined under Hawaii Revised Statutes ("HRS") § 269-161 (referred to as "Bonds"), in a principal amount not to exceed \$150,000,000 ("Issuance"), and to further carry out such related arrangements¹ and transactions as are necessary for the timely and cost-effective

¹The Applicant requested that the commission approve, as part of the Application, a service provider agreement (the "Service Provider Agreement") among DBEDT and HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), as master service provider (the "Master Service Provider"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), and MAUI ELECTRIC COMPANY, LTD. ("MECO") (collectively referred to herein as the "HECO Companies," "Electric Utilities," and as the "Service Providers") pursuant to HRS §§ 196-68(2) and 269-163.

completion of the Issuance and for the duration of the life of the Bonds. The commission further authorizes (1) the imposition, charging, and collection, on behalf of DBEDT, of the nonbypassable fees authorized by HRS § 269-166 and this Financing Order to be imposed on and collected from all existing and future electric utility customers (the "Green Infrastructure Fee") of the HECO Companies as of the date of the issuance of this Financing Order, to become effective upon the issuance of the Bonds, and (2) the adjustment of the Green Infrastructure Fee on behalf of the Department in accordance with an adjustment mechanism (the "Adjustment Mechanism") described in HRS § 269-176 and requested by the Department under HRS § 269-162 in amounts sufficient to pay the principal of and interest on the Bonds and all related Financing Costs on a timely basis.

The "Green Infrastructure Property" defined under HRS § 269-161 is hereby created in this Financing Order. The commission further authorizes the deposit of net proceeds from the issuance of the Bonds into the "Green Infrastructure Special Fund" created pursuant to HRS § 196-65. The commission also orders that amounts collected through the Green Infrastructure Fee correspondingly reduce, according to the process required herein and to be provided subsequent to this Financing Order, amounts collected through the

Public Benefits Fee authorized pursuant to HRS § 269-121 ("Public Benefits Fee").

This Financing Order is designed to operate in conjunction with the Decision and Order to be issued in Docket No 2014-0135 ("Program Order") that addresses the application of DBEDT to utilize amounts in the Green Infrastructure Special Fund and to facilitate such uses through the establishment of a "Green Infrastructure Loan Program" (also referred to herein as the "GEMS Program").

I. INTRODUCTION

Act 211, Session Laws of Hawaii 2013 ("Act 211"), creates a two-part structure for financing, implementing, and regulating a state program dedicated to supporting the installation of clean energy infrastructure through the acquisition of low-cost capital. The stated purpose of Act 211 is:

[T]o establish a regulatory financing structure that authorizes the public utilities commission and the department of business, economic development, and tourism to acquire and provide alternative low-cost financing, to be deployed through a financing program to make green infrastructure installations accessible and affordable for Hawaii's consumers, achieve measurable cost savings, and achieve Hawaii's clean energy goals.²

²Act 211, § 1.

This Financing Order establishes the first part of this structure, the acquisition of low-cost capital through the issuance of bonds secured with a dedicated repayment stream consisting of a nonbypassable ratepayer charge. The issuance of the Program Order approving the use of moneys in the Green Infrastructure Special Fund to fund a clean energy financing program is the second part of this structure and would create a GEMS Program to utilize this capital to implement Act 211's purpose.

The commission's role in the implementation of Act 211 is not to design or carry out bond issuances, nor is it to dictate the specific program details or operations of an approved GEMS Program. Neither the statutory structure of Act 211 nor the commission's regulatory expertise supports this kind of a process. Both the commission and the State are relying to a fair degree on the expertise and judgment of DBEDT and their advisors to issue Bonds in a manner that best serves the goals of Act 211 and minimizes the costs associated with those bonds. In so relying, it is recognized that DBEDT is a government agency created to operate in the public interest according to the laws of the State of Hawaii, and that DBEDT has the expertise to design and carry out the complex transactions called for by Act 211.

That being said, the utilization of proceeds derived from the sale of Bonds secured exclusively by a nonbypassable surcharge on ratepayers within the HECO Companies' service territories calls upon the commission to ensure that (1) the acquisition of low-cost capital can be done effectively and with as little risk to affected ratepayers as possible, and (2) any approved GEMS Program clearly demonstrates its potential to provide a proportional benefit to affected, contributing ratepayers and its likelihood of operating over time in a successful and cost-effective manner. Ratepayers must receive fair value on their electric system investments - direct or otherwise. The commission, therefore, considers DBEDT's proposals pursuant to Act 211, including the Issuance and related items discussed in this Financing Order, from the perspective that it must ensure affected ratepayers' interests are protected.

It is well understood that the availability of inexpensive capital at low, fixed interest rates can be very beneficial to the success of any major capital-intensive project, such as the installation of distributed generation or other energy systems. Indeed, the Legislature recognized Act 211's ability to facilitate the acquisition of low-cost capital as one of the legislation's primary benefits.³ Further, with interest rates

³Act 211, § 1, states that green infrastructure installations that will support the State's clean energy goals "will require

continuing to remain at historically low levels for the time being,⁴ it appears that acquiring a large pool of low-cost capital today to support clean energy projects that will require financing over many years would serve the interests of affected ratepayers and the State, at large, to an even greater extent.

A. Application

On June 6, 2014, DBEDT filed its "Application of the State of Hawaii Department of Business, Economic Development, and Tourism for a Financing Order to Issue Bonds and to Authorize the Green Infrastructure Fee" (consisting of the application, attachments and supporting exhibits, hereinafter jointly referred to as the "Application") seeking approval, among other things, of the issuance of the Bonds, through a securitization described more fully herein, that will finance the costs of a GEMS Program established by Act 211. Specifically, the Applicant requested

significant amounts of capital, and it is in the public interest to minimize these costs. A key component to minimizing costs is reducing the cost of capital required to finance infrastructure installations." In addition, Act 211 states that "the impact and reach of proven clean energy financing programs, such as on-bill financing or on-bill repayment, can be greatly enhanced through the use of low-cost capital made available through the green infrastructure financing program established by this Act."

⁴See <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=longtermrate>.

that the commission approve the issuance of Bonds in an aggregate principal amount not to exceed \$150,000,000.

The Application further requested that the commission approve and adopt the financing order submitted as Exhibit 6 thereto in its entirety, and without substantial modification, as the full and final resolution of the issues raised in this proceeding.

In order for the commission to issue this Financing Order, pursuant to HRS § 269-163(b), the commission must find, *inter alia*, that the creation of the Green Infrastructure Property defined in HRS § 269-161 to secure the payment of the Bonds, including the imposition of the Green Infrastructure Fee, will facilitate the acquisition of low-cost financing for green infrastructure installations through the GEMS Program described below, pursuant to an application under HRS § 269-162.

On June 6, 2014, concurrently with the submission of the Application, DBEDT, on behalf of the Hawaii Green Infrastructure Authority ("Authority"), submitted a separate application to the commission pursuant to HRS § 269-170 requesting the issuance of the Program Order to effectuate the GEMS Program. The Applicant's request for a Program Order will be addressed independently of this Financing Order. This Financing Order does not address any issues regarding the GEMS Program, which will be addressed in the Program Order under Docket No. 2014-0135.

The procedural history of this Application is discussed in greater detail in "Section VI.B. Application and Other Procedural History" of this Financing Order.

B. Summary of Financing Order

In this Financing Order, the commission finds that the creation of the Green Infrastructure Property to secure payment of the Bonds, including the imposition of the Green Infrastructure Fee, will facilitate the acquisition of low-cost financing for the Hawaii Green Infrastructure Loan Program. The commission also finds that the securitization approved in this Financing Order meets all applicable requirements of the statutory provisions discussed below. Lastly, the commission finds that granting approval of the requests made in DBEDT's Application, subject to certain adjustments described in this Financing Order, is just, reasonable, and consistent with the public interest in promoting the clean energy goals of the State of Hawaii as expressed in Act 211.⁵

Accordingly, pursuant to the terms of this Financing Order, the commission: (1) approves the securitization requested by the Applicant and authorizes the issuance of Bonds in

⁵Act 211 is codified, where applicable, under Part IV, HRS Chapter 196 (Green Infrastructure Loans) and Part X, HRS Chapter 269 (Green Infrastructure Bonds).

one or more series and maturities (or "tranches") in an aggregate principal amount not to exceed \$150,000,000 on one or more issuance dates; (2) approves the structure of the securitization as provided for in this Financing Order; (3) affords the Department flexibility in determining the final terms and conditions of the Bond issuance to accommodate changes in market conditions; (4) approves and authorizes the imposition, charging, and collection of the Green Infrastructure Fee in an amount, calculated and adjusted from time to time as provided in this Financing Order, to be sufficient to pay the debt service on the Bonds, together with related "Ongoing Financing Costs" (as described below) on a timely basis; (5) approves and authorizes the creation of Green Infrastructure Property (as defined below); (6) approves and authorizes the deposit of the net proceeds of the Bonds into the Green Infrastructure Special Fund; (7) approves and orders the execution of a Service Provider Agreement among the Department and the HECO Companies in the amended form attached as Appendix E to this Financing Order, and the payment of compensation to the Electric Utilities, acting in the capacity of Service Providers, as provided in this Financing Order; (8) approves, as amended by the commission, and authorizes the forms of the Tariff Schedules (as defined below) to be filed under the Electric Utilities' tariffs, as provided in this Financing Order, to implement and service amounts collected through the Green Infrastructure Fee

correspondingly reduce, according to the process required herein and to be provided subsequent to the issuance of this Financing Order, amounts collected through the Public Benefits Fee.

C. Public Interest and Low-Cost Financing

HRS § 269-163(b) holds that in order for the commission to approve the financing of the Financing Costs (as described below) through the securitization authorized by this Financing Order, it must find that the securitization will facilitate the acquisition of low-cost financing for the Hawaii Green Infrastructure Loan Program.

The Applicant has estimated that the Bonds, structured as described in this Financing Order, with a weighted average life of approximately 7.87 years, will have an estimated weighted average cost of approximately 3.22% under current market conditions. Actual interest rates will differ based upon then-current market conditions at the time the Bonds are priced. This estimated interest cost evidences that the issuance of this Financing Order and the Bonds are in the public interest, will facilitate the acquisition of low-cost financing for the Hawaii Green Infrastructure Loan Program, and thus are consistent with HRS § 269-163(b).

II. DISCUSSION AND STATUTORY OVERVIEW

On April 30, 2013, the Legislature of the State of Hawaii ("Legislature") enacted, and on June 27, 2013, the Governor signed into law, Act 211, authorizing the establishment of the Hawaii Green Infrastructure Loan Program to be administered by the State to make clean energy improvements more accessible and affordable to Hawaii ratepayers, and further authorizing the establishment of a regulatory financing structure pursuant to which the Department would provide low-cost financing for green infrastructure investments through the securitization of a "nonbypassable" charge imposed on electric utility customers (the "Securitization").

Act 211 created a new part to HRS Chapter 196, designated HRS §§ 196-61 to 196-70, created a new part to HRS Chapter 269, designated HRS §§ 269-161 to 269-176, and amended § 269-5 and § 269-121 (collectively, the "Statute"). The Statute addresses all aspects of the Securitization, including the application and approval process and several provisions intended to ensure the highest possible credit ratings and marketability of the Bonds to be issued pursuant to this Financing Order, and hence facilitate the acquisition of low-cost financing for the Hawaii Green Infrastructure Loan Program.

On June 6, 2014, the Department, on behalf of the Authority, submitted a separate application to the commission pursuant to HRS § 269-170, requesting the issuance of a Program Order to effectuate the Hawaii Green Infrastructure Loan Program. This separate application is the subject of Docket No. 2014-0135.

To allow for the funding of the Hawaii Green Infrastructure Loan Program, the commission may authorize the creation of Green Infrastructure Property and issuance of the Bonds. The Bonds are generally defined as any bond, note, or other evidence of indebtedness that is issued by the State of Hawaii, acting through the Department, under a financing order issued by the commission, the proceeds of which are used directly or indirectly to recover, finance, or refinance costs associated with the financing of clean energy technology, such as demand response technology and energy use reduction and demand side management infrastructure, programs, and services that are secured by or payable from Green Infrastructure Property.⁶ The proceeds from the sale of the Bonds, net of "Upfront Financing Costs" (as defined below), will be deposited into the Green Infrastructure Special Fund (described below) and will be used solely to fund the Hawaii Green Infrastructure Loan Program.

⁶See HRS § 269-161.

The Green Infrastructure Fee means the nonbypassable fees, authorized by HRS § 269-166 and the commission in this Financing Order, to be imposed on and collected from all existing and future customers of the Electric Utilities or any successors.⁷ Electric Utilities are defined under HRS § 269-161 as all electric utilities subject to billing, collecting, and remitting the public benefits fee established pursuant to HRS § 269-121 or the Green Infrastructure Fee at the time this Financing Order becomes final, and any other electric utility designated in this Financing Order. HECO, HELCO, and MECO are the Electric Utilities that are subject to this Financing Order.

Consumers located in the service areas of the Electric Utilities must pay a Green Infrastructure Fee in an amount sufficient to provide for the timely payment of the principal of, and interest on, the Bonds, to replenish the Debt Service Reserve Subaccount (described below) to its required level, and to pay for the other Ongoing Financing Costs (described below). The Green Infrastructure Fee will be collected by HECO, HELCO, and MECO, or their successors, as agents for the Department or the Financing Parties as provided for in this Financing Order.⁸

⁷See HRS §§ 269-161 and 269-166.

⁸See HRS §§ 269-166 and 269-167.

Under the Statute, the rights to impose, charge, and collect the Green Infrastructure Fee will be created simultaneously when the Bonds are issued, which rights shall immediately vest in the Department. The Department shall pledge these rights in connection with the issuance of Bonds in favor of bondholders and financing parties to secure the Bonds.⁹

The Statute provides that authorized by this Financing Order shall be nonbypassable and apply to all existing and future customers of an Electric Utility or its successors, i.e., any customer that receives electric delivery service from an Electric Utility or its successors.¹⁰ The Statute also requires that an adjustment mechanism be used by the commission, on behalf of the Department, to adjust the Green Infrastructure Fee to ensure the amount of Green Infrastructure Fees projected to be collected and remitted will be sufficient to pay the principal and interest on the Bonds and all related Ongoing Financing Costs on a timely basis.¹¹

In this Financing Order, the Green Infrastructure Fee is required to be reviewed and adjusted by true-up semiannually. In addition, charges are to be reviewed and adjusted quarterly

⁹See HRS § 269-164.

¹⁰See HRS § 269-166.

¹¹See HRS §§ 269-163(c)(5) and 269-176.

following the scheduled maturity date of any tranche of the Bonds until such tranche has been paid in full. In addition, this Financing Order authorizes more frequent true-up adjustments by the Department at any time.¹² In all cases, such adjustments shall be implemented without any caps. These provisions will help to ensure that the debt service on the Bonds, together with the Ongoing Financing Costs (including the replenishment of the Debt Service Reserve Subaccount to its required level), will be paid in full on a timely basis, and will achieve the highest possible credit ratings.

The State of Hawaii has pledged that it will not take or permit any action that would impair the value of Green Infrastructure Property under this Financing Order, or, except pursuant to the true-up adjustment mechanism, reduce, alter, or impair to be imposed, charged, collected, or remitted for the benefit of the bondholders and any "financing parties" (as defined in HRS § 269-161), until all principal of, interest on, and redemption premium, if any, in respect of Bonds, all Ongoing Financing Costs, and all amounts to be paid to a financing party under an ancillary agreement are paid or performed

¹²See Application, Exhibit 6, Appendix C (proposing a true-up adjustment at any other time if the Department determines that such adjustment is required to assure the timely payment of the principal and interest on the Bonds).

in full or unless adequate provision has been made by law for the protection of bondholders and other financing parties.¹³

The Green Infrastructure Fee shall continue to be collected as long as any Bonds are outstanding and any Ongoing Financing Costs have not been paid in full.¹⁴ In addition, the obligation of any electric utility customer to pay the Green Infrastructure Fee and, notwithstanding HRS § 269-164(b), the obligation of the Electric Utility to collect and remit the Green Infrastructure Fee, are not subject to setoff, counterclaim, surcharge, or defense by HECO or any other Electric Utility or by any electric utility customer.¹⁵

Further, transactions involving the transfer, ownership, and pledge of Green Infrastructure Property and the Green Infrastructure Fee and the imposition, billing, collection, and receipt of the Green Infrastructure Fee under the Statute, are exempt from all taxes and surcharges imposed by the State or the counties, including the general excise tax under HRS Chapter 237, the public service company tax under HRS Chapter 239, the public utility fee under HRS § 269-30,

¹³See HRS §§ 269-165 and 269-169.

¹⁴See HRS § 269-166.

¹⁵See HRS § 269-164(c).

and the public utility franchise tax under HRS Chapter 240.¹⁶ The lien and charge on Green Infrastructure Property and all other moneys in the Green Infrastructure Bond Fund for the benefit of any financing party are governed by the Statute and HRS § 39-63.¹⁷

HRS § 269-164(b) provides, in part, that:

[t]he public utilities commission shall ensure that all reasonable costs incurred by electric utilities to implement the green infrastructure fee may be recovered as part of the electric utility's revenue requirement, including necessary billing system adjustments, costs arising out of the billing and collection of the green infrastructure fee, and any costs for the green infrastructure fee that are not recovered otherwise.

Although it is permitted under the statutory provision quoted above, the commission has opted to ensure that Ongoing Financing Costs be recovered by the HECO Companies using the Green Infrastructure Fee rather than to allow recovery of such costs through the revenue requirement of an Electric Utility acting as a Service Provider.

Pursuant to HRS § 196-65, the proceeds of the Bonds (net of Upfront Financing Costs) are to be deposited in the Hawaii Green Infrastructure Special Fund and used, subject to the approval of the commission, for the purposes of: (1) making the

¹⁶See HRS § 269-168.

¹⁷See HRS §§ 269-164 and 39-63.

above-described green infrastructure loans through the Hawaii Green Infrastructure Loan Program; (2) paying the administrative costs of the Hawaii Green Infrastructure Loan Program; (3) paying any other costs related to the Hawaii Green Infrastructure Loan Program; and (4) paying Financing Costs, to the extent permitted by the commission in this Financing Order.

In accordance with HRS § 269-163(d), the commission may permit the Department flexibility in establishing the terms and conditions for the Bonds to accommodate changes in market conditions, including numbers of series or tranches, date or dates of issuance, principal amortization schedules, average lives, interest rates, financing costs, collateral requirements, required ebt service and other reserves, and the ability of the Department, at its option, to effect a series of issuances of Bonds and correlated assignments, sales, pledges, or other transfers of Green Infrastructure Property. Any changes made to terms and conditions for the Bonds shall be in conformance with this Financing Order.

Because the actual structure and pricing of the Bonds, as well as the timing of their issuance, will not be known at the time this Financing Order is issued, the Department will file with the commission, for informational purposes only, not later than three (3) business days following the pricing of the Bonds of any

series, an issuance advice letter, substantially in the form of Appendix B to this Financing Order, which indicates the final structure and terms of the Bonds, calculates the initial Green Infrastructure Fee in accordance with the true-up methodology described below, and provides such other information required by this Financing Order.

To facilitate compliance and consistency with applicable statutory provisions, this Financing Order adopts the definitions as set forth in HRS § 269-161.

III. SUMMARY OF THE PARTIES' POSITIONS

The various parties¹⁸ ("Parties") and intervenors¹⁹ ("Intervenors") in this proceeding provided their respective positions on the Application by submitting statements of position ("SOP") and, when necessary, Reply SOPs. In its SOP, DBEDT reaffirms its request that the commission approve the Application "without substantial deviation" from what it originally submitted.²⁰ DBEDT offers additional support for

¹⁸DBEDT, the HECO Companies, and the DIVISION OF CONSUMER ADVOCACY OF THE DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate") are each Parties to this Proceeding.

¹⁹BLUE PLANET FOUNDATION ("Blue Planet") and SALLY KAYE (referred to as "Sally Kaye" or "Intervenor Kaye") are both Intervenors to this Proceeding.

²⁰DBEDT SOP, filed on August 7, 2014, at 9.

critical aspects of the proposed securitization structure, including, for example, a discussion that, while a usage-based Green Infrastructure Fee was considered, the fixed structure it proposed proved to be "easier to implement, less expensive to customers and consistent with the ensuring the desired AAA ratings."²¹ The proposed estimated financing costs, the potential Green Infrastructure Fee as a nonbypassable surcharge, and the proposed Green Infrastructure Fee allocation split following the current allocation of the Public Benefits Fee were all further supported by DBEDT as being reasonable elements of an overall securitization structure that deserves approval.²²

The Consumer Advocate recommends in its SOP ("CA SOP") that a final financing order be issued and that the Application be approved, but it also recommends adoption of a number of reporting requirements to improve transparency of the process and to make it easier to evaluate the GEMS Program.²³ With respect to the overall focus of the GEMS Program in implementing Act 211, the Consumer

²¹See DBEDT SOP at 5 (citing DBEDT Response to CA-IR-5). DBEDT also notes in its SOP that the current law and tariffs for Hawaii's net energy metering ("NEM") program would not allow for a usage-based fee structure for the Green Infrastructure Fee that could support the requirements of the securitization. See DBEDT SOP at 4.

²²See DBEDT SOP at 6-8.

²³See CA SOP at 20-21.

Advocate stated its support for a GEMS Program that funds utility scale renewable energy infrastructure at lower than currently available costs in order to benefit all ratepayers, and that, at the same time, finances installations primarily for underserved customers.²⁴ The various reporting requirements recommended by the Consumer Advocate include DBEDT reporting annually the purposes or functions for which proceeds of the Bonds will be used,²⁵ and reporting of any deviations at the time of the Issuance in the financing structure that DBEDT originally proposed.²⁶

In addition, the Consumer Advocate generally does not oppose the proposed elements of the Application, but it does offer a number of suggestions to DBEDT that it believes would improve the financing process.²⁷ In response, DBEDT generally defends the Application as being reasonable (i.e., levels of legal/administrative costs are said to be comparable with similar

²⁴See CA SOP at 7. The Consumer Advocate identifies renters and/or low income customers as being part of the "large, underserved markets."

²⁵See CA SOP at 9.

²⁶See CA SOP at 11-12.

²⁷The Consumer Advocate recommends in its SOP, for example, that DBEDT and HECO work to ensure that financing costs are limited as much as possible, that the Adjustment Mechanism be evaluated periodically and revisited where necessary, and that the impact of the GEMS Program and the collection of the Green Infrastructure Fee on other state energy programs, such as energy efficiency measures, be closely monitored. See CA SOP at 13-14 and 16-17.

securitization transactions)²⁸ and it points out that many of the Consumer Advocate's recommendations could potentially alter or otherwise impact elements of the financing structure and result in lowered ratings for Bonds (e.g., the suggestion to revisit or otherwise alter the Adjustment Mechanism following issuance of the Financing Order).²⁹

The HECO Companies take the position that the Application satisfies the statutory requirements of Act 211, and that it is just, reasonable, and consistent with the public interest.³⁰ The HECO Companies assert that the proposed financing structure is consistent with existing law relating to the NEM program, particularly HRS § 269-102(b), because the Green Infrastructure Fee will not increase customer costs beyond those of customers in the same rate class.³¹ In addition, the HECO Companies state that the general structure of the Green Infrastructure Fee is reasonable, including its allocation among residential and commercial rate classes, as well as its fixed

²⁸See DBEDT Reply SOP at 11-12.

²⁹See DBEDT Reply SOP at 13-14.

³⁰See HECO SOP at 6.

³¹See HECO SOP at 3.

fee structure.³² Finally, the HECO Companies clarify that the proposed service provider fees - which are said to be at a fair level - are to be covered through Green Infrastructure Fee collections, and not through the utilities' respective revenue requirements.³³

Blue Planet also asserts that the Application satisfies the statutory requirements of Act 211 and that it is just, reasonable, and consistent with the public interest.³⁴ In stating its strong support of the proposed GEMS Program and approval of the Application, Blue Planet highlights different programs (e.g., community solar) and initiatives (e.g., increased access to clean energy financing for underserved customers) that the proposed financing and the GEMS Program could enhance.³⁵

Sally Kaye argues in her SOP that the Application and proposed financing structure are contrary to the intent of Act 211, and are, therefore, neither in conformance with applicable statutory requirements nor just, reasonable, or consistent with

³²See HECO SOP at 3-4. The HECO Companies also note that the most efficient method of offsetting the impact of the Green Infrastructure Fee on ratepayers with a reduction or credit to the Public Benefits Fee is to do so at an aggregate level. Id.

³³See HECO SOP at 4-5.

³⁴Blue Planet SOP, filed on August 7, 2014, at 3.

³⁵See Blue Planet SOP at 1-2.

the public interest.³⁶ The primary assertion of Sally Kaye that the Application is not consistent with intent of Act 211 is discussed at length below in "Section VI.C. Approval of Application." Other individual points raised by Intervenor Kaye in opposition to the Application - such as the claim that DBEDT's proposal somehow preempts the commission's decision making authority³⁷ or the claim that additional clarity is required for a number of issues such as the interplay between an on-bill financing program and the GEMS Program³⁸ - are addressed in later sections of this Financing Order.

Thus, Parties and Intervenors, with the exception of Sally Kaye, are generally in support of DBEDT's proposed financing structure in the Application as being an effective means for acquiring low-cost capital in furtherance of the purposes of Act 211.

³⁶See Sally Kaye SOP, filed on August 6, 2014, at 8 and 14.

³⁷See Sally Kaye SOP at 7.

³⁸See Sally Kaye SOP at 12. The commission addresses in Docket No. 2014-0135 the interaction between the GEMS Program and the On-bill Financing Program that is the subject of Docket No 2014-0129.

IV. DESCRIPTION OF PROPOSED TRANSACTION

A brief summary of the Securitization is provided in this section.

The State, acting through the Department, will issue the Bonds. The proceeds from the sale of the Bonds, net of Upfront Financing Costs (as defined below), will be deposited into the Green Infrastructure Special Fund.

The Bonds will be issued pursuant to a Certificate of the Director of the Department and an indenture (collectively, the "Bond Documents") administered by an indenture trustee. The Department, pursuant to HRS § 196-67, and the Director of Finance, pursuant to HRS § 39-68, shall appoint the indenture trustee to receive, hold, and disburse all amounts required to be held in the Hawaii Green Infrastructure Bond Fund upon the terms and conditions set forth in the Bond Documents. Pursuant to the indenture, the Department will establish a segregated trust account (the "Collection Account") in the Green Infrastructure Bond Fund into which all remittances shall be deposited by the Service Providers. The Collection Account will also include one or more subaccounts, including the Debt Service Reserve Subaccount described below. The Bonds will be secured by, and be payable solely out of, the Green Infrastructure Property created pursuant to this Financing Order and other collateral described in the Application. That collateral will be pledged to the indenture

trustee for the benefit of the holders of the Bonds and to secure payment of the Ongoing Financing Costs.

