

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1214

February 27, 2015
1:00 P.M.

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST HAWAIIAN ELECTRIC COMPANY, INC., MAUI ELECTRIC COMPANY, LIMITED, AND HAWAII ELECTRIC LIGHT COMPANY, INC.

Senate Bill No. 1214 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Company, Inc. pursuant to Part VI, Chapter 39A, Hawaii Revised Statutes.

The Department would like to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

Thank you for the opportunity to provide testimony on this measure.

Testimony Before The Senate Committee On
Ways and Means

Senate Bill No. 1214

February 27, 2015

By

Tayne S. Y. Sekimura, Senior Vice President and Chief Financial Officer
Hawaiian Electric Company, Inc.

Financial Vice President
Hawaii Electric Light Company, Inc.
Maui Electric Company, Limited

Chair Tokuda, Vice Chair Kouchi and Members of the Committee:

Hawaiian Electric Company, Inc., Maui Electric Company, Limited and Hawaii Electric Light Company, Inc. (collectively, "the Companies") support the passage of Senate Bill No. 1214. This bill seeks authorization for the Department of Budget and Finance to issue up to \$800 million in special purpose revenue bonds over five years on behalf of the Companies to finance multi-project capital improvement construction programs for the local furnishing of electric energy.

Interest and principal payments on these bonds, as well as all other costs associated with them, are obligations of the utilities on whose behalf they would be sold. The State has no obligation to make any payments related to these bonds.

Depending on market conditions, tax-exempt revenue bonds could be cheaper for customers than taxable debt. In 2012 and 2013, capital market conditions made it more economical for the Companies to issue taxable debt than revenue bonds. However, the Companies would like the flexibility to issue revenue bonds if it again becomes more economical to do so for our customers.

The proceeds of the sale of special purpose revenue bonds will be used by the utilities for the construction of facilities necessary to furnish electricity. All projects eventually financed by revenue bond proceeds must be specifically approved by the Hawaii Public Utilities Commission for revenue bond financing.

Thank you very much for the opportunity to testify in support of this measure.