The Green Infrastructure Fees may be imposed to recover, among other things, all of the following items defined as "Financing Costs" under HRS § 269-161: (1) principal and interest payable on Bonds; (2) any payment required under an ancillary agreement; (3) any amount required to fund or replenish a reserve account or another account established under any indenture, ancillary agreement, or other financing document relating to the issuance of the Bonds; (4) any redemption or call premium or cost of redeeming or refunding any existing debt of the Department in connection with either the issuance of, or the use of proceeds from, Bonds; (5) any costs incurred by the Department to modify or amend any indenture, financing agreement, security agreement or similar agreement, or instrument securing any Bond or any ancillary agreement; (6) any costs incurred by the Department to obtain any consent, release, waiver, or approval from any bondholder or of any party to an ancillary agreement that are necessary to be incurred for the Department to issue Bonds; (7) any costs related to issuing or servicing Bonds or related to obtaining a financing order, including service provider fees and expenses, trustee fees and expenses, legal, accounting, or other professional fees and expenses, administrative fees, placement fees, underwriting fees and discounts, rating-agency

fees, or loan program administration costs as authorized for recovery under a financing order or orders; and (8) any other similar costs incident to the issuance, administration, or servicing of the Bonds that the Department finds appropriate (including without limitation repayment of over-remittances of Green Infrastructure Fees by HECO and the other Service Providers).

Under HRS §§ 269-166 and 269-167, the HECO Companies, and their respective successors, shall bill and collect the Green Infrastructure Fee. Further, under HRS § 269-164(b), the commission:

[S]hall ensure that all reasonable costs incurred by electric utilities to implement the green infrastructure fee may be recovered as part of the electric utility's revenue requirement, including necessary billing system adjustments, costs arising out of the billing and collection of the green infrastructure fee, and any costs for the green infrastructure fee that are not recovered otherwise.

The Department will enter into a Service Provider Agreement with the HECO Companies, under which HECO will act as the initial Master Service Provider, and the other Electric Utilities will each act as a Service Provider. Under the Service Provider Agreement, the Electric Utilities will each be responsible for billing and collecting the Green Infrastructure Fee. Each Service Provider will also be responsible for remitting to the indenture trustee, on a daily basis, the Green Infrastructure Fees. HECO will also be responsible for

making preliminary calculations (subject to Department review) of the initial Green Infrastructure Fee and of all adjustments to the Green Infrastructure Fee, preparing drafts of the true-up filings to be made by the Department with the commission, and for preparing and filing any other reports with the commission, the Department, and the indenture trustee, as required by the Service Provider Agreement.

In accordance with the Service Provider Agreement, neither HECO nor any other Electric Utility may voluntarily resign from their respective duties as Service Providers without the consent of the Department and the commission, and no such resignation or any delegation to a third-party service provider will be permitted if the resignation or delegation will harm the then-current credit ratings on the Bonds. If HECO or another Electric Utility defaults on its obligations as Service Provider, an independent third-party successor service provider acceptable to the indenture trustee and the rating agencies would be named to replace such Electric Utility as service provider.

HECO and each Electric Utility will receive an annual service provider fee, payable to the Electric Utility, as set forth in Ordering Paragraph No. 137 of this Financing Order. To the extent required to achieve the highest possible credit ratings on the Bonds, a portion of the cost of performing the obligations under the Service Provider Agreement may be subordinated to the

payment of interest and principal on the Bonds, at the discretion of the Department.

The Green Infrastructure Fee will be calculated to ensure the collection from the Electric Utilities' customers and remittances to the Trustee of an amount sufficient to pay on a timely basis the debt service due and accruing on the Bonds, to replenish the Debt Service Reserve Subaccount to its required level, and to pay the other Ongoing Financing Costs on a timely basis. The Green Infrastructure Fee will be initially calculated, and adjusted from time to time, pursuant to the true-up adjustment methodology shown in Appendix C to this Financing Order. As provided in this Financing Order, true-up adjustments to the Green Infrastructure Fee shall be made semiannually, quarterly, after the last scheduled maturity date of the Bonds, and more frequently³⁹ if necessary for the timely payment of the Bonds. The methodology for making true-ups and allocation adjustments, and the circumstances under which each shall be made, shall be as described in this Financing Order. In all cases, such adjustments shall be implemented without any caps. Notification to the commission of any true-up adjustments to the Green Infrastructure

³⁹See Application, Exhibit 6, Appendix C (proposing a true-up adjustment at any other time if the Department determines that such adjustment is required to assure the timely payment of the principal and interest on the Bonds).

Fee will be made by the Department, and the commission will, subject only to the correction of any mathematical error, adjust the Green Infrastructure Fee on behalf of the Department automatically and without the need for the issuance of an order. The adjustment to the Green Infrastructure Fee will become effective on the date requested by the Department. These true-up provisions will help to ensure that the Bonds, together with Ongoing Financing Costs (including the replenishment of the Debt Service Reserve Subaccount to its required level), will be paid in full on a timely basis, and will achieve the highest possible credit ratings. The Green Infrastructure Fee will remain in effect until the Department has received collections sufficient to pay in full the Bonds and all Ongoing Financing Costs.

Separately and without impact to the calculation, collection, remittance, or adjustment of the Green Infrastructure Fee until all principal, interest, and related costs of the Bonds have been paid in full, amounts collected through the Green Infrastructure Fee will be applied to correspondingly reduce amounts collected through the Public Benefits Fee.⁴⁰

⁴⁰See HRS § 269-121 and Docket No. 2007-0323 "Instituting a Proceeding to Investigate the Issues and Requirements Raised by, and Contained in, Hawaii's Public Benefits Fund, Part VII of Chapter 269, Hawaii Revised Statutes," initiated on September 26, 2007.

The Applicant has proposed a structure for the Bonds that is designed to produce substantially level annual debt service and revenue requirements over the life of the Bonds. The commission determines that DBEDT's proposal that the final bond structure should attempt to achieve a substantially level annual debt service and revenue requirements over the life of the Bonds is consistent with Act 211. Based upon current market conditions, the Applicant proposes to issue one series of Bonds in October 2014 with a scheduled final maturity of approximately 14 years from the date of issuance (and a final legal maturity of approximately 16 years). In no event will the Bonds have a scheduled final maturity of more than 20 years from their date of issuance or a legal final maturity later than 22 years from the issuance date, with the actual dates to be determined by the Applicant. The commission finds in this Financing Order that the Department should be given flexibility to establish the scheduled and final maturities for the Bonds and an amortization schedule consistent with the limits of this Financing Order.

V. UPFRONT AND ONGOING FINANCING COSTS ELIGIBLE FOR RECOVERY

The Applicant proposes that two general categories of financing costs be recovered from the proceeds of the Bonds or the collection of the Green Infrastructure Fee: Upfront Financing Costs and Ongoing Financing Costs.

A. Upfront Financing Costs.

"Upfront Financing Costs" are defined as Financing Costs that are incurred prior to, or in connection with, the issuance of the Bonds that can be financed with the proceeds of such Bonds. These Upfront Financing Costs include Department legal and accountants' fees, Department financial advisor fees, underwriting fees, rating agency fees, Service Provider legal and accountants' fees, initial funding of the Debt Service Reserve Subaccount, set-up implementation costs of the Service Providers, printing and marketing expenses, and other fees and expenses as more particularly described in Appendix A to this Financing Order. The Applicant estimated in its Application that the Upfront Financing Costs, based upon a proposed single Bond issuance in mid-October of 2014, would be approximately \$2,887,195.⁴¹

The commission finds that, based on its review of the record and given the changes in market conditions over time, the estimated Upfront Financing Costs as provided by the Applicant are reasonable, that the Department should be given flexibility in

⁴¹See Application, Exhibit 4-A-1, and Response of DBEDT to First Submission of Information Requests of the Division of Consumer Advocacy of the State of Hawaii Department of Commerce and Consumer Affairs, filed on August 1, 2014, at 8 (explaining that the \$5,000 estimated upfront financing costs for the rating agency 17g-5 website is no longer needed and should be subtracted from the total estimated upfront costs).

determining the final amounts of such Upfront Financing Costs, and that such Upfront Financing Costs, as finally approved by the Department, are authorized and eligible for recovery under the Statute from the proceeds of the Bonds. DBEDT, as an agency of the State of Hawaii, operates in the public interest and in furtherance of the laws of the State. Therefore, with respect to the estimated financing costs presented in this Application that are subject to change, the commission finds that the approval of financing cost estimates are reasonable in this instance.⁴²

B. Ongoing Financing Costs.

"Ongoing Financing Costs" are defined as those Financing Costs that accrue and are payable over the life of the Bonds, including, without limitation, principal and interest, Service Providers' fees, administration fees, trustee fees and expenses, Department legal and accounting fees, Service Provider legal and accounting fees, rating agency fees, the costs to replenish the Debt Service Reserve Subaccount, the costs of any other credit enhancement, miscellaneous fees and expenses relating to servicing the Bonds, and the return to the Service Providers of any excess remittances of Green Infrastructure Fees, and other

⁴²See also Consumer Advocate SOP, Sally Kaye SOP, and Blue Planet Foundation SOP (none of the parties objected to the approval of the estimated financing costs).

amounts authorized by the Statute and approved by the Department and by the commission in this Financing Order.

In its Application, the Applicant requests that, pursuant to HRS § 269-164, the HECO Companies be authorized to recover as part of their respective revenue requirements their reasonable costs incurred to implement and service the Green Infrastructure Fee. The recovery of such costs as part of the HECO Companies' respective revenue requirements, where applicable, shall not include amounts identified and included as Ongoing Financing Costs.⁴³ In Ordering Paragraph No. 137 of this Financing Order, based upon the documentation submitted by the Electric Utilities, the commission has approved the compensation for each of the Electric Utilities for performing their respective obligations as Service Providers. The Commission, at the request of the Applicant, has also approved in this Financing Order a service provider fee for any successor to an Electric Utility that is not an affiliate of the HECO Companies. The commission finds that the initial service provider fees and the higher allowable service provider fee for a third-party Service Provider are reasonable and consistent with

⁴³The HECO Companies acknowledge that amounts already identified to be recovered as part of the Ongoing Financing Costs collected via the Green Infrastructure Fee will not be included as part of the respective future revenue requirements of any of the HECO Companies. See HECO Reply SOP at 3.

the need to maintain quality servicing over the life of the Bonds and thereby achieve the highest possible credit ratings on the Bonds.

The other Ongoing Financing Costs will vary during the term of the Bonds, and are not determinable on or before the issuance of the Bonds. Further, Ongoing Financing Costs (as well as Upfront Financing Costs) will vary if the Bonds are issued in more than one series at different times. The commission finds that recovery of actual Ongoing Financing Costs as described in the Application, shall be recoverable in full through the Green Infrastructure Fee, and that such costs are reasonable and should be approved. As the commission noted previously, DBEDT is a government agency operating in the public interest and in furtherance of the laws of the State, and, therefore, has an obligation to minimize such costs. Therefore, with respect to the estimated financing costs presented in this Application that are subject to change, the commission finds that the approval of financing cost estimates are reasonable in this instance.

C. Limitation of Financing Costs

Due to changing market conditions, the commission recognizes the practical inability of the Applicant and the parties involved in the Bond issuance and ongoing repayment-related transactions to determine the exact levels of either the

Upfront Financing Costs or the Ongoing Financing Costs until after the issuance of this Financing Order. However, the commission, along with the Consumer Advocate,⁴⁴ highlights the importance of this factor: DBEDT and the HECO Companies must ensure the minimization of both Upfront Financing Costs and Ongoing Financing Costs to the fullest extent possible. The Legislature enacted Act 211 for the purpose of increasing access to clean energy technology through the acquisition of low-cost capital, and not for the purpose of incurring large levels of professional service fees.⁴⁵ Finally, as this is the first bond issuance of its type in the State of Hawaii, the commission recognizes that the level of uncertainty in estimating Upfront Financing Costs and Ongoing Financing Costs should be greatly reduced for any succeeding GEMS-related bond issuances.

⁴⁴See Consumer Advocate SOP at 13.

⁴⁵See Act 211, § 1. This law states that:

[t]he legislature further finds that the upfront costs of green infrastructure equipment are a barrier preventing many electric utility customers from investing in these infrastructure installations. Existing programs and incentives do not serve the entire spectrum of the customer market, particularly those customers who lack access to capital or who cannot afford the large upfront costs required, thus creating an underserved market. It is in the public interest to make cost-effective green infrastructure equipment options accessible and affordable to customers in an equitable way.

VI. FINDINGS OF FACT

A. Identification of Applicant and Service Providers

1. The Department is a governmental department of the State of Hawaii, which pursuant to HRS § 26-18, undertakes statewide business and economic development activities and planning activities, undertakes energy development and management, provides economic research and analysis, plans for the use of Hawaii's land and ocean resources, and encourages land use planning and the development and promotion of industry and international commerce through programs established by law.

2. HECO, HELCO, and MECO are each a corporation now existing under and by virtue of the laws of the State of Hawaii and are operating public utilities engaged in the production, purchase, transmission, distribution, and sale of electricity in each of their respective service territories. HECO is the parent corporation of HELCO and MECO. HECO, HELCO, and MECO are Electric Utilities as defined in Act 211, and will carry the responsibility of servicing the Green Infrastructure Property in accordance with the Service Provider Agreement.

B. Application and Other Procedural History

3. As previously noted, the Applicant filed its Application on June 6, 2014, for approval to finance the costs of

the Green Infrastructure Loan Program through the Securitization as established under Act 211 pursuant to HRS § 269-162 and to obtain approval of the Service Provider Agreement pursuant to HRS §§ 196-68 and 269-163 and a form of Service Provider Agreement the Applicant included with its Application. In its Application in this proceeding, DBEDT sought a final determination and expedited issuance of the Financing Order within ninety (90) days from the submission of the initial application, or September 4, 2014.⁴⁶

4. On June 24, 2014, Sally Kaye timely filed her motion to intervene pursuant to Hawaii Administrative Rules ("HAR") § 6-61-55, which was followed by the timely filing of Blue Planet's motion to intervene on June 26, 2014. Both the Consumer Advocate and DBEDT submitted responses to the motions to intervene of both Sally Kaye and Blue Planet; neither the Consumer Advocate nor DBEDT objected to either Sally Kaye's or Blue Planet's respective motions to intervene.⁴⁷ The commission

⁴⁶See Application at 3. HRS § 269-163(a) requires the commission to issue either a final financing order or its denial of a financing order application "as expeditiously as possible and in any event within ninety days from the date [a] completed application is submitted."

⁴⁷See CA Response to Motion to Intervene of Sally Kaye, filed June 26, 2014, and CA Response to Motion to Intervene of Blue Planet Foundation, filed June 27, 2014. See also DBEDT Response to Motion to Intervene of Sally Kaye and Blue Planet Foundation, filed June 30, 2014.

granted intervenor status for both Sally Kaye and Blue Planet in Order No. 32206, which set forth the terms of intervention, subject to reconsideration by the commission, and established a procedural schedule to govern this proceeding ("Procedural Schedule").⁴⁸ In addition, Order No. 32206 provided the following issues to govern the instant proceeding ("Statement of Issues"):⁴⁹

1. Whether the Application meets all necessary statutory requirements; and
2. Whether the Applicant's requests are just, reasonable, and consistent with the public interest.

5. The Procedural Schedule established a one-month period from the issuance of Order No. 32206 on July 14, 2014, through August 14, 2014, during which time parties could issue information requests ("IR") to other parties in one or more sets of filings ("Rolling IR Period").⁵⁰ Responses to IRs properly issued during the Rolling IR Period were required to be filed within five business days after the IR's issuance.⁵¹ Parties and Intervenors exchanged timely IRs and responses throughout this

⁴⁸See Order No. 32206, "Granting Intervention and Establishing a Procedural Schedule," filed July 14, 2014 ("Order No. 32206").

⁴⁹See Order No. 32206 at 9.

⁵⁰See Order No. 32206 at 8.

⁵¹See Order No. 32206 at 9.

Rolling IR Period.⁵² In addition, the commission issued its own IRs to gather additional details or clarifications on the Application prior to and during the Rolling IR Period, DBEDT providing timely responses in each instance.⁵³ The substance of the IRs in this proceeding are discussed in this Financing Order where necessary.

6. Deadlines for the submission of SOPs and Reply SOPs from the Parties and Intervenors of August 7, 2014, and August 14, 2014, respectively, were also established via the Procedural Schedule.⁵⁴ Sally Kaye's SOP was timely filed on August 6, 2014, while the SOPs of the Consumer Advocate, DBEDT, the HECO Companies, and Blue Planet were timely filed on August 7, 2014. In each of the SOPs, the Parties and Intervenors provided their respective positions in favor of, or opposition to, approval of DBEDT's Application, as well as a discussion of the Statement of Issues. In response to the positions provided in the Parties' and Intervenors' respective SOPs, all Parties

⁵²See Sally Kaye's Submission of Information Requests, filed July 21, 2014, Sally Kaye's Second Submission of Information Requests, filed August 1, 2014, and Sally Kaye's Third Submission of Information Requests, filed August 14, 2014. See also CA's First Submission of Information Requests, filed July 25, 2014.

⁵³See Letter from Commission to DBEDT, filed June 20, 2014. See also Letter from Commission to DBEDT, filed August 4, 2014.

⁵⁴See Order No. 32206 at 8.

and Intervenors, except Sally Kaye, filed Reply SOPs by the August 14, 2014 deadline. Relevant portions of the Parties' and Intervenors' filed SOPs and Reply SOPs are discussed above (see "Section III. Summary of the Parties' Positions") and throughout this Financing Order as necessary.

7. Finally, the Procedural Schedule provided an option for the commission to hold a hearing during the week of August 18, 2014, if determined to be necessary.⁵⁵ No Party or Intervenor to this docket requested that an evidentiary hearing be held, as provided for under HAR Chapter 61.⁵⁶ Thus, upon its own review of the record in the instant proceeding following the submission of SOPs and Reply SOPs and the end of the Rolling IR Period, the commission determined, on August 14, 2014, that an evidentiary hearing was not necessary.

⁵⁵See Order No. 32206 at 8.

⁵⁶The commission notes here the suggestion made by one of the intervenors to Docket No 2014-0135 that a combined evidentiary hearing be held for both this docket and Docket No. 2014-0135 to discuss issues raised in the course of that proceeding. See Life of the Land's Reply Statement of Position in Docket No. 2014-0135, filed August 14, 2014. This suggestion was considered, but ultimately not accepted, based on the commission's own review of the record. See Letter from the Commission to Docket No 2014-0134 Service List, filed August 18, 2014.

C. Approval of Application

8. The Application and the record have been reviewed by the commission, and the commission finds the Application to be substantially in compliance with the statutory requirements of Act 211. The commission also finds that, in substantial part, the requests made in the Application are just, reasonable, and in the public interest. Accordingly, the commission approves the Application through this Financing Order without substantial deviation, but with certain modifications as described in this Financing Order.

9. While the majority of Parties and Intervenors expressed support for the Application's approval, the commission recognizes that certain Parties and Intervenors either oppose outright the approval of the Application or request the addition of reporting requirements and other conditions. The commission believes it is necessary at this time to address the most foundational of these contentions. The following discussion clarifies the purpose of Act 211 upon which the commission relies as the basis for its approval of the Application.

10. Intervenor Kaye raises a number of points in opposition to commission approval of the Application. In both Intervenor Kaye's Motion to Intervene, filed on June 24, 2014, and her SOP, it is argued that the Application and the proposed Financing Order included therein would, if approved as presented,

violate the intent and express language of Act 211.⁵⁷ The principal focus of Intervenor Kaye's arguments in opposition to the Application is the proposed fixed, nonbypassable Green Infrastructure Fee to be collected for the duration of the applicable Bonds' repayment period, together with the proposed offset of the Green Infrastructure Fee ("Proposed GIF") utilizing the Public Benefits Fee. Upon review of the legislative history of Act 211, Intervenor Kaye contends that the Proposed GIF - and assuming the approval thereof - (1) does "not accurately reflect the Legislature's intent in enacting" Act 211, and (2) is not otherwise reasonable, just, or consistent with the public interest.⁵⁸ In support of her contentions, Intervenor Kaye cites testimony and legislative reports for various versions of S.B. No. 1087 that the Intervenor alleges indicate that a long-term, fixed GIF imposed upon all ratepayers was not supported by the Legislature or those who provided testimony in support of S.B. No. 1087.⁵⁹

⁵⁷See Sally Kaye Motion to Intervene at 3; see also Sally Kaye SOP at 2.

⁵⁸See Sally Kaye SOP at pages 2 and 14. While Intervenor Kaye argues numerous additional points concerning the propriety of the Application, the commission addresses only the issues directly relevant to this Financing Order.

⁵⁹See, generally, Sally Kaye SOP.

11. First, the commission does not agree with the contention that the Proposed GIF, if approved, would be contrary to, or does not otherwise accurately reflect, the Legislature's and the Governor's intent in enacting Act 211. As Blue Planet indicates in its Reply SOP, Hawaii state law holds that review of a law's supporting legislative intent is necessary only if the statutory language is ambiguous.⁶⁰ HRS § 269-161 defines the Green Infrastructure Fee as "the nonbypassable fees and charges authorized by HRS § 269-166 and in a financing order authorized under this part to be imposed on and collected from all existing and future customers of electric utilities or any successor." Further, the commission is authorized under HRS § 269-166(a) to create a Green Infrastructure Fee as a "utility-wide nonbypassable surcharge" that may be "a usage-based surcharge, a flat user fee, or a charge based upon customer revenues as determined by" the commission.

12. HRS § 269-166(c) also indicates that "[a]s long as bonds are outstanding and any financing costs have not been paid in full, the green infrastructure fee authorized under any financing order shall be nonbypassable" and that "[s]ubject to any

⁶⁰See Blue Planet Reply SOP at 3 (citing Citizens Against Reckless Development v. Zoning Board of Appeals of the City and County of Honolulu, 114 Haw. 184, 193, 159 P.3d 143, 152 (Haw. 2007)).

exceptions provided in a financing order, the green infrastructure fee shall be paid by all existing and future customers of electric utilities or any successors." (emphasis added). In determining a potential reduction of the Public Benefits Fee in relation to the Green Infrastructure Fee, HRS § 269-166(b) states that "[t]he green infrastructure fee may be applied to reduce the public benefits fee to be transferred pursuant to [HRS] section 269-121 if so provided in a financing order."

13. The commission finds that in the express language of Act 211, the Legislature has clearly indicated its recognition and desire to have the GIF be collected from all existing and future customers and for the commission to establish a Green Infrastructure Fee-Public Benefits Fee offset mechanism. Thus, on the issue of whether the Proposed GIF is consistent with Act 211, additional review of the legislative intent beyond the provisions of Act 211 is not necessary. The plain language of Act 211 cited above and codified in relevant parts of HRS clearly shows the Legislature's knowledge of and intent to enact legislation authorizing the commission to create precisely the type of fee that the Proposed GIF represents. To be clear, on its face, the statute expressly provides that the Proposed GIF is to be collected from all customers. Moreover, the Proposed GIF is plainly consistent with the intent of Act 211.

14. Second, the commission does not agree with Intervenor Kaye's further contention that the Proposed GIF, if approved, would not be just, reasonable, or consistent with the public interest, particularly if considered in the context of the legislative record for Act 211. The commission notes here that Intervenor Kaye, in her SOP, appears to be going beyond discussing the Proposed GIF and attacks the underlying financing structure at the heart of Act 211. Pointing again to the legislative record, Intervenor Kaye claims that, rather than the imposition of an "additional fee," "the Legislature believed that the GEMS Program would use the usage-based public benefits fee already assessed against electricity consumers, pursuant to [HRS] § 269-121, which would then be used to support low interest loans facilitated by the Department, which would then, over time, be paid back by the consumer via future billing."⁶¹ Intervenor Kaye also notes in her SOP that "a review of the testimony submitted reveals no discussion or support for the imposition of an additional fee on those who have already accessed loans and/or installed green infrastructure, much less the entire universe of ratepayers,

⁶¹See Sally Kaye SOP at 9. Intervenor Kaye appears to be saying that the Legislature believed they were creating with Act 211 the statutory structure for a GEMS Program that would only utilize an existing portion of Public Benefit Fee collections to make loans for green infrastructure equipment that would then be paid back by borrowing customers. As discussed below, the commission does not agree with this contention.

over a potential 20-year period.”⁶² Taking these statements together, it appears that Intervenor Kaye is alleging that the Proposed GIF, or any GIF for that matter, is neither just, reasonable, nor consistent with the public interest because the GEMS financing structure contained in Act 211 and followed by DEEDT in its Application - including the details of the Proposed GIF - is not what the Legislature believed it was enacting with Act 211. The commission does not agree with this position, and reiterates that the Legislature’s intent is best found by reviewing the actual language of Act 211, and not by considering a loosely-related set of statements taken from testimony and/or committee reports.

15. The clearly stated purpose of Act 211 is “to acquire and provide alternative low-cost financing, to be deployed through a financing program to make green infrastructure installations accessible and affordable for Hawaii’s consumers, achieve measurable cost savings, and achieve Hawaii’s clean energy goals.”⁶³ Further, the very financing structure created by Act 211 utilizes utility securitization financing practices that have been successful in other parts of the country, but not yet tried in Hawaii, that leverage the dependability of the utility

⁶²See Sally Kaye SOP at 9 (emphasis added).

⁶³Act 211, § 1 (emphasis added).

ratepayer revenue stream to significantly increase the availability of low-cost capital to fund projects that provide wide-ranging benefits to ratepayers - a central element of which is the creation of a nonbypassable utility surcharge. The Legislature recognized the utility securitization paradigm as the basis for the GEMS financing structure.⁶⁴ The commission, therefore, cannot accept the argument, as Intervenor Kaye would have it, that the Legislature passed one law while fully intending to pass another. The commission instead finds that the Legislature, in passing Act 211, fully understood both the many potential benefits of the GEMS Program and the details of the complex financing structure it approved.⁶⁵

16. In addition, Intervenor Kaye claims the Application is neither just, reasonable, nor in the public interest due to a fundamental claim that the benefits of GEMS Program funding are severely limited, summing up this concern in her SOP as follows:

Finally, it is flatly unreasonable and unjust to ask current self-generators, or those who will become

⁶⁴In addition to the provisions of Act 211 establishing the GEMS financing structure, the Legislature also noted its recognition that Act 211 would establish an "innovative financing method" to provide a "secure financing structure to allow" for the issuance of bonds by DBEDT at "very competitive rates, which savings can be passed on to the consumers in the form of lower borrowing costs." Standing Committee Report No. 816, Senate Committee on Ways and Means, S.B. No. 1087, S.D. 2, Relating to Green Infrastructure, filed March 1, 2013.

⁶⁵See Act 211, § 1.

self-generators prior to the imposition of any GI fee, to pay in excess of what is currently owed to the public benefits fund. At the very least, the current 44,837 NEM customers, [footnote omitted] who were responsible for 343,926 MWh of electrical savings in the last seven years alone, [footnote omitted] and who acquired their green infrastructure systems without the aid of "securitization" from other ratepayers, should be excepted from the imposition of the proposed GI Fee.⁶⁶

The commission points out that the GEMS Program, as set forth in the statute, does not limit the ability - practical or otherwise - of any customer within the HECO Companies' service territories from directly benefiting from GEMS funding. The commission observes that, under the Statute, the allowable types of clean energy technology that will be eligible for funding through the GEMS Program include a variety of systems beyond distributed generation solar photovoltaic and related installations.⁶⁷ Thus, considering the forgoing discussion,

⁶⁶Sally Kaye SOP at 13-14.

⁶⁷The commission points out that there are many direct and indirect benefits of clean energy technology installations through the GEMS Program that Intervenor Kaye and the State of Hawaii, in general, will enjoy. Intervenor Kaye points out in her motion to intervene that her own residential solar photovoltaic installation as part of the Hawaiian Electric Companies NEM program has "provided significant benefits to the State and fellow electricity consumers by substantially lessening the use of fossil fuel consumed for our electricity needs, [footnote omitted] thereby lowering greenhouse gas emissions and furthering the goals of the Hawaii Clean Energy Initiative. . . ." See Sally Kaye Motion to Intervene at 4. The commission notes that in exchange for the "significant benefits" provided to the State,

the commission does not agree that the transactions proposed in the Application, including the Proposed GIF, are not just, reasonable, or in the public interest for the reasons Intervenor Kaye argues.

D. Financing Order Requirements under HRS § 269-163(c)

17. In issuing any Final Financing Order, the commission is required to include the following provisions:

- (1) The maximum amount of bonds to be issued by the State acting through the department under the financing order;
- (2) A description of the green infrastructure property, the creation of which property is authorized by the financing order;
- (3) A description of the financing costs that will be recoverable through green infrastructure fees, including any reserves or overcollateralization amounts required by the department to secure payment of the bonds;
- (4) A description of the methodology to be applied by the public utilities commission, on behalf of the department, for calculating the green infrastructure fee, including the allocation of financing costs among electric utilities and customer classes;
- (5) A description of the formulaic adjustment mechanism to be used by the public utilities commission, on behalf of the department, to adjust the green infrastructure fee in order to ensure that the amount of the green infrastructure fee projected to be collected

Intervenor Kaye and other NEM customers are compensated at a full retail rate for any excess energy exported to the grid.

shall be sufficient to pay the principal and interest on the bonds, and all related financing costs on a timely basis, including the funding or maintenance of any reserves required to be maintained by the department;

- (6) The term of the bonds, as proposed by the department, during which term the green infrastructure fee shall continue to be collected and pledged to pay the bonds, which term shall automatically be extended by the term of any refunding bonds, as approved in a subsequent financing order, issued in such principal amounts as the department may determine to be necessary to refund the bonds that are the subject of the original financing order;
- (7) A requirement that the electric utilities, including any successors, serve as agents to collect the green infrastructure fee and transfer those surcharges to the trustee or other financing party as required by the financing order and any agreements with the department;
- (8) The procedures to be followed by the electric utilities in the event of non-payment or partial payment of the green infrastructure fee by the electric utilities' customers, which procedures shall be consistent with the public utilities commission approved procedures for non-payment and partial payment of rates, charges, and fees under the electric utilities' tariffs;
- (9) The distribution of the total amounts collected by the electric utilities for amounts billed to customers for the electric utilities' rates, fees, the green infrastructure fee, other public utilities commission approved fees, and for associated taxes, in the event of partial payments of the billed amounts;
- (10) Terms satisfactory to the public utilities commission to ensure that the green

infrastructure fee shall be nonbypassable and will be paid by all existing and future customers of an electric utility or any successor; and

- (11) Any other provision the public utilities commission considers appropriate to ensure the full and timely imposition, charging, collection, and adjustment, pursuant to an approved adjustment mechanism, of the green infrastructure fee described in this subsection.⁶⁸

The various statutory requirements listed above are provided for in the various sections of this Financing Order.

E. Amount Authorized to Be Issued

18. The Department is authorized to cause Bonds to be issued in the maximum principal amount of \$150,000,000.

F. Issuance Advice Letter to be Provided to Commission

19. Because the actual structure and pricing of the Bonds will not be known at the time this Financing Order is issued, for informational purposes, the Department will file with the commission, not later than three (3) business days following the pricing of the Bonds, an issuance advice letter in the form of Appendix B to this Financing Order which will indicate the final structure of the Bonds and shall provide the best available

⁶⁸HRS § 269-163(c).

estimate of total Ongoing Financing Costs, the initial Green Infrastructure Fee to be imposed, and other information specific to the Bonds as provided in this Financing Order.

20. The commission agrees with the Consumer Advocate's observation that, while DBEDT needs the flexibility in setting the final structuring of the issuance to achieve the lowest possible cost of capital, ample information concerning the details of any bond issuance is necessary to assist the commission in its review.⁶⁹ However, the commission recognizes the soundness of the analysis performed by DBEDT in reaching its estimated bond structure,⁷⁰ and notes that details of the final structure of the Bonds will be provided to the commission in the Issuance Advice Letter.⁷¹ In approving this Application allowing DBEDT to move forward in pursuit of the lowest possible source funding to support Hawaii's collective clean energy goals, and as discussed earlier in this Financing Order, the commission - and ultimately the State of Hawaii - are relying, to a fair degree, on the expertise and judgment of DBEDT and their advisors to issue Bonds in a manner that best serves the goals of Act 211 and minimizes the costs associated with those Bonds. Accordingly, the commission is not

⁶⁹See CA SOP at 11.

⁷⁰See DBEDT Reply SOP at 10-11.

⁷¹See Appendix B.

requiring DBEDT to file additional information concerning bond structuring decisions, including the additional information requested by the Consumer Advocate in its SOP, beyond the information otherwise required by this Financing Order. However, the commission does maintain the authority to require the submission of additional details concerning the Issuance and related transactions covered in this Financing Order at a later time if it concludes that such information is warranted to assist the commission in its evaluation of the GEMS Program and its review of any potential future Bond issuance applications or requests.

G. Costs to be Recoverable from Green Infrastructure Fees

21. The costs which will be recoverable from the Green Infrastructure Fees will include all principal and interest payable on Bonds, all service provider fees approved by this Financing Order, and all other Ongoing Financing Costs described in the Application which the Department finds appropriate and authorizes for recovery under the Bond Documents. As previously stated, the Department must take all steps reasonably necessary to ensure that those costs are minimized.

H. Facilitation of Low-Cost Financing

22. The Applicant has estimated that the Bonds, with a final scheduled maturity of approximately 14 years, a legal final

maturity date of approximately 16 years after the date of issuance, and an average life of approximately 7.87 years, will have an estimated weighted interest cost of approximately 3.22% per annum under current market conditions. Actual interest rates will differ based upon current market conditions at the time the Bonds are priced. This estimated interest cost evidences that the issuance of this Financing Order and the Bonds are in the public interest,⁷² will facilitate the acquisition of low-cost financing for the Hawaii Green Infrastructure Loan Program, and, thus, is consistent with the Statute.

I. Structure of the Proposed Securitization

23. The commission authorizes the Department to issue Bonds in one or more series or tranches, subject to the terms and conditions of this Financing Order, on one or more dates if the Department deems it to be appropriate, provided, however, that no Bonds will be issued on a date more than two years following the date of this Financing Order. The Department will pledge to the indenture trustee, as collateral for payment of the Bonds, all right, title, and interest of the Department in and to

⁷²See CA SOP at 11 (providing a comparison of recent rates on United States treasury securities of differing maturities, and noting that, while the target interest rates proposed by DBEDT are "not as low as treasury securities," they are "within a range of reasonableness").

(i) the Green Infrastructure Property, (ii) the Collection Account and all subaccounts established in the indenture (discussed below) under which the Bonds will be issued, (iii) the amounts in the Debt Service Reserve Subaccount, (iv) the Department's rights under the Service Provider Agreement (with limited exceptions as may be appropriate), and (v) all proceeds of each of the foregoing. The Bonds will be non-recourse to the Electric Utilities and their assets (i.e., the Electric Utilities will have no obligation to pay any of the principal of, interest on, and other amounts payable on the Bonds or the Ongoing Financing Costs).

J. Flexibility

24. The Department has requested flexibility in establishing the final terms and conditions for the Bonds to accommodate changes in market conditions, including repayment schedules, interest rates, number of tranches, financing costs, collateral requirements, required debt service and other reserves, and the ability of the Department, at its option, to effect a series of issuances of Bonds and correlated assignments, sales, pledges, or other transfers of Green Infrastructure Property, and to amend the Bond documents from time to time without approval of the commission, all in conformance with this Financing Order.

25. The Department states that such flexibility is consistent with the Statute and will help ensure the Bonds will

achieve the highest possible credit ratings and thus lower the cost to electric utility customers, and should be approved. The commission recognizes the concerns expressed by certain parties that the requested level of flexibility may lead to exorbitant costs incurred in the course of the issuance of the Bonds.⁷³ However, the commission finds the level of discretion given to DBEDT in carrying out the Bond issuance is not excessive, nor will it otherwise put the ratepayers at risk of incurring exorbitant costs. DBEDT is aware that its actions must be both reasonable and in the public interest, and, as a state agency, it is required to so act.

26. The commission notes here that DBEDT stated in its June 30, 2014 response to the commission's initial set of IRs that the Applicant would "refrain from issuing bonds under the Financing Order until the Program Order is issued" and that it was DBEDT's aim to "issue bonds when a path for fund deployment is defined and approved by the Commission."⁷⁴ The commission specifically prohibits DBEDT from issuing Bonds until the Program Order is issued.

⁷³See Sally Kaye SOP at 12; see also CA Reply SOP at 8.

⁷⁴See DBEDT Response to PUC-DBEDT-IR-1, filed June 30, 2014.

K. Green Infrastructure Property

27. Pursuant to HRS §§ 269-163(c)(2) and 269-164(a), the Applicant has requested that this Financing Order provide that the creation of the Green Infrastructure Property will be simultaneous with the issuance of the Bonds and such Green Infrastructure Property shall immediately vest in the Department, which shall pledge and create a lien on the Green Infrastructure Property, together with all other money in the Green Infrastructure Bond Fund, solely and exclusively in favor of bondholders and financing parties, to secure the payment of Bonds, amounts payable to financing parties and bondholders, amounts payable under any ancillary agreement, and other Financing Costs as provided in the financing documents executed by the Department, and the commission so determines.

28. Green Infrastructure Property and all other collateral will be pledged to and administered by the indenture trustee pursuant to the indenture, as described in the Application and in Findings of Fact Nos. 43 through 49. This proposal will help ensure the Bonds will achieve the highest possible credit ratings and thus lower the cost to electric utility customers, and is therefore approved.

L. Service Providers and the Service Provider Agreement

29. Pursuant to HRS § 269-166, the Service Providers shall bill and collect the Green Infrastructure Fee, as agents for the Department. The Green Infrastructure Fees and the Green Infrastructure Property shall be owned by the Department, and the Service Providers shall have no right, title, or interest therein.

30. The Applicant has requested that each Service Provider be required to bill and collect the Green Infrastructure Fee utilizing the same practices and procedures, including disconnection policies, that each Service Provider applies in collecting its own charges.

31. The Applicant has requested that the Service Providers be required to remit to a trustee-held account specified by the Department in the Service Provider Agreement, on a daily basis, all Green Infrastructure Fees billed by the Service Providers. The required remittance by the Service Providers would take into account the expected delay between the billing and the collection of the Green Infrastructure Fees. The proposed remittance methodology is described in detail in Appendix F of this Financing Order (and in Exhibit 8 to the Application). As the Service Providers (and any successors) will be required to remit Green Infrastructure Fees based upon billed, rather than collected, amounts, the Service Providers will be permitted to

periodically reconcile remittances with actual fee collections, subject to the terms of the Service Provider Agreement. Any reimbursement to the Service Providers for over-remittances will be without interest and subordinate to the payment of debt service on the Bonds and other Ongoing Financing Costs, and any delay in such reimbursement will not constitute a default under the Service Provider Agreement or any other financing document. Pending the disbursement of Green Infrastructure Fees to the Trustee, each of the Service Providers will be permitted to commingle the Green Infrastructure Fee with other amounts held by it.

32. The Applicant has requested that the Service Providers be required to provide to the Master Service Provider, upon request, such billing, collection, delinquency, write off, customer count, and other information as required by the Master Service Provider to allow for the preparation of draft true-up filings and the filing of all reports and certificates required to be delivered by the Master Service Provider in a timely manner.

33. The Applicant has requested that HECO, as Master Service Provider under the Service Provider Agreement, be required (i) to provide the Department with a calculation (subject to Department review) of the initial Green Infrastructure Fee and of each true-up adjustment to the Green Infrastructure Fee

in accordance with the terms of this Financing Order and the Service Provider Agreement, (ii) to prepare the draft true-up filings for review by the Department and any consultant of the Department, and (iii) to file such remittance and compliance reports as required by the Service Provider Agreement.

34. No Service Provider shall be permitted to resign from its duties as a Service Provider without the consent of the Department and the commission, and only upon such terms and conditions which will not harm the then-current credit ratings on the Bonds, as set forth in the Service Provider Agreement.

35. Pursuant to HRS § 269-164(b), the Service Providers may be authorized to recover as part of their respective revenue requirements their reasonable costs incurred to implement and service the Green Infrastructure Fee. In Ordering Paragraph No. 137 of this Financing Order, based upon the documentation submitted by the Electric Utilities, the commission has approved the compensation for each of the Electric Utilities for performing their respective obligations as Service Providers. To the extent required to achieve the highest possible credit ratings on the Bonds, a portion of the cost of the compensation to the Service Providers may be subordinated to the payment of interest and principal on the Bonds, at the discretion of the Department. The HECO Companies acknowledge that the proposed service provider fees collected through the

Green Infrastructure Fee "will be treated as revenues and will offset revenue requirements in the future rate cases for the [HECO] Companies."⁷⁵ The expenses incurred by the HECO Companies or such affiliate to perform obligations under the Service Provider Agreement shall likewise be included as a cost of service in the HECO Companies' respective base rate case. Any late charges, and any interest earned on the Green Infrastructure Fee subsequent to their collection by the HECO Companies, but prior to their transfer to the Trustee, may be retained by the HECO Companies as additional compensation subject to the terms of the Service Provider Agreement in the event of a default by a Service Provider.

36. The Applicant further proposed that if an Electric Utility defaults on its duties as a service provider or is required for any reason to discontinue those functions, then the Department or the Trustee may apply to the commission for approval of a new service provider as well as for an order requiring the sequestration and payment of all Green Infrastructure Fees in accordance with HRS § 269-167(b). The Applicant has requested that the commission appoint an alternative service provider acceptable to the Department within thirty (30) days of application by the Department or the Trustee.

⁷⁵HECO SOP at 5.

The Department has further requested that the commission require that the appointment of any such replacement service provider will not result in a reduction of the then-current credit ratings on the Bonds. In this event, the Applicant proposes that the Service Provider Fee payable to any third-party successor not affiliated with HECO will not exceed 0.75% per annum on the original principal balance of the Bonds (in each case, adjusted for the pro rata portion of the Bonds serviced by the replaced Service Provider so that the aggregate Service Provider Fee payable would never exceed 0.75% per annum on the original principal balance of the Bonds), unless a higher fee is approved by the commission.

37. The obligations to continue to provide the functions and to collect and account for the Green Infrastructure Fee, as described in this Financing Order and in the Service Provider Agreement, will be binding upon each Electric Utility and any successor. A successor to an Electric Utility is bound by the requirements of the Statute. The successor will have the same rights and will perform and satisfy all obligations of the related Electric Utility under this Financing Order in the same manner and to the same extent as such Electric Utility, including the obligation to collect and pay the Green Infrastructure Fee to the person or persons entitled to receive them. The commission will enforce the obligations imposed by this Financing Order and any

applicable substantive rules and statutory provisions upon the Service Providers.

38. In furtherance of the Statute and this Financing Order, and in order to implement the Securitization and achieve the highest possible ratings on the Bonds, the Applicant has requested that the Service Providers be required to enter into a service provider agreement with the Department (the "Service Provider Agreement"), the proposed form of which has been provided to the commission as Appendix E to the Application, under which HECO will serve as initial master service provider of the Green Infrastructure Property and the Bonds.

39. The commission finds that the proposals described in Findings of Fact Nos. 29 through 37 are approved because they are reasonable, will reduce risk associated with the proposed Securitization, and will, therefore, result in lower costs and greater benefits to electric utility customers. The commission further finds that the form of the Service Provider Agreement submitted to the commission, and as modified by the commission and attached as Appendix E to this Financing Order, is consistent with the Statute and these Findings of Fact, and is approved. The Electric Utilities should be ordered to enter into the Service Provider Agreement in substantially the same form as submitted by the Applicant and modified by the commission.

M. Green Infrastructure Bonds

40. The Department will issue and sell Bonds consisting of one or more series or tranches, which may be designated as "Green Energy Market Securitization Bonds." The maximum principal amount of the Bonds to be issued by the State acting through the Department under this Financing Order is \$150,000,000. The scheduled final payment date of the latest maturing tranche of Bonds will be no later than twenty (20) years after the date of issuance, and the latest legal final maturity date will not be more than twenty-two (22) years after the date of issuance. The scheduled final payment date and legal final maturity date of each tranche and amounts in each tranche will be finally determined by the Applicant at the time the Bonds are priced. The Department shall be granted the flexibility to issue the Bonds in more than one issuance if the Department deems appropriate, provided that no Bonds will be issued on a date more than two (2) years following the date of this Financing Order.

41. The Applicant shall be afforded flexibility to determine whether the Bonds should be sold through a public offering negotiated with one or more underwriters, or through a direct sale of securities to investors via a private placement, or through a competitive sale.

42. The Department will retain sole discretion to cause the issuance of any Bonds authorized in this Financing Order,

and regarding whether or when to assign, sell, or otherwise transfer any rights concerning Green Infrastructure Property arising under this Financing Order prior to the issuance of the Bonds.

N. Security for the Bonds

43. The payment of the Bonds and related charges authorized by this Financing Order is to be secured by the Green Infrastructure Property created by this Financing Order and by certain other collateral as described in the Application and in Finding of Fact No. 23. The Bonds will be issued pursuant to a Certificate of the Director of the Department and an indenture under which an indenture trustee will administer the trust. Pursuant to the indenture, the Department shall establish a Collection Account in the Green Infrastructure Bond Fund as a trust account to be held by the indenture trustee as collateral to facilitate the payment of the principal of, interest on, and other costs approved in this Financing Order related to the Bonds in full and on a timely basis. The Collection Account shall include the General Subaccount, a Debt Service Reserve Subaccount, a Surplus Revenue Subaccount, and may include other subaccounts (each described below and collectively, the "Subaccounts").

i. The General Subaccount

44. The indenture trustee will deposit the Green Infrastructure Fee remittances that the Service Providers remit to the general subaccount (the "General Subaccount") held by the indenture trustee. The indenture trustee will, on the dates and at the times specified in the indenture, apply moneys in the General Subaccount according to the priorities set forth in the indenture to pay expenses of the Department, to pay principal of and interest on the Bonds, and to meet the funding requirements of the other Subaccounts. Funds in the General Subaccount will be invested in accordance with HRS § 39-69 by the indenture trustee in short-term, high-quality investments, and such funds (including, to the extent necessary, investment earnings) will be applied by the indenture trustee to pay on a timely basis principal of and interest on the Bonds, to replenish the Debt Service Reserve Subaccount (referred to below) to its required level, and to pay all other Ongoing Financing Costs in the forthcoming period (the "Periodic Payment Requirement"), and otherwise in accordance with the terms of the indenture.

ii. The Debt Service Reserve Subaccount

45. The indenture trustee will initially deposit into the Debt Service Reserve Subaccount held by the indenture trustee from the proceeds of the Bonds funds in an amount of at least 0.5% of the initial aggregate principal amount of the Bonds unless rating

agency considerations require that another amount should apply to achieve the highest possible credit ratings. The indenture trustee will apply moneys in the Debt Service Reserve Subaccount in accordance with the provisions of the indenture. Funds in the Debt Service Reserve Subaccount will be invested in accordance with HRS § 39-69 by the indenture trustee in short-term, high-quality investments, and such funds (including, to the extent necessary, investment earnings) will be applied by the indenture trustee to pay principal of and interest on the Bonds and all other components of the Periodic Payment Requirement and otherwise in accordance with the terms of the indenture.

iii. The Surplus Revenue Subaccount

46. The Surplus Revenue Subaccount (the "Surplus Revenue Subaccount") will hold any Green Infrastructure Fee remittances and investment earnings on the Collection Account in excess of the amounts needed to pay current principal of and interest on the Bonds and to pay all other components of the Periodic Payment Requirement (including, but not limited to, funding or replenishing the Debt Service Reserve Subaccount). Any balance in or amounts allocated to the Surplus Revenue Subaccount on a true-up adjustment date will be subtracted from the Periodic Payment Requirement for purposes of the true-up adjustment. The money in this subaccount will be invested by the indenture trustee in accordance with HRS § 39-69 in short-term, high-quality

investments, and such money (including investment earnings thereon) will be used by the indenture trustee to pay principal of and interest on the Bonds and all other components of the Periodic Payment Requirement.

iv. Other Subaccounts

47. Other credit enhancements, in the form of accounts or subaccounts, may be utilized for the Securitization, provided that the enhancements or arrangements are necessary to achieve the highest possible credit ratings and provide benefits greater than their cost.

v. General Provisions.

48. The Collection Account and the subaccounts described above are intended to facilitate the full and timely payment of scheduled principal of and interest on the Bonds and all other components of the Periodic Payment Requirement. If for any reason the amount of the Green Infrastructure Fee remitted to the General Subaccount is insufficient to make, on a timely basis, all scheduled payments of principal of and interest on the Bonds and to make payment on all of the other components of the Periodic Payment Requirement, the Surplus Revenue Subaccount and the Debt Service Reserve Subaccount will be drawn upon, in that order, to make those payments. Any deficiency in the Debt Service Reserve Subaccount due to such withdrawals must be replenished on a periodic basis through the true-up process. Upon the maturity

of the Bonds and upon the discharge of all obligations in respect thereof and payment of all Financing Costs, the Master Service Provider will be directed by the Department to terminate further collections and remittances of the Green Infrastructure Fee, and all amounts remaining in the Collection Account will be applied as directed by the commission.

49. The use of the Collection Account and Subaccounts in the manner described above will lower risks associated with the Securitization and thus lower the costs to electric utility customers, and is therefore approved.

O. The Green Infrastructure Fee: Imposition and Collection and Nonbypassability

50. The commission hereby authorizes the Electric Utilities, as service providers on behalf of the Department, to impose, charge, and collect the Green Infrastructure Fee from electric utility customers, in the manner provided in this Financing Order and the tariffs approved hereby, in an amount sufficient to provide for the timely payment of principal of and interest on the Bonds and all Ongoing Financing Costs.

51. The Green Infrastructure Fee will be imposed, charged, and collected until the Bonds are paid in full and the Ongoing Financing Costs have been paid in full.

52. The Green Infrastructure Fee shall be collected by the Service Providers, as agents of the Department, through a Green Infrastructure Fee that is separate and apart from the Electric Utilities' base rates, in the manner described in the Tariff Schedules. The Green Infrastructure Fee shall appear as a separate line item on the customer's electric bill.

53. The State has indicated the importance of energy efficiency in meeting the State's energy goals in establishing the energy efficiency portfolio standards. The commission acknowledges this importance but is sensitive to the high electricity rates in the State and the impact of these rates on the lives and livelihood of electric utility ratepayers. HRS § 269-166(b) states "[t]he green infrastructure fee may be applied to reduce the public benefits fee to be transferred pursuant to section 269-121 if so provided in a financing order." The Public Benefits Fee is a fixed charge per kilowatt-hour ("kWh") as proposed by the HECO Companies joint letter with the Consumer Advocate filed on December 8, 2008, in Docket No. 2007-0323, and ordered by the commission in an order filed on December 15, 2008, in Docket No. 2007-0323. Since the Applicant has requested the use of a fixed fee per ratepayer, instead of a fixed fee per kWh, the use of the Public Benefits Fee to

collect the Green Infrastructure Fee is not possible.⁷⁶ However, the commission does not want to increase the overall impact to ratepayers and, therefore, requires that the HECO Companies work with DBEDT to submit appropriate revisions to the Public Benefits Fee that reduces the total collection amount of the Public Benefits Fee by the amount of required and approved Green Infrastructure Fee.

54. Despite this reduction in Public Benefits Fee, the commission is relying on DBEDT to carry out its responsibility to utilize ratepayer funds in the GEMS Program to provide an adequate return to provide funding for the Public Benefits Fee programs at the same or increasing rates as indicated in budgets filed in Docket No. 2007-0323. Such funding offsets will be the subject of any subsequent work in the GEMS Program docket (Docket No. 2014-0135) and/or in Docket No. 2007-0323, which examines the Public Benefits Fee and budgets for Public Benefits Fee programs. The commission hereby approves an adjustment mechanism allowing the Green Infrastructure Fee to reduce Public Benefits Fee amounts collected, provided that such

⁷⁶Further, the HECO Companies, in their SOP filed August 7, 2014, stated a preference for any offsetting between the Public Benefits Fee and Green Infrastructure Fee to be done at the aggregate level, as opposed to being done on the individual level, due to a potential for significant costs in reprogramming the Companies' existing Computer Information System. See HECO SOP at 4, Footnote 5.

offset mechanism shall have no effect on the calculation, imposition, or collection of the Green Infrastructure Fee. HECO is required to file, within twenty (20) days from the issuance of this Financing Order, the revisions and details of the adjustment mechanism developed in coordination with DBEDT. These revisions to the Public Benefits Fee are to be filed in Docket No. 2007-0323, and any further determinations concerning the reduction of the Public Benefits Fee in relation to Green Infrastructure Fee collections shall be separate and apart from this proceeding and will not impact the effectiveness of this Financing Order.

55. The commission reserves the right to examine the repayment performance of the GEMS Program to modify the Green Infrastructure Fee-Public Benefits Fee offset mechanism outlined in this Section without impacting the total Green Infrastructure Fee.⁷⁷

⁷⁷The commission recognizes the Consumer Advocate's point concerning ongoing evaluation of the GEMS Program repayments and overall cash position over time, particularly with respect to the impact of GEMS on the State's energy efficiency operations. See CA SOP at 14. However, the commission believes that the ongoing GEMS Program reporting required for compliance with Act 211, as well as any added reporting required pursuant to an order to be issued under Docket No. 2014-0135, will offer interested stakeholders sufficient opportunity to review and consider the impacts of GEMS Program funding on the State's other clean energy priorities.

56. For so long as the Bonds are outstanding and any Financing Costs have not been paid in full, the Green Infrastructure Fee will be "nonbypassable" and will be paid by all existing and future electric utility customers of an Electric Utility or any successor.

57. Under HRS § 269-161, a "successor" is defined to include, with respect to any electric utility, "another electric utility or other entity that succeeds voluntarily or by operation of law to the rights and obligations of the first electric utility or other entity pursuant to any bankruptcy, reorganization, restructuring, or other insolvency proceedings; any merger, acquisition, or consolidation; or any sale or transfer of assets, regardless of how any of these actions occurred." Accordingly, in the event that any of the HECO Companies merge or are otherwise consolidated, the merged entity shall be a successor and the Green Infrastructure Fee will be payable from all the electric utility customers of the merged entity.

58. A customer of an Electric Utility that may subsequently receive electric delivery service from any other successor to such Electric Utility will be required to pay the Green Infrastructure Fee.

59. The commission finds that (i) regardless of who is responsible for billing, the customers of the Electric Utilities shall continue to be responsible for the Green Infrastructure Fee,

and (ii) the failure of customers to pay the Green Infrastructure Fee shall allow service termination by an Electric Utility on behalf of the Department of any customer who fails to pay the Green Infrastructure Fee in accordance with Commission-approved service termination rules and orders.

60. The commission finds that, during the term of the Bonds, the Green Infrastructure Fee will be collected in a manner that would not adversely affect the then-current credit ratings on the Bonds, including, without limitation, through third-party billing, collection, and remittance. Further, any third-party billing shall be conducted in a manner that would not result in a downgrade or withdrawal of the then-current rating of the Bonds.

61. The Department's proposed standards for the imposition, charging, and collection of the Green Infrastructure Fee by the Electric Utilities and for "nonbypassability" of the Green Infrastructure Fee described in Findings of Fact Nos. 50 through 60 are consistent with the Statute, and are reasonable and necessary to ensure collection of the Green Infrastructure Fee sufficient to support recovery of principal of and interest on the Bonds and the Ongoing Financing Costs approved in this Financing Order, and should be approved.

P. Allocation and Calculation of the Green Infrastructure Fee

62. The Department proposes that the Green Infrastructure Fee will be allocated among customers of each Electric Utility based upon a similar allocation methodology as used to impose the Public Benefits Fee. Accordingly, the Department proposes to allocate the imposition on and collection of the Green Infrastructure Fee from customers of each Electric Utility based upon the following allocation factors: 45% of such Financing Costs will be allocated to residential customers and 55% of such Financing Costs will be allocated to the remaining classes of customers (the "non-residential customers"). This allocation of costs shall remain fixed for the life of the Bonds. The costs allocated to non-residential customers will be further allocated to the following four subclasses comprised as follows (each a "Subclass"): small commercial (G, TOU-G), medium commercial (EV-F, J, TOU-J, SS, EV-C), large commercial (DS, P, TOU-P, U), and street lighting (F). Each Subclass of non-residential customers will be allocated a *pro rata* percentage of the costs allocated to all non-residential customers based upon the kWh sales revenue generated by each such Subclass in the most recent calendar year, as established herein. This allocation of costs among the Subclasses shall also remain fixed for the life of the Bonds, subject only to adjustment in the event that the

number of customers of any Subclass falls by more than 50%. In such event, the loss of each incremental customer of such Subclass, which triggers and follows the 50% decline, will result in a reallocation of costs pro rata to the remaining Subclasses of non-residential customers based on the then current allocation percentages for each remaining Subclass. Exhibit 5 to the Application and Appendix C to this Financing Order set forth the methodology by which the Department intends to allocate the Financing Costs and calculate the Green Infrastructure Fee.

63. The actual Green Infrastructure Fee that will be billed during a given set of collection periods will be calculated in advance in an amount so that the Green Infrastructure Fee remittances to the Trustee will be sufficient to meet on a timely basis the sum of all principal of and interest on the Bonds and the Ongoing Financing Costs due and payable for that period. Appendix C to this Financing Order, as submitted by the Applicant, also takes these adjustments into account.

64. The commission finds that the proposed allocation and methodology set forth in Exhibit 5 to its Application and as set forth in Appendix C to this Financing Order, is reasonable and necessary to ensure collection of the Green Infrastructure Fee sufficient to support the timely payment of principal of and interest on the Bonds and the Ongoing Financing Costs approved in this Financing Order.

Q. True-Up Adjustment Mechanism

65. Exhibit 5 to the Application and Appendix C to this Financing Order also set forth in detail the formula-based "adjustment mechanism," as described in HRS § 269-176 and as required by HRS §§ 269-162 and 269-163, pursuant to which the Department will make periodic true-up adjustments to the Green Infrastructure Fee.

66. The Department has requested the ability to make periodic adjustments to the Green Infrastructure Fee as described in Exhibit 5 to the Application and in Appendix C hereto. While the Consumer Advocate, in its SOP, recommends that this Financing Order include added procedures for *ex post*, or after the fact, corrections to be made for true-up adjustments,⁷⁸ the commission agrees with the Department⁷⁹ that the current true-up adjustment process, as proposed in the Application and approved in this Financing Order, allows for adequate opportunities to correct any calculation errors both prior to and following the effective date of a given true-up adjustment. In addition, the commission finds that this adequately addresses the Consumer Advocate's additional

⁷⁸See CA SOP at 17.

⁷⁹See DBEDT Reply SOP at 13.

suggestion to revisit the true-up adjustment mechanism at a later date following the issuance of this Financing Order.⁸⁰

67. The true-up adjustment mechanism and procedures described in the Application and in this Financing Order are reasonable and will reduce risks related to the Bonds, resulting in a lower Green Infrastructure Fee and greater benefits to customers, and should be approved.

R. Nonpayment and Partial Payments

68. To the extent that any consumer makes a partial payment of a bill containing both the Green Infrastructure Fee and any other charges, such payment shall be allocated first to the payment in full of the Green Infrastructure Fee, and thereafter to the payment of all other charges on the bill. The commission agrees with the Consumer Advocate that it is important that the HECO Companies provide ratepayers with "clear language that unambiguously informs all customers of the ramifications" of nonpayment or partial payment of the Green Infrastructure Fee, particularly with respect to the potential for the termination of electricity service resulting from the allocation of payments following GIF nonpayments or partial payments.⁸¹

⁸⁰See CA SOP at 17.

⁸¹See CA SOP at 18-19.

The HECO Companies note their plans to work with DBEDT to create, as they put it, "a communications and outreach plan to inform customers of the Green Infrastructure Fee and potential ramifications for non-payment."⁸² As such, the HECO Companies are required to file in this proceeding not later than twenty (20) days prior to the implementation of the Green Infrastructure Fee: (1) a summary of its communications and outreach program discussed herein, and (2) the language the HECO Companies intends to disseminate to its customers concerning the potential impacts of Green Infrastructure Fee nonpayment or partial payment. This requirement, however, does not impact the effectiveness of this Financing Order.

S. Use of Proceeds

69. Upon the issuance of Bonds, the Department will deposit the net proceeds from the sale of the Bonds (after payment of Upfront Financing Costs and deposits of funds into certain accounts and subaccounts of the Green Infrastructure Bond Fund) into the Green Infrastructure Special Fund. The net proceeds shall be used for the purposes of (1) making green infrastructure loans, (2) paying the administrative costs of the Hawaii Green Infrastructure Loan Program, (3) paying any other costs

⁸²HECO Reply SOP at 4.

related to the Hawaii Green Infrastructure Loan Program, and (4) paying Ongoing Financing Costs, to the extent permitted by the commission in this Financing Order.

T. Distribution Following Repayment

70. Upon the full repayment of the Bonds authorized in this Financing Order and the discharge of the Ongoing Financing Costs, all remaining amounts in the Collection Account, including investment earnings, shall be released to the Department by the indenture trustee. The Department will notify the commission, within thirty (30) days after the date that these funds are eligible to be released, of the amount of such funds available, and will apply the amounts as directed by the commission.

VII. CONCLUSIONS OF LAW

71. The Applicant is authorized to file an application for a financing order under HRS § 269-162.

72. The commission has jurisdiction and authority over the Application, and authority to approve the Financing Order, pursuant to HRS §§ 269-6, 269-162, and 269-163.

73. HECO, HELCO, and MECO are each "Electric Utilities" under the Statute.

74. Pursuant to HRS § 269-164, Green Infrastructure Property vests in the Department as described herein.

75. The indenture trustee will be a "financing party," as defined in HRS § 269-161.

76. The State, acting through the Department, may issue Bonds in accordance with this Financing Order, and HRS Chapter 39, as supplemented and amended by Act 211.

77. The use of the proceeds of the Bonds for the purposes described in this Financing Order is consistent with the Statute.

78. The issuance of the Bonds as described in the Application and approved in this Financing Order is in the public interest and will facilitate the acquisition of "low-cost financing" for the Green Infrastructure Loan Program, as required by HRS § 269-163(b).

79. The methodology and calculation approved in this Financing Order for calculating and allocating the Green Infrastructure Fee between and among the customer categories of the Electric Utilities and within Tariff Schedules of each Electric Utility is reasonable and satisfies the requirements of HRS §§ 269-163 and 269-176.

80. The Green Infrastructure Fee and the forms of tariff schedules attached as Exhibit 9 to the Application and as amended by the commission and attached as Appendix G to this Financing Order (collectively, the "Tariff Schedules"),

which have been provided by the Electric Utilities to the Applicant, as amended by the commission and approved in this Financing Order, are consistent with HRS § 269-102(b), which provides that "[e]ach net energy metering contract or tariff shall be identical, with respect to rate structure, to the contract or tariff to which the same customer would be assigned if the customer was not an eligible customer-generator." HRS § 269-102(b) further provides that "[a]ny new or additional demand charge, standby charge, customer charge, minimum monthly charge, interconnection charge, or other charge that would increase an eligible customer-generator's costs beyond those of other customers in the rate class to which the eligible customer-generator would otherwise be assigned are contrary to the intent of this section, and shall not form a part of net energy metering contracts or tariffs." With respect to the latter, because the Proposed GIF applies to NEM customers exactly as it applies to rate customers in the rate class to which NEM customers would be assigned, the Proposed GIF is consistent with the HRS § 269-102(b).

81. The true-up adjustment mechanism proposed by the Applicant, as approved by this Financing Order, to assure that the full and timely payment of Bonds and associated Financing Costs, is reasonable and satisfies the requirements of HRS §§ 269-163 and 269-176.

82. The Green Infrastructure Property created by this Financing Order, including the right to impose, charge, and collect the Green Infrastructure Fee authorized in this Financing Order, shall be created simultaneously with the issuance of the Bonds and shall immediately vest in the Department, which shall pledge and create a lien on the Green Infrastructure Property, together with all other money in the Green Infrastructure Bond Fund, to secure Bonds, as provided for under HRS § 269-164.

83. Pursuant to HRS § 269-166, the Green Infrastructure Fee shall be collected by the Service Providers or their respective successors as agents for the Department.

84. Under HRS § 269-161, a "successor" to a Service Provider is defined to include, with respect to any electric utility, "another electric utility or other entity that succeeds voluntarily or by operation of law to the rights and obligations of the first electric utility or other entity pursuant to any bankruptcy, reorganization, restructuring, or other insolvency proceedings; any merger, acquisition, or consolidation; or any sale or transfer of assets, regardless of how any of these actions occurred."

85. The arrangements approved in this Financing Order comply with the Statute, including, without limitation, HRS §§ 196-68(2) and 269-163. DBEDT, as an agency of the State of Hawaii, operates in the public interest and in furtherance of the

laws of the State, so, with respect to the estimated service provider fees provided in the Service Provider Agreement, which are subject to change from the time of submission to finalization, the commission finds that approval of the service provider fee estimates is reasonable, appropriate, and consistent with the Statute in this instance.

86. Pursuant to HRS § 269-165(b), this Financing Order will become irrevocable once it has become final as provided by law, and the commission may not, directly or indirectly, reduce, impair, postpone, rescind, alter, or terminate the Green Infrastructure Fee, except for the true-up adjustment mechanism approved in this Financing Order, as described in HRS § 269-176 and as required to be provided by HRS §§ 269-162 and 269-163, or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee for so long as any Bonds are outstanding or any Financing Costs remain unpaid.

87. The rights, interests, and property created by Act 211 and this Financing Order, including the right to impose, charge, and collect the Green Infrastructure Fee, and the revenues, receipts, collections, rights to payment, payments, moneys, claims, or other proceeds arising from the rights and interests created by the commission hereunder, from the Green Infrastructure Fee, constitute "Green Infrastructure Property" within the meaning of HRS §§ 269-161 and 269-164.

88. Pursuant to HRS §§ 269-165 and 269-166, Green Infrastructure Property will continue to exist, and the Green Infrastructure Fee will continue to be collected, for so long as any Bonds are outstanding and any Financing Costs remain unpaid.

89. Pursuant to HRS § 269-164, the Department will have all of the rights, title, and interest with respect to such Green Infrastructure Property including the right to impose, collect, and receive the Green Infrastructure Fee, and the Department shall pledge and create a lien on the property, together with all other money in the Green Infrastructure Bond Fund, solely and exclusively in favor of bondholders and financing parties, authorized by this Financing Order.

90. The Bonds issued pursuant to this Financing Order will be "Bonds" within the meaning of HRS § 269-161 and such Bonds and holders thereof are entitled to all of the protections provided under the Statute, including without limitation, the pledge of the State of Hawaii embodied in HRS § 269-169.

91. The "Green Infrastructure Fee," defined in HRS § 269-161, means the nonbypassable fees authorized by HRS § 269-166 and in a financing order authorized under the Statute to be imposed on and collected from all existing and future customers of Electric Utilities or any successor.

92. As provided in HRS § 269-164(c), the obligation of any electric utility customer to pay the Green Infrastructure Fee and, notwithstanding HRS § 269-164(b), the obligation of the Electric Utility to collect and remit the Green Infrastructure Fee are not subject to setoff, counterclaim, surcharge, or defense by HECO, any other Electric Utility or any electric utility customer, or in connection with a bankruptcy of any Electric Utility or any electric utility customer.

93. Pursuant to HRS § 269-164, the lien and charge on Green Infrastructure Property and all other moneys in the Green Infrastructure Bond Fund for the benefit of any Financing Party are governed by the Statute and HRS § 39-63.

94. As provided in HRS § 269-167(b), if there is a default by an Electric Utility in remittance of the Green Infrastructure Fee occurs, the commission, upon application by the Department, and without limiting any other remedies available to the Department or any financing party by reason of the default, will order the sequestration and payment to the beneficiaries of the Green Infrastructure Fee. The order will remain in full force and effect notwithstanding a bankruptcy, reorganization, or other insolvency proceedings with respect to such Electric Utility.

95. The Bonds issued under this Financing Order do not constitute a general debt or a pledge of the faith and credit or taxing power of the State of Hawaii, or of any county,

municipality, or any other political subdivision of the State of Hawaii. Bondholders shall have no right to have taxes levied by the State of Hawaii or the taxing authority of any county, municipal corporation, or any other political subdivision of the State of Hawaii for the payment of the principal of or interest on the Bonds. The issuance of Bonds does not, directly, indirectly, or contingently, obligate the State of Hawaii or any county, municipality, or political subdivision of the State of Hawaii to levy any tax or make any appropriation for payment of the principal of or interest on the Bonds. Instead, the Bonds will be secured solely by a pledge of all of the right, title, and interest of the Department in the Green Infrastructure Property and other collateral. The Department shall include statements to such effect in all Bonds, ancillary documents, and documentation relating to the issuance and marketing of the Bonds.

96. Pursuant to HRS § 269-169, the State of Hawaii has pledged for the benefit and protection of all bondholders and financing parties under this Financing Order, that it will not take or permit any action to be taken that would impair the value of Green Infrastructure Property, or, reduce, alter, or impair the Green Infrastructure Fee to be imposed, charged, collected, or remitted for the benefit of the bondholders and any financing parties, until the principal of, and interest on and redemption premium, if any, all Financing Costs and all amounts to be paid to

a financing party under an ancillary agreement are paid or performed in full, unless adequate provision has been made by law for the protection of bondholders and other financing parties. The Department, in issuing Bonds, is authorized pursuant to this Financing Order and HRS § 269-169 to include this pledge in any documentation relating to the issuance and marketing of the Bonds.

97. As provided in HRS § 269-165(b), the commission may not directly or indirectly, except as provided in the Adjustment Mechanism approved in this Financing Order, reduce, impair, postpone, rescind, alter, or terminate the Green Infrastructure Fee authorized in this Financing Order or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee so long as any Bonds are outstanding or any Financing Costs remain unpaid.

98. As provided in HRS § 269-168, the ownership, transfer, and pledge of the Green Infrastructure Fee and Green Infrastructure Property, and the imposition, charging, collection, and receipt of the Green Infrastructure Fee under the Statute, are exempt from all taxes and surcharges imposed by the State or the counties, including the general excise tax under HRS Chapter 237, the public service company tax under HRS Chapter 239, the public utility fee under HRS § 269-30, and the public utility franchise tax under HRS Chapter 240.

99. As provided in HRS § 269-165, this Financing Order will remain in full force and effect and unabated notwithstanding the bankruptcy of any Electric Utility or any affiliate of the Electric Utility or the commencement of any judicial or nonjudicial proceeding involving this Financing Order.

100. The commission, in exercising its powers and carrying out its duties regarding regulation and ratemaking, may not do any of the following: (1) consider the Bonds issued pursuant to this Financing Order to be the obligation of any Electric Utility as provided in HRS § 269-168, or (2) consider the Green Infrastructure Fee or Green Infrastructure Property to be revenue of any Electric Utility as provided in HRS § 269-164(b).

101. This Financing Order meets the requirements for a financing order under HRS § 269-163.

102. The true-up adjustment mechanism and all other obligations of the State of Hawaii and the commission as set forth in this Financing Order, are direct, explicit, irrevocable, and unconditional upon the issuance of the Bonds. Further, neither the State, in accordance with HRS § 269-169, nor the commission, in accordance with HRS § 269-165, may act in contravention of its obligations made effective pursuant to Act 211.

103. As provided in HRS § 269-166, the Green Infrastructure Fee authorized under this Financing Order is nonbypassable,

and must be paid by all existing and future customers of the Electric Utilities or any successors.

104. Pursuant to HRS § 269-166, the commission may approve an adjustment mechanism allowing the Green Infrastructure Fee to be applied as a credit against the Public Benefits Fee imposed pursuant to HRS § 269-121 as provided in this Financing Order. The intent of the adjustment mechanism shall be to offset the total amount of Public Benefits Fee collected from utility ratepayers, thus reducing the overall impact of the Green Infrastructure Fee. Nothing in HRS §269-166 or § 269-121 shall affect the right to impose, collect, and adjust from time to time the Green Infrastructure Fee as provided in this Financing Order and the Statute.

105. Any successor to the Department or an Electric Utility will be bound by this Financing Order and will perform and satisfy all obligations of the Department or such Electric Utility, as applicable, under this Financing Order, in the same manner and to the same extent as the Department or such Electric Utility, including the obligation to collect and pay the Green Infrastructure Fee to the person or persons entitled to receive those revenues. Any such successor shall also have the same rights under this Financing Order in the same manner and to the same extent as are granted in favor of the Department or an Electric Utility, as applicable.

106. As provided in HRS § 269-173, if any provision of the Statute is held to be invalid, or is superseded, replaced, or repealed, or expires for any reason, that occurrence shall not affect any action allowed under this Financing Order in reliance on HRS §§ 269-161 to 269-176 that is taken prior to that occurrence by the commission, the Applicant, an Electric Utility, the Authority, a bondholder, or any financing party, and any such action shall remain in full force and effect.

107. This Financing Order shall be operative and in full force and effect from the date of issuance by the commission.

VIII. ORDERING PARAGRAPHS

Based upon the record, the Findings of Fact and Conclusions of Law set forth herein, and for the reasons stated above, the commission orders:

A. Approvals

108. **Approval of Application.** The application of the Applicant for the issuance of a financing order under the Statute is approved, as provided in this Financing Order.

109. **Issuance and Maximum Amount of Bonds.** The Department is authorized to issue Bonds as specified in this Financing Order in a maximum principal amount of \$150,000,000 in one or more series or tranches subject to the terms and conditions of this

Financing Order, on one or more dates if the Department deems it to be appropriate, provided however that no Bonds will be issued on a date more than two years following the date of this Financing Order.

110. Recovery of the Green Infrastructure Fee.

The Department is hereby authorized to impose, and the Electric Utilities as Service Providers and agents for the State, acting through the Department, shall collect from all of the Electric Utilities' existing and future electric utility customers, the Green Infrastructure Fee in an amount sufficient to provide for the timely payment of principal of, interest on, and redemption premium, if any, on the Bonds together with the Ongoing Financing Costs as approved in this Financing Order.

111. Approval of Tariffs. The forms of Tariff Schedules as amended by the commission and included as Appendix G in this Financing Order are hereby approved.

112. Issuance Advice Letter. Not later than three business days following the pricing of any series of Bonds, the Department shall file with the commission, for informational purposes only, an issuance advice letter in substantially the form attached as Appendix B to this Financing Order.

113. Approval to Proceed. Once this Financing Order becomes final by operation of law, the Department is irrevocably

authorized to proceed with the issuance of the Bonds in accordance with the terms of this Financing Order.

114. **Initial Green Infrastructure Fee.** After the determination of the final terms of the Bonds, the Department shall determine the initial Green Infrastructure Fee in accordance with the Adjustment Mechanism, which shall become final and effective on the first business day of the calendar month immediately following the date of issuance of the Bonds.

115. **Excess Upfront Financing Costs Recovery.** If the actual Upfront Financing Costs are less than the estimated Upfront Financing Costs funded with the proceeds of the Bonds, such unused funds will either be (1) deposited into the Collection Account to be available for payment of debt service on the Bonds, and the periodic billing requirement for the first true-up adjustment of the Green Infrastructure Fee would be reduced by the amount of such unused funds (together with interest earned thereon through investment by the indenture trustee in eligible investments), or (2) transferred to the Green Infrastructure Special Fund to be used by the Authority in connection with the Hawaii Green Infrastructure Loan Program, as determined by the commission.

B. The Green Infrastructure Fee

116. Imposition and Collection, Nonbypassability.

The Department is authorized to impose, and the Electric Utilities as agents of the Department are authorized to collect, the Green Infrastructure Fee, from all of the Electric Utilities' existing and future electric utility customers in an amount sufficient to provide for the timely payment of principal of and interest on the Bonds and all Ongoing Financing Costs. Such charges shall be nonbypassable as provided in Findings of Fact Nos. 56 through 61.

117. Collectors of the Green Infrastructure Fee.

HECO, HELCO, and MECO, and any successor, as Service Providers, shall bill a customer for the Green Infrastructure Fee attributable to that customer through a charge that is separate line item on a customer's bill.

118. Term of Charges. The Green Infrastructure Fee will be imposed, charged, and collected until the Bonds and the Ongoing Financing Costs have been paid in full.

119. Allocation. HECO shall classify and allocate the Green Infrastructure Fee among the Electric Utilities and the categories in the manner reflected in Appendix C hereto and described in Finding of Fact Nos. 62 through 64. Differences between projected collections and actual collections (whether shortfall or excesses) by any class of customers

(whether residential or non-residential) shall be reallocated to all customers based upon the assigned allocation factors.

120. **True-Up Adjustment Mechanism.** Periodic true-up adjustments of the Green Infrastructure Fee should be undertaken and conducted as described in Appendix C to this Financing Order as reflected in Findings of Fact Nos. 65 through 67.

121. **Nonpayment and Partial Payments.** To the extent that any electric utility customer makes a partial payment of a bill containing both the Green Infrastructure Fee and any other charges, such payment shall be applied first to the payment in full of the Green Infrastructure Fee, and thereafter to the payment of all other charges on the bill. Further, the HECO Companies are ordered to file in this proceeding not later than twenty (20) days prior to the implementation of the Green Infrastructure Fee (1) a summary of its communications and outreach program discussed herein, and (2) the language the HECO Companies intends to disseminate to ratepayers concerning the potential impacts of Green Infrastructure Fee nonpayment or partial payment.

122. **Reduction of the Public Benefits Fee.** Pursuant to HRS § 269-166, the commission hereby approves an adjustment mechanism allowing the Green Infrastructure Fee to be applied to reduce the Public Benefits Fee imposed pursuant to HRS § 269-121 in order to limit the overall impact of Green Infrastructure Fee collections. Further, HECO is ordered to file, within twenty (20)

days of the issuance of this Financing Order, the necessary revisions and other details of the Public Benefits Fee reduction mechanism described herein under "Section VI.O. The Green Infrastructure Fee: Imposition and Collection and Nonbypassability." These revisions to the Public Benefits Fee are to be filed in Docket No. 2007-0323, and any further determinations concerning the reduction of the Public Benefits Fee in relation to Green Infrastructure Fee collections shall be separate and apart from this proceeding and will not impact the effectiveness of this Financing Order. Nothing in HRS § 269-166 or § 269-121 shall affect the right to impose, collect, and adjust from time to time the Green Infrastructure Fee as provided in this Financing Order and the Statute.

C. Green Infrastructure Property

123. **Creation of Green Infrastructure Property.** Upon the issuance of the Bonds, all of the rights, title, and interest of the Department under this Financing Order shall become Green Infrastructure Property, including, without limitation, the right to impose, charge, and collect the Green Infrastructure Fee authorized by this Financing Order and to exercise any and all rights and remedies with respect thereto, including the right to request the Service Providers to assess and collect any amounts payable by any customer in respect of the

Green Infrastructure Property. The Green Infrastructure Property will, upon its creation, constitute a present property right and interest which shall continue to exist regardless of whether the Green Infrastructure Fee has been billed, has accrued, or has been collected, and notwithstanding any requirement that the value or the amount of the property is dependent on the future provision of service to electric utility customers, and shall continue to exist until the Bonds and the Ongoing Financing Costs are paid in full.

D. Green Infrastructure Bonds; Security and Costs

124. **Collateral.** All Green Infrastructure Property and other collateral shall be held and administered by the indenture trustee pursuant to the indenture as described in Finding of Facts Nos. 43 through 49.

125. **Upfront Financing Costs.** The Department may recover its Upfront Financing Costs as approved in this Financing Order. Any over-recovery of such costs from the Securitization shall be deposited in the Collection Account to be applied to the Periodic Payment Requirement for purposes of the next true-up adjustment.

126. **Ongoing Financing Costs.** The Department may recover the actual Ongoing Financing Costs through the Green Infrastructure Fee. Ongoing Financing Costs, other than the Service Provider fees while the Electric Utilities are serving as

Service Providers, are not fixed by this Financing Order. As provided in Finding of Facts No. 36, a successor service provider, other than HECO or an affiliate, may collect a service provider fee up to 0.75% per annum of the original principal balance of the Bonds (in each case, adjusted for the pro rata portion of the Bonds serviced by the replaced Service Provider so that the aggregate Service Provider Fee payable would never exceed 0.75% per annum on the original principal balance of the Bonds), or such higher fee as may be approved by the commission.

127. **Distribution Following Repayment.** Upon the full repayment of the Bonds authorized in this Financing Order and the discharge of the Ongoing Financing Costs, all amounts in the Collection Account, including investment earnings, shall be released by the indenture trustee to the Department for distribution in accordance with Finding of Fact No. 70. The Department shall notify the commission within thirty (30) days after the date that these funds are eligible to be released of the amount of such funds available to be applied as directed by the commission.

128. **Fixed Interest Rates on Bonds.** The Bonds shall be issued using a fixed interest rate and not a floating rate.

129. **Life of Bonds.** The latest scheduled final payment date of the Bonds authorized by this Financing Order shall be not later than twenty (20) years from the date of issuance,

and the latest legal final maturity date shall not be later than twenty-two (22) years after issuance, during which term the Green Infrastructure Fee shall continue to be collected and pledged to pay the Bonds. The term of the Bonds shall automatically be extended by the term of any refunding bonds, as approved in a subsequent financing order, issued in such principal amounts as the Department may determine to be necessary to refund the Bonds that are the subject of this Financing Order.

130. **Amortization Schedule.** The commission approves, and the Bonds shall be structured to provide, an overall weighted average Green Infrastructure Fee that is based on substantially levelized annual revenue requirements over the expected life of the Bonds subject to modification in accordance with the true-up adjustment mechanisms adopted in this Financing Order. The structure employing substantially levelized annual revenue requirements may allow the resulting overall weighted average of the Green Infrastructure Fee to remain level or decline over time, if the customer count remains level or grows.

131. **Flexibility in Bond Issuance Terms.** Subject to compliance with the requirements of this Financing Order, the Department shall be afforded flexibility in establishing the terms and conditions of the Bonds to accommodate changes in market conditions, including the manner of sale, the repayment schedules, interest rates, financing costs, collateral requirements, term,

payment dates, collateral, required debt service reserve subaccount funding, other required reserves, use of original issue discount, and other Financing Costs, and the ability of the Department, at its option, to effect a series of issuances of Bonds on one or more dates in one or more series or tranches and correlated assignments, sales, pledges, or other transfers of Green Infrastructure Property, and to amend the Bond Documents from time to time without the approval of the commission, within such parameters as are set forth herein.

E. Service Providers

132. **Collection of Green Infrastructure Fee.** Pursuant to HRS § 269-166, HECO and the other Electric Utilities, or their successors, shall bill and collect the Green Infrastructure Fee, as agents for the Department, in accordance with the provisions of this Financing Order and the Service Provider Agreement approved in Ordering Paragraph No. 138. Each Service Provider shall bill and collect the Green Infrastructure Fee using the same degree of care and diligence, and applying the same practices and procedures, including disconnection policies, that such Service Provider applies in collecting its own charges.

133. **Remittance Terms.** Each Service Provider shall remit, on a daily basis, all Green Infrastructure Fees billed by the Service Provider, whether or not received by the Service Provider,

in the manner described in Finding of Fact No. 31. Each Service Provider shall be entitled to be reimbursed for any over-remittance, without interest, as described in Finding of Fact No. 31. Pending such disbursement, each Service Provider will be permitted to commingle the Green Infrastructure Fees with its other revenues.

134. Coordination with Other Service Providers.

The Service Providers shall provide promptly to the Master Service Provider, upon the Master Service Provider's request, such billing, collection, delinquency, write off, customer count, and other information as is required by the Master Service Provider to allow for the preparation of draft true-up filings and the filing of all reports and certificates required to be delivered by the Master Service Provider in a timely manner.

135. Master Service Provider. HECO, as Master Service Provider under the Service Provider Agreement, shall (i) assist the Department with calculation of the initial Green Infrastructure Fee in accordance with the terms of this Financing Order and the Service Provider Agreement, (ii) assist the Department with the initial calculation of each true-up adjustment of the Green Infrastructure Fee and prepare draft true-up filings for review by the Department and any consultant of the Department, and (iii) file such remittance and

compliance reports, all in the manner required by the Service Provider Agreement.

136. **Service Provider Fee; Successor Service Provider Fee.**

In consideration of the performance of their duties under this Financing Order and the Service Provider Agreement, the Electric Utilities shall receive the following compensation under the Service Provider Agreement: (i) HECO shall receive an initial set-up fee of \$240,303.18, HELCO shall receive an initial set-up fee of \$60,872.09, and MECO shall receive an initial set-up fee of \$52,732.21; and (ii) each Service Provider shall receive an annual fee of \$2,728.97. The annual service provider fees shall be escalated annually based upon an inflation index as described in the Service Provider Agreement. The Service Providers shall be permitted to seek a commission order, which shall not constitute an amendment to this Financing Order, as necessary to increase the amount of their annual fees under the Service Provider Agreement, and following the issuance of any such order, the Department shall be permitted to enter into an amendment to the Service Provider Agreement consistent with the order and the payment priorities established by the Indenture or other Bond Documents. In addition, each Electric Utility shall be entitled to retain, as additional compensation, all late charges with respect to the Green Infrastructure Fees and, subject to the terms of the Service Provider Agreement, any interest earned on the

Green Infrastructure Fees collections. Further, each Electric Utility shall be reimbursed for any reasonable third-party costs, such as accountant and attorney fees and expenses, incurred in connection with its performance of its duties under the Service Provider Agreement. To the extent required to achieve the highest possible credit ratings on the Bonds, a portion of Service Provider compensation may be subordinated to the payment of interest and principal on the Bonds, at the discretion of the Department. Nothing herein shall prevent the Service Providers from seeking a commission order, which shall not constitute an amendment to this Financing Order, increasing the amount of their fees under the Service Provider Agreement, provided that (i) regardless of the outcome of such proceedings, the Service Providers shall be required to continue to comply with the terms of Service Provider Agreement, and (ii) the payment of any increased compensation approved by the commission shall be subject to the payment priorities established by the Department under the Bond Documents. Following the issuance of such order, the Department may enter into an amendment to the Service Provider Agreement consistent with the order. The annual service provider fee payable to any third-party Service Provider not affiliated with HECO shall not at any time exceed 0.75% per annum of the original principal balance of the Bonds (in each case, adjusted for the *pro rata* portion of the Bonds serviced by the replaced Service Provider so that the

aggregate Service Provider Fee payable would never exceed 0.75% per annum on the original principal balance of the Bonds), unless such higher rate is approved by the commission.

137. **Approval of Service Provider Agreement.** Subject to the review of the substantially final form of the Service Provider Agreement by the commission, the commission consents to and approves the proposed form of the Service Provider Agreement, as amended by the commission (attached as Appendix E to this Financing Order), and authorizes and directs the Electric Utilities to enter into the Service Provider Agreement in substantially the same form as submitted by the Applicant and modified by the commission. Prior to finalizing the Service Provider Agreement, the Department will define within the Service Provider Agreement the term "Service Provider Business Days" as that term is used therein. The Department will file the final version of the Service Provider Agreement, reflecting final pricing terms, with the commission not later than thirty (30) days after the date of delivery of the Bonds.

138. **Service Provider Agreement Revenues.** The service provider fees collected by HECO, or any affiliate of HECO, acting as a Service Provider under the Service Provider Agreement, shall offset revenue requirements in HECO's base rate case. The expenses incurred by the HECO Companies to perform obligations

under the Service Provider Agreement shall likewise be included as a cost of service in the respective HECO Companies' base rate case.

139. **Replacement of Service Provider.** If an Electric Utility defaults on its duties as a service provider or is required for any reason to discontinue those functions, the Department or the Trustee may apply to the commission for approval of a new Service Provider. The commission will appoint another Service Provider acceptable to the Department within thirty (30) days after application by the Department or the Trustee. The commission shall require that any such replacement, including by any third-party energy provider, would not result in a reduction of the then-current credit ratings on the Bonds. The Service Provider Fee payable to any new Service Provider not affiliated with HECO will not exceed 0.75% per annum of the original principal balance of the Bonds (in each case, adjusted for the pro rata portion of the Bonds serviced by the replaced Service Provider so that the aggregate Service Provider Fee payable would never exceed 0.75% per annum on the original principal balance of the Bonds), unless a higher fee is approved by the commission.

140. **Default by Service Provider.** In the event of a default by the Service Provider in remittance of the Green Infrastructure Fee collected by it, the commission will, in accordance with HRS § 269-167(b) and upon application by the Department, order the sequestration and payment to or for the

benefit of the Department or such other party of the revenues arising with respect to the Green Infrastructure Property.

141. **Amendment of Service Provider Agreement.** The parties to the Service Provider Agreement may amend the terms of such agreement; *provided*, that any such amendment shall be filed with the commission within fifteen (15) business days after its execution and no such amendment shall increase the Service Provider Fees without the approval of the commission.

F. Use of Proceeds

142. **Use of Proceeds.** Upon the issuance of Bonds, the net proceeds from the sale of the Bonds (after payment of Upfront Financing Costs and deposits of funds into certain accounts and subaccounts in the Green Infrastructure Bond Fund), will be deposited into the Green Infrastructure Special Fund. The net proceeds shall be used for the purposes of (i) making green infrastructure loans; (ii) paying the administrative costs of the Hawaii Green Infrastructure Loan Program; (iii) paying any other costs related to the Hawaii Green Infrastructure Loan Program; and (iv) paying Ongoing Financing Costs, to the extent permitted by the commission in this Financing Order.

G. Miscellaneous Provisions

143. **Continuing Issuance Right.** The Applicant has the continuing irrevocable right to cause the issuance of Bonds, in one or more issuances, and consisting of one or more series or tranches, in accordance with this Financing Order, provided that no Bonds will be issued on a date more than two (2) years following the date of this Financing Order.

144. **Binding on Successors.** This Financing Order, together with the obligation to collect and account for the Green Infrastructure Fee authorized herein, shall be binding on each Electric Utility and any successor to an Electric Utility, including any successor by merger. Any such successor shall be bound by the requirements of HRS § 269-166 and HRS § 269-167. Any such successor shall perform and satisfy all obligations of the Electric Utilities under this Financing Order, in the same manner and to the same extent as the Electric Utility, including the obligation to collect and pay the Green Infrastructure Fee to the Department. Such successor shall also have the same rights as the Electric Utility under this Financing Order, in the same manner, and to the same extent as are granted under this Financing Order to such Electric Utility.

145. **Effectiveness of Order.** This Financing Order is effective upon its issuance. Notwithstanding the foregoing, no Green Infrastructure Property shall be created hereunder, and

the Department shall not be authorized to impose, charge, and collect the Green Infrastructure Fee, until the issuance of the Bonds.

146. **Effect.** This Financing Order constitutes a financing order within the meaning of the Statute. The commission finds this Financing Order complies with the provisions of the Statute. A financing order gives rise to rights, interests, obligations, and duties as expressed in the Statute. It is the commission's express intent to give rise to those rights, interests, obligations, and duties by issuing this Financing Order. The Department, HECO, HELCO, MECO, and any successor service providers are authorized or directed, as applicable, to take all actions as are required to effectuate the transactions approved in this Financing Order, subject to compliance with the criteria established in this Financing Order.

147. **Further Commission Action.** This Financing Order will become irrevocable once it has become final as provided by law and the commission shall not reduce, impair, postpone, terminate, or otherwise adjust the Green Infrastructure Fee approved in this Financing Order (except pursuant to the true-up adjustment mechanism described herein) or impair the Green Infrastructure Property or the collection of the Green Infrastructure Fee or the recovery of Financing Costs. No adjustment through the true-up

adjustment mechanism shall affect the irrevocability of this Financing Order.

148. **All Other Motions Denied.** All motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief not expressly granted herein, are denied.

DONE at Honolulu, Hawaii SEP - 4 2014.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By *Hermina Morita*
Hermina Morita, Chair

By *Michael E. Champley*
Michael E. Champley, Commissioner

By *Lorraine H. Akiba*
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

Shannon Mears
Shannon Mears
Commission Counsel

2014-0134.sr

Appendix A

ESTIMATED FINANCING COSTS

Financing Order
Docket No. 2014-0134

ESTIMATED UPFRONT FINANCING COSTS

	<u>Total</u>
Bond Counsel Fees, State Counsel, Hawaiian Electric's Counsel and Co-Underwriters' Counsel Legal Fees & Expenses	\$ 672,700
Printing Costs	10,000
Rating Agency Fees	458,000
Service Providers' Set-Up Costs	353,907
Underwriting Fee	1,050,000
Underwriting Expenses	50,968
Department's Financial Advisor Fees & Expenses	94,800
Hawaiian Electric Independent Accountant's/Auditor's Fees	106,820
Upfront Trustee's/Trustee Counsel's Fees & Expenses	25,000
Green Bond Opinion	15,000
Miscellaneous	50,000
Total Estimated Upfront Financing Costs	<u>\$2,887,195</u>

ESTIMATED ONGOING FINANCING COSTS
(Total for the First Year Following Issuance of the Bonds)

	<u>Total</u>
Service Provider Fees	\$ 8,187
Trustee Fees and Expenses	25,000
Department Legal and Accounting Fees	10,000
Service Provider Legal and Accounting Fees	26,705
Rating Agency Fees	45,750
Miscellaneous	15,000
Total Estimated Ongoing Financing Costs	<u>\$130,642</u>

Note: The amounts shown for each category of operating expense on this attachment are the expected expenses for the first twelve months of the Bonds. The Green Infrastructure Fee will be adjusted at least semiannually to reflect any changes in Ongoing Financing Costs through the true-up process described in the Financing Order.

Appendix B

FORM OF ISSUANCE ADVICE LETTER

Financing Order
Docket No. 2014-0134

FORM OF ISSUANCE ADVICE LETTER

_____ day, _____, 20__

PUBLIC UTILITIES COMMISSION OF THE STATE OF HAWAII

SUBJECT: ISSUANCE ADVICE LETTER FOR BONDS

Pursuant to the Decision and Order No. _____, dated [_____], 2014, and adopted in Application of the State of Hawaii Department of Business, Economic Development, and Tourism, Docket No. 2014-0134 (the "Financing Order"), THE STATE OF HAWAII DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM (the "Department") hereby submits the information referenced below. This Issuance Advice Letter is for the Department's Green Energy Market Securitization Bonds, 2014 Series A, Tranches A-1 and A-2. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

PURPOSE

This filing provides the following information:

- PART I The final terms and structure of the Bonds issued;
- PART II An updated Schedule of the Upfront Financing Costs and Ongoing Financing Costs;
and
- PART III The initial Green Infrastructure Fee.

PART I:
FINAL TERMS AND STRUCTURE OF BONDS

Bond Issuer: State of Hawaii Department of Business, Economic Development, and Tourism
 Trustee:
 Issuance Date: October __, 2014
 Bond Ratings: Aaa, AAA, [Insert names of final Rating Agencies]
 Amount Issued: \$150,000,000
 Upfront Financing Costs \$_____ (See Part III);

Tranche	Coupon Rate	Expected Final Maturity	Legal Final Maturity
A-1	_____%	__/__/____	__/__/____
A-2	_____%	__/__/____	__/__/____

Effective Weighted Average Interest Rate of the Bonds:	_____%
Weighted Average Life:	____ years
Call provisions (including premium, if any):	
Target Amortization Schedule:	Attachment 1, Schedule A
Target Final Maturity Dates:	Attachment 1, Schedule A
Legal Final Maturity Dates:	Attachment 1, Schedule A
Payments to Investors:	Semiannually Beginning __, 20__

PART II:
ESTIMATED UPFRONT FINANCING COSTS

	<u>Total</u>
Bond Counsel Fees, State Counsel, Hawaiian Electric's Counsel and Co-Underwriters' Counsel Legal Fees & Expenses	\$
Printing Costs	
Rating Agency Fees	
Service Providers' Set-Up Costs	
Underwriting Fee	
Underwriting Expenses	
Department's Financial Advisor Fees & Expenses	
Hawaiian Electric Independent Accountant's/Auditor's Fees	
Upfront Trustee's/Trustee Counsel's Fees & Expenses	
Green Bond Opinion	
Miscellaneous	
Total Estimated Upfront Financing Costs	<u>\$</u>

ESTIMATED ONGOING FINANCING COSTS

	<u>Total</u>
Service Provider Fees	\$
Trustee Fees and Expenses	
Department Legal, Consulting and Accounting Fees	
Service Provider Legal and Accounting Fees	
Rating Agency Fees	
Miscellaneous	
Total Estimated Ongoing Financing Costs	<u>\$</u>

Note: The amounts shown for each category of operating expense on this attachment are the expected expenses for the first twelve months of the Bonds. The Green Infrastructure Fee will be adjusted at least semiannually to reflect any changes in Ongoing Financing Costs through the true-up process described in the Financing Order.

PART III:
INITIAL GREEN INFRASTRUCTURE FEE

Monthly billings to customers of the Electric Utilities will include Green Infrastructure Fee amounts pursuant to the following rates:

Rate Class	Initial Fee/Month
Residential Customers Other Customers Small Commercial (G, TOU-G) Medium Commercial (EV-F, J, TOU-J, SS, EV-C) Large Commercial (DS, P, TOU-P, U) Street Lighting (F)	

The workpapers for such calculations are attached as Attachment 2.

NOTICE

This letter is submitted for informational purposes only.

AUTHORIZED OFFICER

This undersigned is the [_____] of the Department and is authorized to deliver this Issuance Advice Letter on behalf of the Department.

Respectfully submitted,

STATE OF HAWAII DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT, AND
TOURISM

By: _____

Name: _____

Title: _____

ATTACHMENT 1
SCHEDULE A
BOND REVENUE REQUIREMENT INFORMATION

TRANCHE A-1

<u>Payment Date</u>	Principal Balance	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
	\$	\$	\$	\$

TRANCHE A-2

<u>Payment Date</u>	Principal Balance	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
	\$	\$	\$	\$

ATTACHMENT 2
[Workpapers]

ATTACHMENT 3
[Workpapers]

Appendix C

FORMULAIC ADJUSTMENT MECHANISM
TO ESTABLISH AND ADJUST THE GREEN INFRASTRUCTURE FEE

Financing Order
Docket No. 2014-0134

FORMULAIC ADJUSTMENT MECHANISM
TO ESTABLISH AND ADJUST THE GREEN INFRASTRUCTURE FEE

The Public Utilities Commission of the State of Hawaii ("Commission"), on behalf of and at the request of the Department of Business, Economic Development, and Tourism of the State of Hawaii ("Department"), will make adjustments ("True-Up Adjustments") to the Green Infrastructure Fee (a) semiannually, beginning no more than 12 months from issuance of the Bonds and continuing until the scheduled final maturity of the last maturing tranche of Bonds, (b) quarterly following the scheduled final maturity date of any tranche of Bonds that remain unpaid on such date and until such Bonds are paid in full, and (c) at any other time if the Department determines that such adjustment is required to assure the timely payment of the principal and interest on the Bonds. Such adjustments are referred to herein as Semiannual, Quarterly and Optional True-Up Adjustments, respectively.

To initiate any True-Up Adjustment, Hawaiian Electric Company, Inc., as Master Service Provider and as agent for the State, will make a preliminary calculation of the True-Up Adjustment and will prepare and submit to the Department a draft request for adjustment (a "True-Up Letter"). The Department will review the draft True-Up Letter, including the proposed True-Up Adjustment, and subject to any corrections or modifications, will file with the Commission the True-Up Letter not later than 15 days prior to the proposed effective date of the adjustment (a "True-Up Adjustment Date").

Each True-Up Adjustment will be designed (i) to correct for any over-collections or under-collections of Green Infrastructure Fees through the proposed True-Up Adjustment Date and (ii) to ensure that expected Green Infrastructure Fee remittances to the Trustee during the Applicable Collection Period (as defined below) are adequate (a) to pay timely principal of (in accordance with the expected amortization schedule) and interest on the Bonds when due and as accruing through the end of the Applicable Collection Period, (b) to replenish the Debt Service Reserve Subaccount to its required level no later than the next Payment Date following the True-Up Adjustment Date, and (c) to make timely payment of all other Ongoing Financing Costs¹ payable during the Applicable Collection Period.

As used herein, "Applicable Collection Period" means the period which commences with the related True-Up Adjustment Date and which ends five (5) Service Provider Business Days prior to (i) with respect to any Semiannual True-Up Adjustment, the Payment Date next following the True-Up Adjustment Date, (ii) with respect to any Quarterly True-Up Adjustment, the Payment Date next following the True-Up Adjustment Date, and (iii) with respect to any Optional True-Up Adjustment, the date specified in the True-Up Letter (each, the "Collection Period End Date").

Each True-Up Adjustment will be calculated in the following manner:

¹Ongoing Financing Costs include any amounts necessary to reimburse the Service Providers for over-remittances.

- (1) Project the Green Infrastructure Fees expected to be held by the Trustee on the proposed True-Up Adjustment Date, together with Green Infrastructure Fees expected to be received by the Trustee after the True-Up Adjustment but on account of amounts expected to be remitted to the Trustee prior to such True-Up Adjustment based upon the *existing* Green Infrastructure Fee.
- (2) Calculate the sum of (a) principal of (in accordance with the expected amortization schedule) and interest on the Bonds when due and as accruing through the end of the Applicable Collection Period, (b) any amount necessary to replenish the Debt Service Reserve Subaccount to its required level, and (c) all other Ongoing Financing Costs, in each case required to be paid or deposited during the Applicable Collection Period.
- (3) Subtract the amount in clause (1) from the amount in clause (2), and make any further adjustments as necessary such that the Surplus Revenue Subaccount is projected to be zero by the Collection Period End Date. This difference is the "Net Revenue Requirement" for the next Applicable Collection Period.
- (4) Multiply the amount in clause (3) above by 45%. The result will be the "Residential Net Revenue Requirement" for the next Applicable Collection Period.
- (5) Multiply the amount in clause (3) above by 55%. The result will be the "Non-Residential Net Revenue Requirement" for the next Applicable Collection Period.
- (6) Allocate the Non-Residential Net Revenue Requirement among four subclasses comprised as follows (each a "Subclass") and in the percentages shown, subject to clause (7) below: small commercial (G, TOU-G)-[XX]%, medium commercial (EV-F, J, TOU-J, SS, EV-C)-[XX]%, large commercial (DS, P, TOU-P, U)-[XX]% and street lighting (F)-[XX]%.
- (7) In the event the number of customers of any Subclass falls by more than 50% from the original number of customers as shown in the Financing Order (the "Trigger Event"), then, following such Trigger Event, the payment responsibility allocated to such Subclass shall be reduced (as described in the next sentence) and reallocated, pro rata, to the remaining Subclasses of non-residential customers based on the then current allocation percentages for each remaining Subclass. The reduction shall be determined by multiplying the Net Revenue Requirement allocated to the Subclass customers (calculated using the percentage shown in clause (6)) by a ratio, the numerator of which is the number of lost customers since the Trigger Event and the denominator is a number equal to 50% of the original number of customers. The reallocation shall be calculated and reflected in each True-Up Adjustment following the Trigger Event.
- (8) Divide the Residential Net Revenue Requirement by the number of residential customers as of the proposed True-Up Adjustment Date, adjust for the expected number of billing cycles in the Applicable Collection Period, and adjust the resulting charge to account for expected charge offs, to assure that remittances to the Trustee will be sufficient to satisfy the Residential Net Revenue Requirement during the Applicable

Collection Period. The resulting amount will be the Green Infrastructure Fee for all residential customers for the next Applicable Collection Period.

- (9) Divide the Non-Residential Net Revenue Requirement allocated to each Subclass by the number of customers in such Subclass as of the True-Up Adjustment Date, adjust for the expected number of billing cycles in the Applicable Collection Period, and adjust the resulting charge to account for expected charge offs, to assure that remittances to the Trustee will be sufficient to satisfy the Non-Residential Net Revenue Requirement during the Applicable Collection Period. The resulting amount will be the Green Infrastructure Fee for each Subclass of non-residential customers for next Applicable Collection Period.

The Commission, on behalf of the Department, will adjust the Green Infrastructure Fee as requested in each True-Up Letter and such Green Infrastructure Fee will be effective on the date specified in the True-Up Letter, so long as such effective date is at least fifteen (15) days after the filing of such True-Up Letter, subject only to the correction of any mathematical errors by the Commission. If mathematical errors are discovered by the Commission after the effective date of the fee adjustment, an adjustment will be made by the Department in the next True-Up Letter to reflect any necessary correction. The Commission will give the Department prompt notice of the discovery of any error requiring a recalculation of the Green Infrastructure Fee.

Appendix D

FORM OF TRUE-UP REQUEST LETTER

Financing Order
Docket No. 2014-0134

FORM OF TRUE-UP REQUEST LETTER

[date]

{name}

[Title]

Public Utilities Commission of the State of Hawaii
465 South King Street #103
Honolulu, HI 96813

Re: Financing Order; Docket No. 2014-0134

Dear []:

Pursuant to the Public Utilities Commission's Decision and Order No. [], filed on September 4, 2014, in the above-referenced docket (the "Financing Order"), the State of Hawaii Department of Business, Economic Development, and Tourism (the "Department"), submits this True-up filing for a [semiannual][quarterly][optional] True-Up Adjustment to the Green Infrastructure Fee ("True-Up Adjustment"). Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

The Department has verified the True-Up Adjustment in accordance with the methodology and adjustment mechanism approved in the Financing Order. Based upon such procedures, the Green Infrastructure Fees for the [six month period commencing [date], and ending on [date]][for the period commencing [date] and ending on [date]], will be as follows:

Residential Customers: \$

Other Customers:

Small Commercial (G, TOU-G): \$

Medium Commercial (EV-F, J, TOU-J, SS, EV-C): \$

Large Commercial (DS, P, TOU-P, U): \$

Street Lighting (F): \$

The Department has attached workpapers showing the true-up calculation as Attachment 1.

Pursuant to the Financing Order, the Green Infrastructure Fee rates shall go into effect on [insert date which is no earlier than fifteen (15) days subsequent to date of submission], which is the first day of the billing cycle of [month], [year]. The Commission will have fifteen (15) days after the filing date in which to confirm the mathematical accuracy of the true-up adjustment to the Green Infrastructure Fee. Any mathematical correction to the true-up adjustment will be made

in the next true-up adjustment filing and will not delay the effectiveness of the Green Infrastructure Fee requested herein on the effective date set forth in this request.

Based upon the Green Infrastructure Fees requested in this True-Up Letter, the Master Service Provider has calculated that the Daily Remittance Amount during the Remittance Period ending [_____] shall be \$[XX] per Service Provider Business Day. The Department has attached workpapers showing the calculation of the Daily Remittance Amount.

Respectfully submitted,
STATE OF HAWAII DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM

By: _____
Name: _____
Title: _____

Attachments

ATTACHMENT 1
WORKPAPERS

Appendix E

FORM OF SERVICE PROVIDER AGREEMENT

Financing Order
Docket No. 2014-0134

**STATE OF HAWAII
DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT, AND TOURISM**

and

**HAWAIIAN ELECTRIC COMPANY, INC.,
HAWAII ELECTRIC LIGHT COMPANY, INC. and
MAUI ELECTRIC COMPANY, LIMITED**

as Service Providers

SERVICE PROVIDER AGREEMENT

Dated as of October __, 2014

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This **SERVICE PROVIDER AGREEMENT** (this "Agreement"), dated as of October [___], 2014, is among the **State of Hawaii Department of Business, Economic Development, and Tourism** (the "Department"), **Hawaiian Electric Company, Inc.**, a Hawaii corporation ("Hawaiian Electric" or the "Master Service Provider"), **Hawaii Electric Light Company, Inc.**, a Hawaii corporation ("Hawaii Electric Light"), and **Maui Electric Company, Limited**, a Hawaii corporation ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Service Providers," and each a "Service Provider"). Capitalized terms are defined below.

RECITALS

Pursuant to Act 211, Session Laws of Hawaii 2013 (the "Act"), and Decision and Order No. [_____] in Docket No. [_____] ("Financing Order"), issued by the Commission on [September ___], 2014, Green Infrastructure Property has been vested in the Department and has been pledged to the Trustee pursuant to the Indenture for the benefit of the Bondholders and the Financing Parties. Pursuant to the Financing Order, each Service Provider has been ordered to collect the Green Infrastructure Fee, which forms the basis of the Green Infrastructure Property, from electric utility customers in the Service Areas.

The Green Infrastructure Fee that will be billed during a given set of collection periods will be calculated in an amount so that the Remittances will be sufficient to meet on a timely basis the sum of all principal of and interest on the Bonds and the other Financing Costs due and payable for that period. Pursuant to the Financing Order, the aggregate Financing Costs required to be recovered from the Green Infrastructure Fee will be allocated to the customers of each Service Provider based upon the following allocation factors: 45% of such Financing Costs will be allocated to residential customers, and the remaining 55% of such Financing Costs will be allocated to the remaining classes of customers (the "non-residential customers"). This allocation of costs shall remain fixed for the life of the Bonds. The costs allocated to non-residential customers will be further allocated to the following four subclasses comprised as follows (each a "Subclass"): small commercial (G, TOU-G), medium commercial (EV-F, J, TOU-J, SS, EV-C), large commercial (DS, P, TOU-P, U) and street lighting (F). Each Subclass of non-residential customers will be allocated a *pro rata* percentage of the costs allocated to all non-residential customers based upon the kWh sales revenue generated by each Subclass in the most recent calendar year, as established in the Financing Order. This allocation of costs among the Subclasses shall also remain fixed for the life of the Bonds, subject only to adjustment in the event that the number of customers of any Subclass falls by more than 50%. In such event, the loss of each incremental customer of such Subclass (which triggers and follows the 50% decline) will result in a reallocation of costs pro rata to the remaining Subclasses of non-residential customers based on the then current allocation percentages for each remaining Subclass.

This Agreement relates primarily to each Service Provider's responsibility to bill, collect, and remit the Green Infrastructure Fee within its Service Area, and to otherwise account for such collections within its Service Area.

In addition, this Agreement describes certain additional services which Hawaiian Electric has agreed to undertake as Master Service Provider, including assisting the Department with the periodic calculation of the Green Infrastructure Fee, assisting the Department with the preparation of filings for the adjustment of such charge ("True-Up Adjustment" as described herein) for submission by the Department to the Commission, and the preparation of other reports provided for herein. Consistent with the Act, such services shall not cause the Service Providers to be subject to the laws that regulate financial institutions, escrow depositories, or collection agencies, and are not intended to place an undue burden on the Service Providers.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. Whenever used in this Agreement, the following words and phrases shall have the following meanings:

"Accounts" means the accounts described in Section [XX] of the Indenture.

"Act" means Act 211, Session Laws of Hawaii 2013.

"Agreement" means this Service Provider Agreement, together with all Exhibits, Schedules, and Annexes hereto, as the same may be amended and supplemented from time to time.

"Annual Service Provider Fees" has the meaning set forth in Section 6.02(a).

"Authorized Officer" means the chief executive officer, the president, the chairman or vice chairman of the board, any vice president, the treasurer, any assistant treasurer, the secretary, any assistant secretary, and the controller or the finance manager of a Service Provider.

"Average Days Sales Outstanding" or "ADSO" means the average number of days that customer bills remain outstanding, as calculated and revised from time to time by the Master Service Provider in accordance with Annex II of this Agreement. As of the date of this Agreement, the ADSO is [XX] days.

"Billed Green Infrastructure Fees" means the dollar amounts billed to customers in respect of the Green Infrastructure Fee.

"Bills" means each of the regular monthly bills, summary bills, and other bills issued to customers by each Service Provider on its own behalf and in its capacity as Service Provider.

"Bondholders" has the meaning assigned to it in the Indenture.

"Bonds" means the State of Hawaii Department of Business, Economic Development, and Tourism Green Energy Market Securitization Bonds, 2014 Series A.

“Business Days” means any day other than a Saturday, a Sunday, or a day on which banking institutions or trust companies in New York, New York, or Honolulu, Hawaii, are authorized or obligated by law, regulation or executive order to remain closed.

“Closing Date” means October [___], 2014.

“Collection Account” means the account held by the Trustee designated by the Department for the deposit of Green Infrastructure Fees pursuant to Section 4.03 hereof.

“Commission” means the Public Utilities Commission of the State of Hawaii, and any successor thereto.

“Commission Regulations” means all regulations, rules, tariffs, and laws applicable to public utilities and promulgated by, enforced by, or otherwise within the jurisdiction of the Commission.

“Debt Service Schedule” means Schedule 4.01(a) hereto.

“Department” has the meaning set forth in the preamble to this Agreement.

“Financing Costs” has the meaning set forth in HRS § 269-161.

“Financing Order” means Decision and Order No. [_____], issued in Docket No 2014-0134, and filed on [September ___], 2014.

“Financing Party” has the meaning set forth in HRS § 269-161.

“Fitch” means Fitch Ratings or its successor.

“Force Majeure” has the meaning assigned to that term in Section 7.03.

“Green Infrastructure Fee” means, as defined in HRS § 269-161, the nonbypassable fees authorized by HRS § 269-166 and in the Financing Order to be imposed on and collected by the Service Providers or any successors from all existing and future customers in the Service Areas.

“Green Infrastructure Fee Payments” means the actual payments received by each Service Provider, directly or indirectly, from or on behalf of customers, in respect of the Green Infrastructure Fee.

“Green Infrastructure Property” means the property, rights, and interests created by the Commission under the Financing Order, including the right to impose, charge, and collect from electric utility customers the Green Infrastructure Fee that shall be used to pay and secure the payment of Bonds and Financing Costs, including the right to obtain adjustments to the Green Infrastructure Fee, and any revenues, receipts, collections, rights to payment, payments, moneys, claims, or other proceeds arising from the rights and interests created by the Commission under the Financing Order.

“Green Infrastructure Property Records” has the meaning assigned to that term in Section 5.01(a).

“Hawaiian Electric” means Hawaiian Electric Company, Inc.

“Hawaii Electric Light” means Hawaii Electric Light Company, Inc.

“HRS” means the Hawaii Revised Statutes, as may be amended from time to time.

“Indenture” means the Indenture dated as of October [___], 2014, between the Department and the Trustee, as the same may be amended and supplemented from time to time.

“Insolvency Event” means, with respect to a specified Person, (a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person’s affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days; or (b) the commencement by such Person of a voluntary case under any applicable Federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due.

“Issuance Advice Letter” means the Issuance Advice Letter, dated October [___], 2014, filed by the Department with the Commission pursuant to the Financing Order.

“Master Service Provider” means Hawaiian Electric.

“Maui Electric” means Maui Electric Company, Limited.

“Monthly Service Provider Certificate” has the meaning assigned to that term in Section 4.01(c)(2).

“Moody’s” means Moody’s Investors Service, Inc., or its successor.

“Officer’s Certificate” means a certificate of a Service Provider signed by an Authorized Officer.

“Ongoing Financing Costs” has the meaning assigned to it in the Financing Order.

“Operating Expenses” has the meaning assigned to it in the Indenture.

“Opinion of Counsel” means one or more written opinions of counsel who may be an employee of or counsel to the party providing such opinion(s) of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion(s) of counsel.

“Outstanding Amount” has the meaning assigned to it in the Indenture.

“Payment Date” has the meaning assigned to it in the Indenture.

“Periodic Revenue Requirement” means the amount of Green Infrastructure Fees which, after giving effect to amounts available under the Indenture, are required to be collected during any Semiannual Collection Period to pay the principal and interest due and accruing on the Bonds, to replenish the Debt Service Reserve Subaccount to its required level, and to pay all other Ongoing Financing Costs due and payable during such Semiannual Collection Period.

“Person” means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization, or government or any agency or political subdivision thereof.

“Rating Agency Condition” means, with respect to any action, not less than ten (10) Business Days’ prior written notification provided by the Department to each Rating Agency of such action, and written confirmation from each of S&P and Moody’s to the Trustee and the Department that such action will not result in a suspension, reduction, or withdrawal of the then current rating by such Rating Agency of any tranche of Bonds and that prior to the taking of the proposed action no other Rating Agency shall have provided written notice to the Department that such action has resulted or would result in the suspension, reduction, or withdrawal of the then current rating of any series or tranche of Bonds; provided, however, that if within such ten Business Day period, any Rating Agency (other than S&P) has neither replied to such notification nor responded in a manner that indicates that such Rating Agency is reviewing and considering the notification, then (i) the Department shall be required to confirm that such Rating Agency has received the Rating Agency Condition request, and if it has, promptly request the related Rating Agency Condition confirmation, and (ii) if the Rating Agency neither replies to such notification nor responds in a manner that indicates it is reviewing and considering the notification within five (5) Business Days following such second request, the applicable Rating Agency Condition requirement shall not be deemed to apply to such Rating Agency. For the purposes of this definition, any confirmation, request, acknowledgment or approval that is required to be in writing may be in the form of electronic mail or a press release (which may contain a general waiver of a Rating Agency’s right to review or consent).

“Rating Agencies” means, collectively, Fitch, Moody’s, and S&P and their successors. If no such organization or successor is in existence, “Rating Agency” shall be a nationally recognized statistical rating organization or similar institution selected by the Department with notice to the Trustee and Service Providers.

“Remittance” means each remittance pursuant to Section 4.03 of Green Infrastructure Fee Payments by a Service Provider to the Trustee.

“Remittance Date” means each Service Provider Business Day on which a Remittance is to be made by a Service Provider pursuant to Section 4.03.

“Remittance Excess” means the amount, calculated for a particular Remittance Period for any Service Provider, by which Remittances to the Trustee by the Service Provider during such period exceeded actual Green Infrastructure Fee Collections.

“Remittance Shortfall” means the amount, calculated for a particular Remittance Period for any Service Provider, by which Remittances to the Trustee by the Service Provider during such period were less than actual Green Infrastructure Fee Collections.

“Retirement of the Bonds” means the day on which the final payment is made to the Trustee in respect of the outstanding Bonds and the payment of all other Ongoing Financing Costs.

“Revenue Requirements Certificate” means the certificate described in Section 4.01(a) hereof.

“Revenues” has the meaning assigned to it in the Indenture.

“S&P” means Standard & Poor’s Ratings Services or its successor.

“Semiannual Collection Period” means the six-month period commencing on January 1 and July 1 of each year and ending on December 31 or June 30, as applicable of each year; *provided, however*, that the initial Semiannual Collection Period shall commence on the Closing Date and end on December 31, 2014.

“Semiannual Service Provider Certificate” has the meaning assigned to that term in Section 4.01(c)(3).

“Service Areas” means the customer service areas of the Service Providers as of the date of the issuance of the Financing Order.

“Service Provider Business Day” means any Business Day on which a Service Provider’s offices in the State of Hawaii are open for business.

“Service Provider Default” means an event specified in Section 7.01.

“Service Provider Policies and Practices” means, with respect to a Service Provider’s duties under this Agreement, its policies and practices applicable to such duties that such Service Provider follows with respect to the billing and collecting of other charges that it imposes and collects for itself or others, as in effect from time to time and in accordance with Commission Regulations. Each Service Provider shall provide ten (10) days’ prior written notice to the Department and to the Rating Agencies of any amendment to its Service Provider Policies and Practices that would adversely affect in any material respect the Bondholders.

“Service Providers” means Hawaiian Electric, Hawaii Electric Light, and Maui Electric, as the electric utilities providing service in connection with the Green Infrastructure Property, or each successor (in the same capacity), pursuant to this Agreement.

“Statute” means HRS §§ 196-61 to 196-70, HRS §§ 269-161 to 269-176, and HRS §§ 269-5 and 269-121, as amended by the Act.

“True-Up Adjustment” means each adjustment to the Green Infrastructure Fee made pursuant to the terms of the Financing Order and in accordance with Section 4.01 hereof.

“True-Up Adjustment Date” means the date requested in a True-Up Letter for an adjustment to the Green Infrastructure Fee.

“True-Up Letter” means a letter filed by the Department with the Commission, substantially in the form of Exhibit B hereto, in respect of a True-Up Adjustment authorized under the Financing Order.

“Trustee” means the Trustee appointed under the Indenture.

Section 1.02. Other Definitional Provisions.

(a) Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Indenture.

(b) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) The words “hereof,” “herein,” “hereunder,” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule, Exhibit, and Annex references contained in this Agreement are references to Sections, Schedules, Exhibits, and Annexes in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(d) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter forms of such terms.

**ARTICLE II
APPOINTMENT AND AUTHORIZATION**

Section 2.01. Appointment of Service Providers; Acceptance of Appointment. Subject to the terms and conditions of this Agreement, the Department hereby appoints the Service Providers (including Hawaiian Electric, as Master Service Provider), and each Service Provider hereby accepts such appointment, to perform such Service Provider’s respective obligations pursuant to this Agreement on behalf of and for the benefit of the Department or the Financing Parties as provided for in the Financing Order and in accordance with the terms of this Agreement and applicable law. This appointment and the Service Providers’ acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

**ARTICLE III
DUTIES OF SERVICE PROVIDERS**

Section 3.01. Duties of Service Providers. The Service Providers, as agents for the Department, shall have the following duties:

(a) Duties of Service Providers Generally.

(1) General Duties. Each Service Provider's duties in general shall include the duties set forth in the Financing Order. Without limiting the generality of this Section 3.01(a)(1), each Service Provider's duties in general shall include management, servicing, and administration of the Green Infrastructure Property to be collected by it pursuant to the Financing Order, obtaining meter reads, billing, collection, and posting of all payments in respect of the Green Infrastructure Property; responding to inquiries by customers, or, if appropriate, forwarding such inquiries to the Department; delivering Bills to customers, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the Department and the Trustee, and, in the case of the other Service Providers, the Master Service Provider. Without limiting the generality of this Section 3.01(a)(1), in furtherance of the foregoing, each Service Provider hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to Bill calculation, billing, customer service functions, collection, payment processing, and remittance set forth in Annex I hereto, and shall respond promptly to any request from the Master Service Provider for information necessary to complete the preparation of a True-Up Letter or the performance of any other responsibility of the Master Service Provider hereunder.

(2) Master Service Provider; Additional Obligations. In addition, the Master Service Provider will have certain additional responsibilities with respect to assisting the Department with the periodic calculation of the Green Infrastructure Fee, the preparation of filings for True-Up Adjustments of such charge for submission by the Department to the Commission, and the preparation of other reports as provided for in Article IV hereof.

(3) Commission Regulations Control. Notwithstanding anything to the contrary in this Agreement, the duties of the Service Providers set forth in this Agreement shall be qualified in their entirety by any Commission Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions. Upon the reasonable request of the other Service Providers, the Department, or the Commission, each Service Provider shall provide to such other Service Providers, the Department, or the Commission, as the case may be, any public financial information in respect of such Service Provider, including general information on customers served, or any material information regarding the Green Infrastructure Property to be collected pursuant to the Financing Order to the extent it is reasonably available to such Service Provider, as may be reasonably necessary and permitted by law for the other Service Providers, the Department, or the Commission to monitor such Service Provider's performance hereunder and to disclose material information to the Bondholders.

Section 3.02. Servicing and Maintenance Standards. Each Service Provider shall bill and collect the Green Infrastructure Fee using the same degree of care and diligence and in accordance with the same Commission Regulations and Service Provider Policies and Practices that it exercises and applies with respect to other charges collected from customers for its own account.

ARTICLE IV
SERVICES RELATED TO TRUE-UP ADJUSTMENTS; REPORTS; REMITTANCES

Section 4.01. True-Up Adjustments. From time to time, until the Retirement of the Bonds, the Master Service Provider shall cooperate with the Department or any representative thereof to help identify the need for True-Up Adjustments and to help calculate and implement such True-Up Adjustments, all in accordance with the following:

(a) Department Commitment to Provide Information. The Department shall provide, or cause the Trustee to provide, to the Master Service Provider, not later than thirty (30) days prior to each May 1 and November 1 in the case of any Semi-Annual True-Up Adjustment, and not later than the date the Department requests the Master Service Provider to prepare the calculation for any other True-Up Adjustment (the "Department Certificate Delivery Date"), a certificate in the form of Exhibit A hereto (the "Revenue Requirements Certificate"), together with any additional information that is in the possession and/or control of the Department or the Trustee, which is necessary or appropriate to enable the Master Service Provider to prepare each draft True-Up Letter in accordance with Section 4.01(b) of this Agreement, including any revisions to the Debt Service Schedule (attached hereto as Schedule 4.01(a)), the amounts held in all subaccounts of the Collection Account held by the Trustee, any deficiency in the Debt Service Reserve Subaccount, and estimates of all Ongoing Financing Costs for the ensuing Semiannual Collection Period. If the Master Service Provider has not received the Revenue Requirements Certificate within five (5) Service Provider Business Days of any Department Certificate Delivery Date of which the Master Service Provider has knowledge, the Master Service Provider shall send a notification to the Department and the Trustee requesting immediate delivery of the Revenue Requirements Certificate. Until the Master Service Provider receives a new Revenue Requirements Certificate, the Master Service Provider shall use the information provided in the immediately prior Semiannual Collection Period's Revenue Requirements Certificate for the purpose of any required calculations.

(b) True-Up Filings.

(1) Initial Green Infrastructure Fee. The Master Service Provider shall assist the Department in the calculation of the initial Green Infrastructure Fee to be included in the Issuance Advice Letter, and to ensure that the Green Infrastructure Fee, as adjusted from time to time, is reflected in each Service Provider's Bills to customers in accordance with the Financing Order and this Agreement.

(2) Semiannual True-Up Adjustments and Filings. No later than thirty (30) days prior to May 1 and November 1 of each year, the Master Service Provider shall prepare a calculation of the True-Up Adjustments to the Green Infrastructure Fee required to satisfy the Periodic Revenue Requirement, and prepare and deliver to the Department a draft of the semiannual True-Up Letter in the form of Exhibit B hereto. For the purpose of preparing a draft semiannual True-Up Letter, the Master Service Provider (a) shall utilize the most recent customer count by category, delinquencies, and the rate of charge offs available to the Master Service Provider, provided that the Master Service Provider shall be under no obligation to update any such data or information solely for the purposes of this calculation, (b) adjust the revenue requirements set forth in the Revenue Requirements Certificate to give effect to estimated

Remittances expected to be remitted to the Trustee prior to the True-Up Adjustment Date and which were not accounted for in the Revenue Requirement Certificate, and (c) based upon such updates and information, prepare a calculation of the Green Infrastructure Fee to be charged by the Service Providers during the next succeeding Semiannual Collection Period. The Department shall file, or cause to be filed, with the Commission the completed semiannual True-Up Letter, subject to any mathematical corrections as it deems necessary, no later than fifteen (15) days prior to January 1 and July 1 of each year.

(3) Quarterly True-Up Adjustments and Filings. If the Department or the Trustee determines that Quarterly True-Up Adjustments are required under the Financing Order or the financing documents, then, at the written request of the Department, the Master Service Provider shall prepare a calculation of the True-Up Adjustments to the Green Infrastructure Fee required to satisfy the Periodic Revenue Requirement, and prepare and deliver to the Department a draft quarterly True-Up Letter in the form of Exhibit B hereto not later than fifteen (15) days after the receipt of such request. The Department shall file, or cause to be filed, with the Commission the quarterly True-Up Letter, subject to any mathematical corrections as it deems necessary, at least fifteen (15) days before the end of a calendar quarter.

(4) Optional True-Up Adjustments and Filings. If the Master Service Provider determines that, due to unexpected changes in customer counts or delinquencies or other unexpected conditions (such as severe electrical service outages or other force majeure-type events), it is likely that expected Remittances will be inadequate to satisfy the Periodic Revenue Requirement, and in any event, if directed by the Department, the Master Service Provider shall immediately confer with the Department and, as soon as practicable, but in no event later than fifteen (15) days following the request of the Department, prepare a calculation of the True-Up Adjustments to the Green Infrastructure Fee required to satisfy the Periodic Revenue Requirement, and prepare and deliver to the Department a draft True-Up Letter in the form of Exhibit B hereto. The Department shall file the optional True-Up Letter with the Commission, subject to any mathematical corrections as it deems necessary, no later than five (5) days following the delivery of the form True-Up Letter by the Master Service Provider with the Department.

(5) Effective Date of True-Up Adjustment. Pursuant to the Financing Order, a True-Up Adjustment will become effective on the date specified in the True-Up Letter, so long as such effective date is at least fifteen (15) days after the filing of such True-Up Letter. Each Service Provider will take such actions so as to assure that the Green Infrastructure Fee is reflected in customer Bills on and after the effective date as provided in this Agreement.

(6) Requests for Information. The Master Service Provider shall request from the Trustee or the Department all necessary information, and take all reasonable actions, and make all reasonable efforts to assure that draft True-Up Letters are delivered to the Department, on a timely basis and the Department agrees to, and shall cause the Trustee to, cooperate with the Master Service Provider. The Department shall promptly deliver to the Master Service Provider and the Trustee a copy of each True-Up Letter filed with the Commission.

(7) Coordination with Other Service Providers. As required by the Financing Order, the Master Service Provider shall request, and the Service Providers shall promptly provide to the Master Service Provider, such billing, collection, delinquency, write off,

customer count, and other information as is required by the Master Service Provider to allow for the preparation of all draft True-Up Letters, and the filing of all reports and certificates required to be delivered by the Master Service Provider in a timely manner.

(c) Reports.

(1) Daily Remittance Report. Each Service Provider shall maintain records showing the amount of Green Infrastructure Fees remitted to the Trustee on each Service Provider Business Day. Maui Electric and Hawaii Electric Light shall report such information to the Master Service Provider no less often than monthly in such manner as directed by the Master Service Provider.

(2) Monthly Service Provider Certificate. So long as any Bonds are outstanding, not later than twenty (20) Service Provider Business Days after the end of each month after the Bonds are issued (excluding [____], 2014), or if such day is not a Service Provider Business Day, the next succeeding Service Provider Business Day, the Master Service Provider shall deliver a written report substantially in the form of Exhibit C hereto (the "Monthly Service Provider Certificate") to the Department, the Trustee, and the other Service Providers.

(3) Semiannual Service Provider Certificate. Each Semi-Annual True-Up Letter delivered by the Master Service Provider to the Department shall be accompanied by a written report, as a workpaper, substantially in the form of Exhibit D hereto (the "Semiannual Service Provider Certificate").

(4) Annual Certification. On or before March 31 each year, beginning March 31, 20[____], the Master Service Provider shall provide to the Department and the Trustee an annual certificate of compliance substantially in the form of Exhibit E hereto.

Section 4.02. Limitation of Liability.

(a) The Department and the Service Providers expressly agree and acknowledge that:

(1) In connection with any True-Up Adjustment, the Service Providers are acting solely in their capacities as agents of the Department hereunder.

(2) The Service Providers shall not be responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling, or other determination made or not made by the Department or by the Commission, or any delay by the Department or the Commission in any way related to the Green Infrastructure Property or any True-Up Adjustment (other than any delay resulting from a Service Provider's failure to prepare an initial calculation of a True-Up Adjustment or to deliver to the Department a draft True-Up Letter in a timely and correct manner, or other material breach by a Service Provider of its duties under this Agreement that materially and adversely affects any True-Up Adjustment or the Green Infrastructure Property).

(3) The Service Providers shall have no liability whatsoever relating to the calculation of the Green Infrastructure Fee and the True-Up Adjustments thereto, including as

a result of any inaccuracy of any of the assumptions made in such calculation regarding expected customer counts, delinquencies, or the rate of charge offs, or the provision of inaccurate information by the Department or the Trustee so long as the Service Providers have acted in good faith and have not acted in a negligent or unlawful manner in connection therewith. In addition, no Service Provider shall have any liability whatsoever as a result of any Person, including the Bondholders, not receiving any payment, amount, or return anticipated or expected in respect of any Bond generally.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve a Service Provider of any liability under Section 6.01.

Section 4.03. Remittances.

(a) Each Service Provider will calculate and make daily Remittances of Green Infrastructure Fees to the Trustee in accordance with the methodology set forth in Annex II hereto. (All capitalized terms used in this Section 4.03 and not otherwise defined shall have the meanings set forth in Annex II.) Such daily Remittances will begin on [_____], 2014, and will be made to the Trustee, by wire transfer of immediately available funds. Unless otherwise notified in writing by the Trustee or the Department, the wire transfers to the Trustee shall be made to the account and in the manner specified in Section 8.02(b) (the "Collection Account"). Any change of account or change of institution affecting the Collection Account shall not take effect until the Department has provided at least fifteen (15) Service Provider Business Days written notice thereof to the Service Providers.

(b) Each Service Provider agrees and acknowledges that it will make Remittances in accordance with Annex II without any surcharge, fee, offset, charge, or other deduction. If any Service Provider shall default in its obligations to make Remittances, and such default continues for more than five (5) Service Provider Business Days, then, in addition to any other remedy against the Service Provider available hereunder, the Service Provider shall be obligated to pay interest on such delinquent Remittances at a rate equal to [3.22]% per annum. If there is a Force Majeure that prevents a Service Provider from making daily Remittances, such Service Provider will remit promptly once performance of its obligations resumes, based on the estimated amount collected. Any Remittance Excess or Remittance Shortfall resulting from such Force Majeure may be adjusted in the next Remittance Period.

(c) Each Service Provider agrees that, in accordance with the Financing Order, partial payments collected from customers shall be allocated as provided in Annex I.

(d) Not later than sixty (60) calendar days following the end of each Remittance Period, the Master Service Provider will calculate the amount of any Remittance Excess or Remittance Shortfall for the immediately preceding Remittance Period, and provide the Department and the Trustee notification of such amount, together with applicable workpapers. The Department shall instruct the Trustee to pay to the applicable Service Provider the amount of such Remittance Excess from the Collection Account on a subordinated basis on the next succeeding Payment Date, to the extent of available funds in accordance with the priorities set forth in Section [XX] of the Indenture. Any such reimbursement to the Service Providers of such Remittance Excess will be without interest and will be subordinate to the payment of debt service

on the Bonds and other Ongoing Financing Costs to the extent provided in the Indenture. Any delay in such reimbursement will not constitute a default hereunder or under any other financing document. In the event of a Remittance Shortfall, the Service Providers will be required to pay to the Trustee the amount of such Remittance Shortfall within ten (10) Service Provider Business Days.

ARTICLE V THE GREEN INFRASTRUCTURE PROPERTY

Section 5.01. Duties of Service Providers as Custodians.

(a) Safekeeping. Each Service Provider shall maintain such accurate and complete accounts, records, and computer systems pertaining to the Green Infrastructure Fees (collectively, the "Green Infrastructure Property Records"), on behalf of the Department and the Trustee, including in the case of the Master Service Provider, all calculations, workpapers, and other computational records and materials prepared in connection with draft True-Up Letters. Each Service Provider shall promptly report to the Department and the Commission any failure on its part to hold the Green Infrastructure Property Records and maintain its accounts, records, and computer systems as herein provided, and promptly take appropriate action to remedy any such failure.

(b) Maintenance of and Access to Records. The Service Providers shall maintain the Green Infrastructure Property Records at 900 Richards Street in Honolulu, Hawaii, or at such other office in the United States as shall be specified to the Department by written notice at least thirty (30) days prior to any change in location. The Service Providers shall make available for inspection to the Department and the Trustee or their respective duly authorized representatives, attorneys, or auditors the Green Infrastructure Property Records at such times during normal business hours as the Department or the Trustee shall reasonably request and which do not unreasonably interfere with the Service Providers' normal operations. Nothing in this Section 5.01(b), or any other provision of this Agreement, shall affect the obligation of the Service Providers to observe any applicable law (including any Commission Regulations) prohibiting disclosure of information regarding the Service Providers' customers, and the failure of the Service Providers to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.01(b).

ARTICLE VI THE SERVICE PROVIDERS

Section 6.01. Limitation on Liability of Service Providers and Others. Except as otherwise provided under this Agreement, neither the Service Providers, nor any of their respective directors, officers, employees, or agents shall be liable to the Department or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment; *provided, however*, that this provision shall not protect the Service Providers or any director, officer, employee, or agent of the Service Providers against any liability that would otherwise be imposed by reason of willful misconduct or negligence in the performance of duties

under this Agreement. The Service Providers and any director, officer, employee, or agent of the Service Providers may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement.

Except as provided in this Agreement, the Service Providers shall not be under any obligation to appear in, prosecute, or defend any legal action relating to the Green Infrastructure Property.

Section 6.02. Service Provider Compensation.

(a) In consideration for its services hereunder, and pursuant to the Financing Order, until the Retirement of the Bonds and as long as it bills, collects, and remits the Green Infrastructure Fee, (i) Hawaiian Electric shall receive an initial one-time only set-up fee of \$240,303.18, Hawaii Electric Light shall receive an initial one-time only set-up fee of \$60,872.09, and Maui Electric shall receive an initial one-time only set-up fee of \$52,732.21, and (ii) each Service Provider shall receive an annual fee (the "Annual Service Provider Fee") of \$2,728.97. The Annual Service Provider Fees shall be escalated annually by the change in GDPIPD as defined and set forth in Annex III. It is agreed that each Service Provider shall be entitled to retain, as additional compensation, all late charges, if any, collected from its respective customers with respect to the Green Infrastructure Fees, and all interest earnings on Green Infrastructure Fees collected by the Service Provider, subject to Section 4.03(b).

(b) The Annual Service Provider Fees set forth in Section 6.02(a) shall be paid to the applicable Service Provider by the Trustee, by wire transfer of immediately available funds from the Collection Account to an account designated by the Service Provider not later than five (5) Service Provider Business Days following each Payment Date, from and to the extent of Revenues available in accordance with the priorities set forth in Section [XX] of the Indenture. Any portion of the Annual Service Provider Fee or expenses not paid on or before such date shall be added to the Annual Service Provider Fee payable on the subsequent Payment Date.

(c) Each Service Provider shall also be entitled to receive reimbursement for all reasonable fees and expenses of third parties, including without limitation, attorneys and accountants ("third party costs"), incurred by the Service Provider in performing its respective functions hereunder (including without limitation the costs of any Opinion of Counsel contemplated hereunder). Any requisition for the reimbursement of third party costs shall be submitted to the Department and the Commission by the Master Service Provider, and the Department shall approve or deny such requisition (in whole or in part) within thirty (30) days of such submission. If the Department disputes the reasonableness of any third party costs and the parties cannot resolve the matter, either the Department or the Master Service Provider may request the Commission to make a final determination of the issue. The Department agrees to deliver to the Trustee instructions to pay third party costs approved by the Department promptly following approval thereof. Any payment of such third party costs shall be made from and to the extent of Revenues available in accordance with the priorities set forth in Section [XX] of the Indenture.

(d) The Department shall pay from Revenues in accordance with the priorities set forth in Section [XX] of the Indenture, all taxes imposed on the Service Providers on account

of the receipt of the Green Infrastructure Fee (other than taxes based on the Service Providers' net income).

(e) The compensation provided under this Section 6.02 shall be the sole compensation payable to the Service Providers for their services under this Agreement; provided that nothing herein shall preclude the Service Providers from requesting an order from the Commission authorizing an increase in the Annual Service Provider Fees payable under this Agreement, and following issuance of such Commission order, at the request of the Service Providers, the Department shall enter into an amendment hereto to provide for such increased compensation to be payable consistent with the priorities set forth in Section [XX] of the Indenture.

Section 6.03. Appointments. Each Service Provider may at any time appoint or delegate to any Person to perform all or any portion of its obligations as a Service Provider hereunder, subject to (i) prior written notice of such appointment or delegation to the Department and (ii) satisfaction of the Rating Agency Condition; and, *provided*, that each Service Provider shall remain obligated and be liable under this Agreement for the servicing and administering of the Green Infrastructure Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment or delegation of such Person and to the same extent and under the same terms and conditions as if such Service Provider alone were servicing and administering the Green Infrastructure Property. The fees and expenses of any such Person shall be as agreed between a Service Provider and such Person from time to time and shall be paid by the Service Provider and not constitute any claim whatsoever on Revenues. None of the Department, the Trustee, the Bondholders or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a Service Provider resignation.

Section 6.04. Merger or Consolidation of, or Assumption of the Obligations of, Service Providers. Any Person (a) into which a Service Provider may be merged or consolidated, (b) which may result from any merger or consolidation to which a Service Provider shall be a party, or (c) which may succeed to the properties and assets of a Service Provider substantially as a whole, voluntarily or by operation of law, including pursuant to any bankruptcy, reorganization, restructuring, or other insolvency proceedings, or any sale or transfer of assets, shall be a successor to such Service Provider and shall be bound by this Agreement without further action on the part of any of the parties to this Agreement. The Service Provider shall give prior written notice the Department of any such transaction, and the Department shall promptly provide such notice to the Rating Agencies.

Section 6.05. Hawaiian Electric, Hawaii Electric Light and Maui Electric Not to Resign as Service Providers. Subject to the provisions of Section 6.04, each of Hawaiian Electric, Hawaii Electric Light, and Maui Electric shall not resign from the obligations and duties hereby imposed on it as a Service Provider under this Agreement except upon either (a) a determination that the performance of its duties under this Agreement shall no longer be permissible under applicable law or (b) satisfaction of the following: (i) the Rating Agency Condition shall have been satisfied and (ii) the Commission and the Department shall have approved such resignation. Notice of any such determination permitting the resignation of a Service Provider shall be communicated to the Department, the Trustee, and the Rating Agencies at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time) and

any such determination that the performance of such Service Provider's duties under this Agreement shall no longer be permissible under applicable law shall be evidenced by an Opinion of Counsel to such effect delivered by the applicable Service Provider to the Department and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a successor Service Provider shall have assumed the responsibilities and obligations of Hawaiian Electric, Hawaii Electric Light, or Maui Electric, as applicable, in accordance with Section 7.02.

Section 6.06. Binding Obligation. Each Service Provider represents and warrants to the Department that this Agreement constitutes a legal, valid, and binding obligation of the Service Providers enforceable against each of them in accordance with its terms, subject to applicable insolvency, reorganization, moratorium, fraudulent transfer, and other laws relating to or affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith, and fair dealing), regardless of whether considered in a proceeding in equity or at law.

ARTICLE VII DEFAULT

Section 7.01. Service Provider Default. If any one of the following events (each a "Service Provider Default") shall occur and be continuing:

(a) any failure by a Service Provider to remit to the Collection Account on behalf of the Department any required Remittance, or to file any draft True-up Adjustment, that shall continue unremedied for a period of five (5) Service Provider Business Days after written notice of such failure is received by such Service Provider from the Department or the Trustee; or

(b) any failure on the part of a Service Provider duly to observe or to perform in any material respect any other covenants or agreements of such Service Provider set forth in this Agreement, which failure shall materially and adversely affect the rights of the Department or the Bondholders and (ii) continue unremedied for a period of sixty (60) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given (A) to the Service Provider by the Department or (B) to the Service Provider by the Trustee or by the Bondholders evidencing not less than 25 percent of the Outstanding Amount; or

(c) an Insolvency Event occurs with respect to a Service Provider;

then, and in each and every case, the Service Provider Default shall be remedied by the Master Service Provider if such Service Provider Default relates to a Service Provider other than the Master Service Provider, and if and so long as the Service Provider Default has not been remedied, then, as provided in the Financing Order, either the Department or the Trustee, on behalf of the Bondholders, may apply to the Commission for the appointment of a new Service Provider and/or for sequestration and payment of Revenues arising with respect to the Green Infrastructure Property in accordance with HRS § 269-167(b). The predecessor Service Provider shall cooperate with the successor Service Provider, the Department, and the Trustee in effecting the termination of the responsibilities and rights of the predecessor Service Provider under this Agreement, including the transfer to the successor Service Provider for administration by it of all cash amounts

that shall at the time be held by the predecessor Service Provider for remittance, or shall thereafter be received by it with respect to the Green Infrastructure Property to be collected by a Service Provider pursuant to the Financing Order or the Green Infrastructure Fee. All reasonable costs and expenses incurred in transferring servicing responsibilities to a successor Service Provider shall constitute Operating Expenses of the Department. No remedy described in this Agreement is intended to be exclusive, or shall prevent enforcement, of any other remedy or remedies now or hereafter existing at law or in equity or otherwise. The Department may waive in writing any default by any Service Provider in accordance with the provisions of the Indenture, so long as such waiver would not adversely affect the interest of the Bondholders. No waiver of a past default by the Department shall extend to any subsequent or other default or impair any right consequent thereto.

Section 7.02. Notice of Service Provider Default. A Service Provider shall deliver to the Department, the Trustee, the Commission, and the Rating Agencies, promptly after any of its Authorized Officers having obtained actual knowledge thereof, but in no event later than five (5) Service Provider Business Days thereafter, written notice in an Officers' Certificate of any event which with the giving of notice or lapse of time, or both, would become a Service Provider Default under Section 7.01.

Section 7.03. Force Majeure. Notwithstanding anything in this Agreement to the contrary, if any party is unable to perform its obligations due to a Force Majeure, such party shall be excused from performance of those obligations for such time as the Force Majeure prevents performance. Such affected party shall make reasonable efforts to resume performance in the shortest possible time. During any time in which a party is relying on Force Majeure to excuse its performance of obligations, the other party shall be excused from its corresponding obligations hereunder. A party asserting Force Majeure shall immediately, or as soon as reasonably possible, notify the other party of its inability to perform and the basis for the same, and shall provide an estimate of when it expects to be able to resume performance (and shall periodically update such estimate while the Force Majeure persists).

The term "Force Majeure" as used herein shall mean any cause which is beyond the control and without the fault or negligence of the party affected and which by reasonable efforts the party affected is unable to overcome, including without limitation the following: acts of God; fire, flood, landslide, lightning, earthquake, hurricane, tornado, storm or volcanic eruption; strike; theft; casualty; war; invasion; civil disturbance; explosion; acts of public enemies; or sabotage.

ARTICLE VIII MISCELLANEOUS PROVISIONS

Section 8.01. Amendment.

(a) This Agreement may be amended in writing by the Service Providers and the Department with twenty (20) Service Provider Business Days' prior written notice given to the Rating Agencies and the Trustee (i) for ministerial changes, such as to cure any ambiguity, to correct or supplement any provisions in this Agreement or for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement which, in the Opinion of Counsel to the Department, would not adversely affect the interests of the Bondholders;

or (ii) for material changes, such as for the purpose of adding any substantive provisions to or changing in any material manner or eliminating any of the material provisions of this Agreement, subject to satisfaction of the Rating Agency Condition and subject to the consent by the Trustee (which consent shall not be unreasonably withheld).

(b) Promptly after the execution thereof, the Department shall provide to the Trustee and to each of the Rating Agencies with a copy of any amendment to this Agreement.

(c) Any amendment to this Agreement must be consistent with the terms of the Financing Order and shall be promptly filed with the Commission. No amendment shall alter the Annual Service Provider Fee without the consent of the Commission.

Section 8.02. Notices; Remittances to the Trustee.

(a) Unless otherwise specifically provided herein, all notices, directions, consents, and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent, or waiver may be given by United States mail, courier service, facsimile transmission, or electronic mail (confirmed by telephone, United States mail, or courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent, or waiver shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid: [APPLICABLE PARTIES TO CONFIRM/PROVIDE]

(i) if to the Master Service Provider, to

Hawaiian Electric Company, Inc.
900 Richards Street
Honolulu, Hawaii 96813

Attention: [_____]
Facsimile: [_____]
Telephone: [_____]

(ii) if to the Department, to

State of Hawaii
Department of Business, Economic Development, and Tourism
250 Hotel Street, 5th Floor
Honolulu, Hawaii 96813

Attention: [_____]
Facsimile: (808) [_____]
Telephone: (808) [_____]

(iii) if to the Trustee, to

[_____]
[_____]
[_____]

Attention: [_____]
Facsimile: [_____]
Telephone: [_____]

(iv) if to Moody's, to

Moody's Investors Service, Inc.
99 Church Street
New York, NY 10007
Attention: ABS Monitoring Department
Facsimile: (212) 553-0573
Telephone: (212) 553-3686

(v) if to S&P, to

Standard & Poor's
55 Water Street, 40th Floor
New York, NY 10041
Attention: Asset Backed Surveillance Department
Facsimile: (212) 438-2655
Telephone: (212) 438-2000

(vi) if to Fitch, to

Fitch Ratings
One State Street Plaza
New York, NY 10004
Attention: ABS Surveillance
Facsimile: (212) 514-9879
Telephone: (212) 908-0500

(vii) if to Hawaii Electric Light, to

Hawaii Electric Light Company, Inc.
[1200 Kilauea Avenue
Hilo, Hawaii 96720]
Attention: [_____]
Facsimile: [_____]
Telephone: [_____]

(viii) if to Maui Electric, to

Maui Electric Company, Limited
[210 W. Kamehameha Avenue
Kahului, Maui 96732]
Attention: [_____]
Facsimile: [_____]
Telephone: [_____]

(ix) as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

(b) Remittances to the Trustee shall be made to the following account: [_____], which is designated as the Collection Account under the Indenture. Any change of account or change of institution affecting the Collection Account shall not take effect until the Department has provided at least fifteen (15) Service Provider Business Days written notice thereof to the Service Providers. [Add account information for Service Providers for payment here or in certificate]

Section 8.03. Assignment. Notwithstanding anything to the contrary contained herein, except as provided in Section 6.03 and as provided in the provisions of this Agreement concerning the resignation of a Service Provider, this Agreement may not be assigned by any of the Service Providers.

Section 8.04. Limitations on Rights of Third Parties. The provisions of this Agreement are solely for the benefit of the Service Providers, the Department, the Bondholders, the Trustee, and the other Persons expressly referred to herein and such Persons shall have the right to enforce the relevant provisions of this Agreement, except that the Bondholders shall be entitled to enforce their rights against the Service Providers under this Agreement solely through a cause of action brought for their benefit by the Trustee. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy, or claim in the Green Infrastructure Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.05. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.06. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 8.07. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.08. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Hawaii, without giving effect to its conflict of law or other principles that would cause the application of the laws of another jurisdiction, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 8.09. Assignment to Trustee. The Service Providers hereby acknowledge and consent to the collateral assignment of any or all of the Department's rights and obligations hereunder to the Trustee for the benefit of the holders of the Bonds.

Section 8.10. Limited Obligations of Department. The obligations of the Department hereunder are limited obligations of the Department payable solely from Revenues available in accordance with the priorities established pursuant to Section [XX] of the Indenture. Neither the General Funds of the State of Hawaii nor other resources of the Department or the State, nor the credit or taxing power of the Department or the State are pledged to or available for the payment of any obligations of the Department hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Service Provider Agreement to be duly executed by their respective officers as of the day and year first above written.

**STATE OF HAWAII DEPARTMENT
OF BUSINESS, ECONOMIC
DEVELOPMENT, AND TOURISM**

By: _____
Richard Lim
Director

**HAWAIIAN ELECTRIC
COMPANY, INC., as Master Service
Provider**

By: _____
[_____]
Its [_____]

**HAWAII ELECTRIC LIGHT
COMPANY, INC., as Service Provider**

By: _____
[_____]
Its [_____]

**MAUI ELECTRIC COMPANY,
LIMITED, as Service Provider**

By: _____
[_____]
Its [_____]

EXHIBIT A

REVENUE REQUIREMENTS CERTIFICATE

Pursuant to Section 4.01(a) of the Service Provider Agreement, dated as of October [__], 2014 (the "Agreement"), among Hawaiian Electric Company, Inc. ("Hawaiian Electric"), as Master Service Provider (the "Master Service Provider"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") and Maui Electric Company, Limited ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Service Providers") and the State of Hawaii Department of Business, Economic Development, and Tourism (the "Department"), the Department does hereby provide the following information for the Semiannual Collection Period ending [June 30, 20__][December 31, 20__] (the "Future Semiannual Collection Period"):

Capitalized terms used herein have their respective meanings as set forth in the Agreement.

Required Revenue Requirements for the Future Semiannual Collection Period (See Schedules A-C).

a.	Interest on Bonds required to be paid during the Future Semiannual Collection Period (See Schedule A)	\$
b.	Principal of Bonds required to be paid during the Future Semiannual Collection Period (See Schedule B)	
d.	Amount Necessary to Replenish the Debt Service Reserve Subaccount	
c.	Ongoing Financing Costs required to be paid during the Future Semiannual Collection Period (See Schedule C)	
e.	Less: Amounts held in General Subaccount and Surplus Revenue Subaccount as of [XX]	
f.	Less: Estimated Interest Earnings on amounts held in Debt Service Reserve Subaccount	
	Total Revenue Requirements:	\$

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Revenue Requirements Certificate this ____ day of _____, ____.

STATE OF HAWAII DEPARTMENT OF
BUSINESS, ECONOMIC
DEVELOPMENT, AND TOURISM

By: _____

Name:

Title:

Schedule A

**Interest on Bonds Required to Be Paid
During the Future Semiannual Collection Period**

[To come.]

Total

- (a) 20__ Bonds
- (b) 20__ Bonds
- (c) 20__ Bonds
- (d) 20__ Bonds
- (e) 20__ Bonds
- (f) 20__ Bonds
- (g) 20__ Bonds

Total Interest:

Schedule B

**Principal of Bonds Required to Be Paid
During the Future Semiannual Collection Period**

[To come.]

Total

- (a) 20__ Bonds
- (b) 20__ Bonds
- (c) 20__ Bonds
- (d) 20__ Bonds
- (e) 20__ Bonds
- (f) 20__ Bonds
- (g) 20__ Bonds

Total Principal:

Schedule C

**Ongoing Financing Costs (Estimated) Payable
During the Future Semiannual Collection Period
(Excluding Debt Service)**

	<u>Total</u>
Annual Service Provider Fees	\$
Trustee Fees and Expenses	
Department Legal, Consulting and Accounting Fees	
Service Provider Legal and Accounting Fees	
Rating Agency Fees	
Miscellaneous	
Total Estimated Ongoing Financing Costs	<u>\$</u>

EXHIBIT B

FORM OF TRUE-UP LETTER

[date]

[name]

[Title]

Public Utilities Commission of the State of Hawaii
465 South King Street #103
Honolulu, HI 96813

1. Re: Financing Order; Docket No. 2014-0134

Dear []:

Pursuant to the Public Utilities Commission's Decision and Order No. [], filed on September 4, 2014, in the above-referenced matter (the "Financing Order"), the State of Hawaii Department of Business, Economic Development, and Tourism (the "Department"), submits this True-up filing for a [semiannual][quarterly][optional] True-Up Adjustment to the Green Infrastructure Fee ("True-Up Adjustment"). Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

The Department has verified the True-Up Adjustment in accordance with the methodology and adjustment mechanism approved in the Financing Order. Based upon such procedures, the Green Infrastructure Fees for the [six month period commencing [date], and ending on [date]][for the period commencing [date] and ending on [date]], will be as follows:

Residential Customers: \$

Other Customers:

Small Commercial (G, TOU-G): \$

Medium Commercial (EV-F, J, TOU-J, SS, EV-C): \$

Large Commercial (DS, P, TOU-P, U): \$

Street Lighting (F): \$

The Department has attached workpapers showing the true-up calculation as Attachment 1.

Pursuant to the Financing Order, the Green Infrastructure Fee rates shall go into effect on [insert date which is no earlier than fifteen (15) days subsequent to date of submission], which is the first day of the billing cycle of [month], [year]. The Commission will have 15 days after the filing date in which to confirm the mathematical accuracy of the true-up adjustment to the Green Infrastructure Fee. Any mathematical correction to the true-up adjustment will be made in the next true-up adjustment filing and will not delay the effectiveness of the Green Infrastructure Fee requested herein on the effective date set forth in this request.

Based upon the Green Infrastructure Fees requested in this True-Up Letter, the Master Service Provider has calculated that the Daily Remittance Amount during the Remittance Period ending [_____] shall be \$[XX] per Service Provider Business Day. The Department has attached workpapers showing the calculation of the Daily Remittance Amount.

Respectfully submitted,
STATE OF HAWAII DEPARTMENT OF
BUSINESS, ECONOMIC DEVELOPMENT,
AND TOURISM

By: _____
Name: _____
Title: _____

Attachments

ATTACHMENT 1
WORKPAPERS

EXHIBIT C

FORM OF MONTHLY SERVICE PROVIDER CERTIFICATE

Pursuant to Section 4.01(c)(2) of the Service Provider Agreement, dated as of October [___], 2014 (the "Agreement"), among Hawaiian Electric Company, Inc. ("Hawaiian Electric"), as Master Service Provider (the "Master Service Provider"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light"), Maui Electric Company, Limited ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Service Providers"), and the State of Hawaii Department of Business, Economic Development, and Tourism (the "Department"), the Master Service Provider does hereby certify as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement.

For the Month Ending: _____

	<u>Hawaiian Electric</u>	<u>Hawaii Electric Light</u>	<u>Maui Electric</u>	<u>Total</u>
Remittances:				
a) Remittances during Month:				
b) Daily Remittance Amount				
c) Number of Service Provider Business Days during month				
d) Required Remittances during Month				
f) Projected Remittances for next Month:				
g) Projected Remittances for Month after next:				

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Service Provider Certificate this ____ day of _____, ____.

HAWAIIAN ELECTRIC
COMPANY, INC., as Master Service
Provider

By: _____
Name:
Title:

EXHIBIT D

FORM OF SEMIANNUAL SERVICE PROVIDER CERTIFICATE

Pursuant to Section 4.01(c)(3) of the Service Provider Agreement, dated as of October [___], 2014 (the "Agreement"), among Hawaiian Electric Company, Inc. ("Hawaiian Electric"), as Master Service Provider (the "Master Service Provider"), Hawaii Electric Light Company, Inc. ("Hawaii Electric Light") and Maui Electric Company, Limited ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Service Providers"), and the State of Hawaii Department of Business, Economic Development, and Tourism (the "Department"), the Master Service Provider does hereby certify, for the semiannual period ending [June 30, 20__] [December 31, 20__], as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections of the Agreement.

(a) Green Infrastructure Fees remitted to Collection Account during Semiannual Period:

	<u>Allocable to Hawaiian Electric</u>	<u>Allocable to Hawaii Electric Light</u>	<u>Allocable to Maui Electric</u>	<u>Total</u>
i. Amount [Month] [Year]				
ii. Amount [Month] [Year]				
iii. Amount [Month] [Year]				
iv. Amount [Month] [Year]				
v. Amount [Month] [Year]				
vi. Amount [Month] [Year]				

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Semiannual Service Provider Certificate this ____ day of _____, ____.

HAWAIIAN ELECTRIC
COMPANY, INC., as Master Service
Provider

By: _____

Name:

Title:

EXHIBIT E

FORM OF ANNUAL CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting [_____] of Hawaiian Electric Company, Inc. ("Hawaiian Electric"), as Master Service Provider (the "Master Service Provider") under the Service Provider Agreement, dated as of October __, 2014 (the "Service Provider Agreement"), among Hawaiian Electric, Hawaii Electric Light Company, Inc. ("Hawaii Electric Light"), Maui Electric Company, Limited ("Maui Electric" and, together with Hawaiian Electric and Hawaii Electric Light, the "Service Providers"), and the State of Hawaii Department of Business, Economic Development, and Tourism (the "Department"), and further certifies on behalf of the Service Providers that:

1. A review of the activities of the Service Providers and of their performance under the Service Provider Agreement during the [_____] months ended December 31, 20[___], has been made under the supervision of the undersigned; and

2. To the undersigned's knowledge, based on such review and the procedure described in paragraph 3 below, each Service Provider has fulfilled all of its material obligations in all material respects under the Service Provider Agreement throughout the [_____] months ended December 31, 20[___], except as listed on Annex A hereto.

3. The Master Service Provider has caused a firm of independent certified public accountants to perform an examination and sampling of each Service Provider's billing and remittance data with respect to Billed Green Infrastructure Fees for the year ended December 31, 20[___], as part of such accounting firm's annual audit of such Service Providers' financial statements. The procedures will require the accountants to compare random daily Remittances made by the Company to the Trustee with the amount required to be remitted on such day based upon the most recent True-Up Adjustment and the Remittance methodology. Such accounting firm is independent of the Service Providers within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants (or other similar standards applicable to certified public accountants).

Executed as of this ____ day of _____, ____.

HAWAIIAN ELECTRIC
COMPANY, INC., as Master Service
Provider

By: _____
Name:
Title:

**ANNEX A
TO
EXHIBIT E**

LIST OF SERVICE PROVIDER DEFAULTS

Service Provider

Nature of Default

Status

SCHEDULE 4.01(a)

Debt Service Schedule

Payment Date	Outstanding Principal Balance (\$)	Principal Due (\$)	Interest Due (\$)
7/1/2015	\$143,800,000	\$6,200,000	\$3,104,543
1/1/2016	139,190,964	4,609,036	2,031,076
7/1/2016	134,553,220	4,637,744	2,002,368
1/1/2017	129,886,588	4,666,632	1,973,480
7/1/2017	125,190,889	4,695,699	1,944,413
1/1/2018	120,465,941	4,724,948	1,915,164
7/1/2018	115,711,562	4,754,379	1,885,733
1/1/2019	110,927,569	4,783,993	1,856,119
7/1/2019	106,113,778	4,813,791	1,826,321
1/1/2020	101,270,003	4,843,775	1,796,337
7/1/2020	96,421,908	4,848,095	1,766,166
1/1/2021	91,502,990	4,918,918	1,695,343
7/1/2021	86,497,585	5,005,405	1,608,856
1/1/2022	81,404,172	5,093,413	1,520,848
7/1/2022	76,221,204	5,182,968	1,431,293
1/1/2023	70,947,106	5,274,098	1,340,163
7/1/2023	65,580,276	5,366,830	1,247,431
1/1/2024	60,119,084	5,461,192	1,153,069
7/1/2024	54,561,870	5,557,214	1,057,047
1/1/2025	48,906,946	5,654,924	959,337
7/1/2025	43,152,594	5,754,352	859,909
1/1/2026	37,297,066	5,855,528	758,733
7/1/2026	31,338,583	5,958,483	655,778
1/1/2027	25,275,334	6,063,249	551,012
7/1/2027	19,105,478	6,169,856	444,405
1/1/2028	12,827,140	6,278,338	335,923
7/1/2028	6,438,413	6,388,727	225,534
1/1/2029	0	6,438,413	113,204

⁽¹⁾ After providing for payment of principal on the related Payment Date.

Note: Totals may not foot due to rounding.

ANNEX I

SERVICING PROCEDURES

Each Service Provider agrees to comply with the following procedures:

SECTION 1. DEFINITIONS

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

SECTION 2. BILLING

(a) General. Each Service Provider shall implement the Green Infrastructure Fee as of the Closing Date and shall thereafter bill each customer for each customer's Billed Green Infrastructure Fees in accordance with its Service Provider Policies and Practices.

(b) Format.

(i) The Green Infrastructure Fee shall appear as a separate line item on the customer's electric bill.

(ii) The Green Infrastructure Fee may also be credited against any Public Benefits Fee identified on the electric bill, as provided by applicable Commission orders.

(iii) Each Service Provider shall conform to such requirements in respect of the format, structure, and text of Bills delivered to customers as applicable Commission Regulations shall from time to time prescribe. To the extent that Bill format, structure, and text are not prescribed by applicable law or by applicable Commission Regulations, each Service Provider shall, subject to clauses (i) and (ii) above, determine the format, structure, and text of all Bills in accordance with its reasonable business judgment, its Service Provider Policies and Practices and historical practice.

SECTION 3. CUSTOMER SERVICE FUNCTIONS

Each Service Provider shall handle all customer inquiries and other customer service matters according to its Service Provider Policies and Practices.

SECTION 4. COLLECTIONS; PAYMENT PROCESSING; REMITTANCE

(a) Collection Efforts, Policies, and Procedures.

(i) Each Service Provider shall collect Billed Green Infrastructure Fees from customers as and when the same become due in accordance with such collection procedures as it follows with respect to comparable assets that it services for itself or others, including the following:

(A) Each Service Provider shall prepare and deliver past-due notices to customers in accordance with applicable Commission Regulations and its Service Provider Policies and Practices.

(B) Each Service Provider shall deliver past-due and shut-off notices in accordance with applicable Commission Regulations and its Service Provider Policies and Practices.

(C) Each Service Provider shall adhere to and carry out disconnection policies in accordance with the Hawaii Revised Statutes or successor provisions, applicable Commission Regulations, and its Service Provider Policies and Practices.

(D) Each Service Provider may employ the assistance of collection agents in accordance with applicable Commission Regulations and its Service Provider Policies and Practices.

(E) Each Service Provider shall apply customer deposits to the payment of delinquent accounts in accordance with the Financing Order, and applicable Commission Regulations and its Service Provider Policies and Practices.

(ii) Each Service Provider shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary, or modify any terms of payment of any amounts payable by a customer, in each case unless such waiver or action would be in accordance with its Service Provider Policies and Practices.

(iii) Each Service Provider shall accept payment from customers in respect of Billed Green Infrastructure Fees in such forms and methods and at such times and places in accordance with its Service Provider Policies and Practices.

(b) Payment Processing, Allocation, Priority of Payments. Each Service Provider shall post all payments received to customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than five (5) Service Provider Business Day after receipt. In the event of a partial payment of a customer bill, such collections shall be applied first, to the payment in full of the Green Infrastructure Fee, and thereafter to the payment of all other charges on the bill.

(c) Investment of Green Infrastructure Fee Payments Received. Prior to remittance on the applicable Remittance Date, a Service Provider may invest Green Infrastructure Fee Payments at its own risk and for its own benefit, and such investments and funds shall not be required to be segregated from the other investments and funds of such Service Provider. Each Service Provider shall be entitled to retain as additional compensation any interest earnings on Green Infrastructure Fee Payments invested by it.

(d) Remittance and Reconciliation. Remittances shall be made by each Service Provider in accordance with Section 4.03 of this Agreement. The Service Providers may request that the Remittances be reconciled with actual collections as provided in Section 4.03.

ANNEX II

REMITTANCE METHODOLOGY

The following describes the methodology to be used by a Service Provider to remit Green Infrastructure Fees to the Trustee. Generally, the methodology requires the Service Provider to remit an equal amount on each Service Provider Business Day (the "Daily Remittance Amount") during a Remittance Period (as defined below). The Daily Remittance Amount will be determined in each True-Up Letter. The Daily Remittance Amount will be based upon the number of Service Provider Business Days in the Remittance Period, and will take into account the delay between billing and receipt of Green Infrastructure Fees by lagging required remittances based upon the average days sales outstanding ("ADSO") for the Service Providers. The Master Servicer will determine the ADSO on behalf of the Service Providers based on the average of the ADSOs provided by each Service Provider.

The Daily Remittance Amount will be calculated as follows:

Step 1: Simultaneously with the calculation of the initial Green Infrastructure Fee or the preparation of any True-Up Letter, the Service Provider will calculate the aggregate Green Infrastructure Fees which are assumed to be collected from Customers during the Remittance Period (the "Remittance Amount"). For the purpose of calculating the Remittance Amount for any Remittance Period, the Service Provider shall assume that (i) the Green Infrastructure Fee goes into effect on the date specified in the True-Up Letter, (ii) the billed Green Infrastructure Fee is remitted by the customer in whole on a day which is the ADSO following the date of billing (or if such day is not a Service Provider Business Day, the next succeeding Service Provider Business Day), and (iii) a new True-Up Adjustment will be filed on the next Semiannual or Quarterly True-Up Adjustment Date.

"Remittance Period" means the period which commences with the day which is the ADSO number of days following the related True-Up Adjustment Date and ends on a day which is five (5) Service Provider Business Days (defined below) prior to the ADSO number of days following the related Collection Period End Date (as defined in Exhibit 5 to the Application).

In connection with the calculation of the Daily Remittance Amount for a Remittance Period, the Service Provider may adjust the ADSO to more accurately reflect actual delays in payment by Customers and such change shall be reflected in the True-Up Letter and if required, supporting data will be provided to the Department.

Step 2: The Service Provider will next calculate the number of Service Provider Business Days within the applicable Remittance Period.

"Service Provider Business Day" means a calendar day on which the Service Provider is open for business at its headquarters in Hawaii.

Step 3: The Service Provider will then divide the Remittance Amount by the number of Service Provider Business Days. The result will equal the Daily Remittance Amount – *i.e.*, the amount which the Service Provider will be required to remit on each Service Provider Business Day during the Remittance Period.

Not later than sixty (60) days following the end of any Remittance Period, the Service Provider will submit to the Department a reconciliation of actual Green Infrastructure Fees received by the Service Provider during any Remittance Period and the Remittance Amount remitted to the Trustee during such period. Any over-remittance or under-remittance of fees by the Service Provider shall be reconciled in accordance with the terms of the Service Provider Agreement.

ANNEX III

ADJUSTMENT OF ANNUAL SERVICE PROVIDER FEE

1. For purposes of Section 6.02(a) of this Agreement, "GDPIPD" or "Gross Domestic Product Implicit Price Deflator" means the value shown in the United States Department of Commerce, Bureau of Economic Analysis' publication entitled "Survey of Current Business" for the percentage change in prices over each quarter of the calendar year associated with the Gross Domestic Product for the immediately preceding quarter, or, a successor publication or index.

The Annual Service Provider Fee subject to adjustment based on GDPIPD will be adjusted based on the following formula:

$$\text{Adjusted Fee} = \text{Base Fee} \times \text{GDPIPD}_{\text{CURRENT}} / \text{GDPIPD}_{\text{BASE}}$$

Where

Adjusted Fee	=	adjusted Annual Service Provider Fee
Base Fee	=	Annual Service Provider Fee (in 2014 Dollars) as set forth in this Agreement
GDPIPD _{CURRENT}	=	GDPIPD, as adjusted, in effect at the time of the annual adjustment
GDPIPD _{BASE}	=	The "First" estimate of the GDPIPD for the First Quarter of the calendar year in the Reference Year.

2. An adjustment shall be made on each January 1 equal to one hundred percent (100%) of the percentage change between the "First" estimate of the GDPIPD in the Reference Year ("GDPIPD_{BASE}") and the previous calendar year's "First" estimate of the GDPIPD value.

3. In calculating the percentage change between the GDPIPD_{BASE} and the previous calendar year's "First" estimate of the GDPIPD value, both the GDPIPD_{BASE} and the previous calendar year's "First" estimate of the GDPIPD value shall be selected from the same Bureau of Economic Analysis publication release.

4. For purposes of this Annex III and this Agreement, the term "Reference Year" refers to the base year specifically referred to within this Agreement as the starting point for escalation (*i.e.*, 2014).

Appendix F

REMITTANCE METHODOLOGY

Financing Order
Docket No. 2014-0134

REMITTANCE METHODOLOGY

The following describes the methodology to be used by a Service Provider to remit Green Infrastructure Fees to the Trustee. Generally, the methodology requires the Service Provider to remit an equal amount on each Service Provider Business Day (the "Daily Remittance Amount") during a Remittance Period (as defined below). The Daily Remittance Amount will be determined in each True-Up Letter. The Daily Remittance Amount will be based upon the number of Service Provider Business Days in the Remittance Period, and will take into account the delay between billing and receipt of Green Infrastructure Fees by lagging required remittances based upon the average days sales outstanding ("ADSO") for the Service Providers. The Master Servicer will determine the ADSO on behalf of the Service Providers based on the average of the ADSOs provided by each Service Provider.

The Daily Remittance Amount will be calculated as follows:

Step 1: Simultaneously with the calculation of the initial Green Infrastructure Fee or the preparation of any True-Up Letter, the Service Provider will calculate the aggregate Green Infrastructure Fees which are assumed to be collected from Customers during the Remittance Period (the "Remittance Amount"). For the purpose of calculating the Remittance Amount for any Remittance Period, the Service Provider shall assume that (i) the Green Infrastructure Fee goes into effect on the date specified in the True-Up Letter, (ii) the billed Green Infrastructure Fee is remitted by the customer in whole on a day which is the ADSO following the date of billing (or if such day is not a Service Provider Business Day, the next succeeding Service Provider Business Day), and (iii) a new True-Up Adjustment will be filed on the next Semiannual or Quarterly True-Up Adjustment Date.

"Remittance Period" means the period which commences with the day which is the ADSO number of days following the related True-Up Adjustment Date and ends on a day which is five (5) Service Provider Business Days (defined below) prior to the ADSO number of days following the related Collection Period End Date (as defined in Exhibit 5 to the Application).

In connection with the calculation of the Daily Remittance Amount for a Remittance Period, the Service Provider may adjust the ADSO to more accurately reflect actual delays in payment by Customers and such change shall be reflected in the True-Up Letter and if required, supporting data will be provided to the Department.

Step 2: The Service Provider will next calculate the number of Service Provider Business Days within the applicable Remittance Period.

"Service Provider Business Day" means a calendar day on which the Service Provider is open for business at its headquarters in Hawaii.

Step 3: The Service Provider will then divide the Remittance Amount by the number of Service Provider Business Days. The result will equal the Daily Remittance Amount –i.e., the

amount which the Service Provider will be required to remit on each Service Provider Business Day during the Remittance Period.

Not later than sixty (60) days following the end of any Remittance Period, the Service Provider will submit to the Department a reconciliation of actual Green Infrastructure Fees received by the Service Provider during any Remittance Period and the Remittance Amount remitted to the Trustee during such period. Any over-remittance or under-remittance of fees by the Service Provider shall be reconciled in accordance with the terms of the Service Provider Agreement.

Appendix G

TARIFF SCHEDULES

Financing Order
Docket No. 2014-0134

TARIFF SCHEDULES

Hawaiian Electric Company, Inc.

Sheet No. _____

[Effective November 1, 2014]

GREEN INFRASTRUCTURE FEE SURCHARGE

	Supplement to
Schedule R	- Residential Service
Schedule G	- General Service – Non-Demand
Schedule J	- General Service – Demand
Schedule DS	- Large Power Directly Served Service
Schedule P	- Large Power Service
Schedule F	- Public Street Lighting, Highway Lighting and Park and Playground Floodlighting
Schedule U	- Time-of-Use Service
Schedule TOU-R	- Residential Time-of-Use Service
Schedule TOU-G	- Small Commercial Time-of-Use Service
Schedule TOU-J	- Commercial Time-of-Use Service
Schedule SS	- Standby Service
Schedule TOU EV	- Residential Time-of-Use Service with Electric Vehicle Pilot
Schedule EV-R	- Residential Electric Vehicle Charging Service Pilot
Schedule EV-C	- Commercial Electric Vehicle Charging Service Pilot

All terms and provisions of the above listed rate schedules shall remain applicable except that the Green Infrastructure Fee (“GI Fee”) is separate or apart from the above utility rate schedules and the GI Fee shall be added to the total charge for each billing period:

GREEN INFRASTRUCTURE FEE SURCHARGE:

Schedule R, TOU-R, TOU-EV and EV-R	[\$X.XXX] /month
Schedule G, TOU-G	[\$X.XXX] /month
Schedule J, TOU-J, SS, EV-C, EV-F	[\$X.XXX] /month
Schedule P, DS, U	[\$X.XXX] /month
Schedule F	[\$X.XXX] /month

The GI Fee, as defined in Hawai'i Revised Statutes ("HRS") § 269-161, is a non-bypassable fee and surcharge authorized by HRS § 269-166 and pursuant to a financing order issued by the Public Utilities Commission ("Commission") pursuant to HRS § 269-163 ("Financing Order"), to be imposed on and collected by Hawaiian Electric Company, Inc. ("the Company") from all existing and future customers of the Company. The GI Fee shall appear as a separate line item on a customer's monthly electric bill. Pursuant to HRS § 269-166, the GI Fee may be applied as a credit to reduce the Public Benefits Fee transferred pursuant to HRS § 269-121 if so provided in a Financing Order. In cases where a customer has a minimum charge, the GI Fee will be added to the minimum charge. The GI Fee is based on the total revenue requirements listed in Exhibit A to the Service Provider Agreement, Revenue Requirements Certificate, provided by the State of Hawai'i, Department of Business, Economic Development, and Tourism ("DBEDT"), to control the collection of the GI Fee, and the forecasted average monthly customer counts from July 1, 2014, to December 31, 2014, of the Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd., as approved by the Commission. The Company will collect the GI Fees and remit the GI Fees to DBEDT or its properly authorized designee, which will use such GI Fees both to secure and to repay the principal and interest on the bonds issued under DBEDT's Green Energy Market Securitization ("GEMS") program and related financing costs.

RECONCILIATION ADJUSTMENT: (To be added to the GI Fee)

Pursuant to the terms of the Financing Order issued by the Commission, the GI Fee will be reconciled periodically at least semi-annually, or more frequently as requested by DBEDT. The projected revenue from the GI Fee will be compared with the target revenue, which is based on the forecast of customer counts by rate class for each Service Provider, namely Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd. If there is a difference between the projected revenue and the target revenue, a true-up adjustment will be made to the GI Fee for the next semi-annual collection period.

Hawaii Electric Light Company, Inc.

Sheet No. _____

[Effective November 1, 2014]

GREEN INFRASTRUCTURE FEE SURCHARGE

		Supplement to
Schedule R	-	Residential Service
Schedule G	-	General Service – Non-Demand
Schedule J	-	General Service – Demand
Schedule P	-	Large Power Service
Schedule F	-	Street Light Service
Schedule U	-	Time-of-Use Service
Schedule SS	-	Standby Service
Schedule TOU-R	-	Residential Time-of-Use Service
Schedule TOU-G	-	Small Commercial Time-of-Use Service
Schedule TOU-J	-	Commercial Time-of-Use Service
Schedule TOU-P	-	Large Power Time-of-Use
Schedule TOU EV	-	Residential Time-of-Use Service with Electric Vehicle Pilot
Schedule EV-R	-	Residential Electric Vehicle Charging Service Pilot
Schedule EV-C	-	Commercial Electric Vehicle Charging Service Pilot

All terms and provisions of the above listed rate schedules shall remain applicable except that the Green Infrastructure Fee (“GI Fee”) is separate or apart from the above utility rate schedules and the GI Fee shall be added to the total charge for each billing period:

GREEN INFRASTRUCTURE FEE SURCHARGE:

Schedule R, TOU-R, TOU-EV and EV-R	[\$X.XXX] /month
Schedule G, TOU-G	[\$X.XXX] /month
Schedule J, TOU-J, SS, EV-C, EV-F	[\$X.XXX] /month
Schedule P, TOU-P, U	[\$X.XXX] /month
Schedule F	[\$X.XXX] /month

The GI Fee, as defined in Hawai'i Revised Statutes (“HRS”) § 269-161, is a non-bypassable fee and surcharge authorized by HRS § 269-166 and pursuant to a financing order issued by the Public Utilities Commission (“Commission”) pursuant to HRS § 269-163 (“Financing Order”), to be imposed on and collected by Hawaii Electric Light Company, Inc. (“the Company”) from all existing and future customers of the Company. The GI Fee shall appear as a separate line item on a customer’s monthly electric bill. Pursuant to HRS § 269-166, the GI Fee may be applied as a credit to reduce the Public Benefits Fee transferred pursuant to HRS § 269-121

if so provided in a Financing Order. In cases where a customer has a minimum charge, the GI Fee will be added to the minimum charge. The GI Fee is based on the total revenue requirements listed in Exhibit A to the Service Provider Agreement, Revenue Requirements Certificate, provided by the State of Hawai'i, Department of Business, Economic Development, and Tourism ("DBEDT"), to control the collection of the GI Fee, and the forecasted average monthly customer counts from July 1, 2014, to December 31, 2014, of the Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd., as approved by the Commission. The Company will collect the GI Fees and remit, through Hawaiian Electric Company, Inc. as Master Service Provider under the Service Provider Agreement, the GI Fees to DBEDT or its properly authorized designee, which will use such Fees both to secure and to repay the principal and interest on the bonds issued under DBEDT's Green Energy Market Securitization ("GEMS") program and related financing costs.

RECONCILIATION ADJUSTMENT: (To be added to the GI Fee)

Pursuant to the terms of the Financing Order issued by the Commission, the GI Fee will be reconciled periodically at least semi-annually, or more frequently as requested by DBEDT. The projected revenue from the GI Fee will be compared with the target revenue, which is based on the forecast of customer counts by rate class for each Service Provider, namely Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd. If there is a difference between the projected revenue and the target revenue, a true-up adjustment will be made to the GI Fee for the next semi-annual collection period.

Maui Electric Company, Limited

Sheet No. _____

[Effective November 1, 2014]

LANAI DIVISION

GREEN INFRASTRUCTURE FEE SURCHARGE

	Supplement to
Schedule R	– Residential Service
Schedule G	– General Service – Non-Demand
Schedule J	– General Service – Demand
Schedule P	– Large Power Service
Schedule F	– Public Street Lighting
Schedule TOU EV	– Residential Time-of-Use Service with Electric Vehicle Pilot
Schedule EV-R	– Residential Electric Vehicle Charging Service Pilot
Schedule EV-C	– Commercial Electric Vehicle Charging Service Pilot
Schedule TOU-R	– Residential Time-of-Use Service
Schedule TOU-G	– Small Commercial Time-of-Use Service
Schedule TOU-J	– Commercial Time-of-Use Service
Schedule TOU-P	– Large Power Time-of-Use
Schedule SS	– Standby Service

All terms and provisions of the above listed rate schedules shall remain applicable except that the Green Infrastructure Fee (“GI Fee”) is separate or apart from the above utility rate schedules and the GI Fee shall be added to the total charge for each billing period:

GREEN INFRASTRUCTURE FEE SURCHARGE:

Schedule R, TOU-R, TOU-EV and EV-R	[\$X.XXX] /month
Schedule G, TOU-G	[\$X.XXX] /month
Schedule J, TOU-J, SS, EV-C, EV-F	[\$X.XXX] /month
Schedule P, TOU-P	[\$X.XXX] /month
Schedule F	[\$X.XXX] /month

The GI Fee, as defined in Hawai'i Revised Statutes (“HRS”) § 269-161, is a non-bypassable fee and surcharge authorized by HRS § 269-166 and pursuant to a financing order issued by the Public Utilities Commission (“Commission”) pursuant to HRS § 269-163 (“Financing Order”), to be imposed on and collected by Maui Electric Company, Ltd. (“the Company”) from all existing and future customers of the Company. The GI Fee shall appear as a separate line item on a customer’s monthly electric bill. Pursuant to HRS § 269-166, the GI Fee

may be applied as a credit to reduce the Public Benefits Fee transferred pursuant to HRS § 269-121 if so provided in a Financing Order. In cases where a customer has a minimum charge, the GI Fee will be added to the minimum charge. The GI Fee is based on the total revenue requirements listed in Exhibit A to the Service Provider Agreement, Revenue Requirements Certificate, provided by the State of Hawai'i, Department of Business, Economic Development, and Tourism ("DBEDT"), to control the collection of the GI Fee, and the forecasted average monthly customer counts from July 1, 2014, to December 31, 2014, of the Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd., as approved by the Commission. The Company will collect the GI Fees and remit, through Hawaiian Electric Company, Inc. as Master Service Provider under the Service Provider Agreement, the GI Fees to DBEDT or its properly authorized designee, which will use such GI Fees both to secure and to the repay the principal and interest on the bonds issued under DBEDT's Green Energy Market Securitization ("GEMS") program and related financing costs.

RECONCILIATION ADJUSTMENT: (To be added to the GI Fee)

Pursuant to the terms of the Financing Order issued by the Commission, the GI Fee will be reconciled periodically at least semi-annually, or more frequently as requested by DBEDT. The projected revenue from the GI Fee will be compared with the target revenue, which is based on the forecast of customer counts by rate class for each Service Provider, namely Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd. If there is a difference between the projected revenue and the target revenue, a true-up adjustment will be made to the GI Fee for the next semi-annual collection period.

Maui Electric Company, Limited

Sheet No. _____

[Effective November 1, 2014]

MAUI DIVISION

GREEN INFRASTRUCTURE FEE SURCHARGE

	Supplement to
Schedule R	Residential Service
Schedule G	General Service – Non-Demand
Schedule J	General Service – Demand
Schedule P	Large Power Service
Schedule F	Public Street Lighting
Schedule TOU EV	Residential Time-of-Use Service with Electric Vehicle Pilot
Schedule EV-R	Residential Electric Vehicle Charging Service Pilot
Schedule EV-C	Commercial Electric Vehicle Charging Service Pilot
Schedule TOU-R	Residential Time-of-Use Service
Schedule TOU-G	Small Commercial Time-of-Use Service
Schedule TOU-J	Commercial Time-of-Use Service
Schedule TOU-P	Large Power Time-of-Use
Schedule SS	Standby Service

All terms and provisions of the above listed rate schedules shall remain applicable except that the Green Infrastructure Fee (“GI Fee”) is separate or apart from the above utility rate schedules and the GI Fee shall be added to the total charge for each billing period:

GREEN INFRASTRUCTURE FEE SURCHARGE:

Schedule R, TOU-R, TOU-EV and EV-R	[\$X.XXX] /month
Schedule G, TOU-G	[\$X.XXX] /month
Schedule J, TOU-J, SS, EV-C, EV-F	[\$X.XXX] /month
Schedule P, TOU-P	[\$X.XXX] /month
Schedule F	[\$X.XXX] /month

The GI Fee, as defined in Hawai'i Revised Statutes (“HRS”) § 269-161, is a non-bypassable fee and surcharge authorized by HRS § 269-166 and pursuant to a financing order issued by the Public Utilities Commission (“Commission”) pursuant to HRS § 269-163 (“Financing Order”), to be imposed on and collected by Maui Electric Company, Ltd. (“the Company”) from all existing and future customers of the Company. The GI Fee shall appear as a separate line item on a customer's monthly electric bill. Pursuant to HRS § 269-166, the GI Fee

may be applied as a credit to reduce the Public Benefits Fee transferred pursuant to HRS § 269-121 if so provided in a Financing Order. In cases where a customer has a minimum charge, the GI Fee will be added to the minimum charge. The GI Fee is based on the total revenue requirements listed in Exhibit A to the Service Provider Agreement, Revenue Requirements Certificate, provided by the State of Hawai'i, Department of Business, Economic Development, and Tourism ("DBEDT"), to control the collection of the GI Fee, and the forecasted average monthly customer counts from July 1, 2014, to December 31, 2014, of the Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd., as approved by the Commission. The Company will collect the GI Fees and remit, through Hawaiian Electric Company, Inc. as Master Service Provider under the Service Provider Agreement, the GI Fees to DBEDT or its properly authorized designee, which will use such GI Fees both to secure and to repay the principal and interest on the bonds issued under DBEDT's Green Energy Market Securitization ("GEMS") program and related financing costs.

RECONCILIATION ADJUSTMENT: (To be added to the GI Fee)

Pursuant to the terms of the Financing Order issued by the Commission, the GI Fee will be reconciled periodically at least semi-annually, or more frequently as requested by DBEDT. The projected revenue from the GI Fee will be compared with the target revenue, which is based on the forecast of customer counts by rate class for each Service Provider, namely Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd. If there is a difference between the projected revenue and the target revenue, a true-up adjustment will be made to the GI Fee for the next semi-annual collection period.

Maui Electric Company, Limited

Sheet No. _____

[Effective November 1, 2014]

MOLOKAI DIVISION

GREEN INFRASTRUCTURE FEE SURCHARGE

	Supplement to
Schedule R	Residential Service
Schedule G	General Service – Non-Demand
Schedule J	General Service – Demand
Schedule P	Large Power Service
Schedule F	Public Street Lighting
Schedule TOU EV	Residential Time-of-Use Service with Electric Vehicle Pilot
Schedule EV-R	Residential Electric Vehicle Charging Service Pilot
Schedule EV-C	Commercial Electric Vehicle Charging Service Pilot
Schedule TOU-R	Residential Time-of-Use Service
Schedule TOU-G	Small Commercial Time-of-Use Service
Schedule TOU-J	Commercial Time-of-Use Service
Schedule TOU-P	Large Power Time-of-Use
Schedule SS	Standby Service

All terms and provisions of the above listed rate schedules shall remain applicable except that the Green Infrastructure Fee (“GI Fee”) is separate or apart from the above utility rate schedules and the GI Fee shall be added to the total charge for each billing period:

GREEN INFRASTRUCTURE FEE SURCHARGE:

Schedule R, TOU-R, TOU-EV and EV-R	[\$X.XXX] /month
Schedule G, TOU-G	[\$X.XXX] /month
Schedule J, TOU-J, SS, EV-C, EV-F	[\$X.XXX] /month
Schedule P, TOU-P	[\$X.XXX] /month
Schedule F	[\$X.XXX] /month

The GI Fee, as defined in Hawai'i Revised Statutes (“HRS”) § 269-161, is a non-bypassable fee and surcharge authorized by HRS § 269-166 and pursuant to a financing order issued by the Public Utilities Commission (“Commission”) pursuant to HRS § 269-163 (“Financing Order”), to be imposed on and collected by Maui Electric Company, Ltd. (“the Company”) from all existing and future customers of the Company. The GI Fee shall appear as a separate line item on a customer's monthly electric bill. Pursuant to HRS § 269-166, the GI Fee

may be applied as a credit to reduce the Public Benefits Fee transferred pursuant to HRS § 269-121 if so provided in a Financing Order. In cases where a customer has a minimum charge, the GI Fee will be added to the minimum charge. The GI Fee is based on the total revenue requirements listed in Exhibit A to the Service Provider Agreement, Revenue Requirements Certificate, provided by the State of Hawai'i, Department of Business, Economic Development, and Tourism ("DBEDT"), to control the collection of the GI Fee, and the forecasted average monthly customer counts from July 1, 2014, to December 31, 2014, of the Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd., as approved by the Commission. The Company will collect the GI Fees and remit, through Hawaiian Electric Company, Inc. as Master Service Provider under the Service Provider Agreement, the GI Fees to DBEDT or its properly authorized designee, which will use such GI Fees both to secure and to repay the principal and interest on the bonds issued under DBEDT's Green Energy Market Securitization ("GEMS") program and related financing costs.

RECONCILIATION ADJUSTMENT: (To be added to the GI Fee)

Pursuant to the terms of the Financing Order issued by the Commission, the GI Fee will be reconciled periodically at least semi-annually, or more frequently as requested by DBEDT. The projected revenue from the GI Fee will be compared with the target revenue, which is based on the forecast of customer counts by rate class for each Service Provider, namely Hawaiian Electric Company, Inc., Hawai'i Electric Light Company, Inc., and Maui Electric Company, Ltd. If there is a difference between the projected revenue and the target revenue, a true-up adjustment will be made to the GI Fee for the next semi-annual collection period.

CERTIFICATE OF SERVICE

The foregoing Decision and Order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

JEFFREY T. ONO
EXECUTIVE DIRECTOR
DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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Certificate of Service

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