
A BILL FOR AN ACT

RELATING TO ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that attaining
2 independence from reliance on fossil fuels is a long-standing
3 objective of the State. Hawaii is the state most dependent on
4 petroleum for its energy needs. Reducing our dependence on oil
5 and its consequent price volatility is critical in attaining
6 energy security.

7 Hawaii has an abundance of natural, renewable energy
8 resources from wind, solar, ocean and wave, geothermal, and bio-
9 based fuels. Hawaii's clean energy policy mandates and strongly
10 promotes the use of these renewable energy resources.

11 Act 155, Session Laws of Hawaii 2009, increased the 2020
12 renewable portfolio standard for electric utility companies from
13 twenty per cent to twenty-five per cent, and added a new forty
14 per cent requirement for the year 2030. Act 155 also included
15 the mandate that by January 1, 2015, one hundred per cent of a
16 utility's renewable portfolio standard needs to be met by
17 electrical generation using renewable energy as the source.



1 These requirements are codified in section 269-92, Hawaii
2 Revised Statutes.

3 One of the key elements of Hawaii's energy policy concerns
4 the desire for reasonable fixed price indigenous renewable
5 resources. Reasonable fixed price indigenous renewable
6 resources are the best hedge against rising oil prices that
7 could return to the \$147 per barrel level experienced in 2008.
8 In order for the State to meet its clean energy objectives,
9 hundreds of megawatts of reasonable fixed price renewable energy
10 must be developed in the near term. The legislature recognizes
11 that no single resource can provide the "silver bullet" solution
12 as a hedge against oil price volatility.

13 In order to achieve the State's aggressive renewable
14 portfolio standard goals, electric utility companies need to
15 target technologies that are commercially available, are capable
16 of being developed within a near term horizon, are available on
17 a large scale, and can be used to generate electricity that can
18 be delivered to Hawaii's load centers.

19 Electrical services on the islands of Oahu, Maui, Molokai,
20 Lanai, and Hawaii are provided by affiliated, franchised
21 electric utility companies. None of the electric utility
22 systems on these islands are currently electrically



1 interconnected to the electric utility system on any other
2 island.

3 Oahu has the largest demand for electricity and the largest
4 concentration of the population base. A variety of renewable
5 energy resources that are limited on Oahu are abundant on the
6 neighbor islands. To contribute to attaining renewable
7 portfolio standard goals, strategies to link Oahu's demand to
8 abundant reasonable fixed price resources from the neighbor
9 islands are being pursued. For example, technical
10 implementation and routing studies have been conducted that show
11 that it is technically feasible to connect renewable energy
12 generation facilities in Maui county to the Oahu load using
13 undersea high-voltage transmission cables.

14 The islands of Maui and Hawaii currently have significant
15 as-available renewable resource penetration levels, based on
16 projects that are currently in service or that have power
17 purchase contracts. At the same time, they have significant
18 potential for additional renewable resources. There are plans
19 to consider the use of high-voltage undersea transmission cables
20 to link the electric utility systems on these islands to the
21 electric utility system on Oahu.



1 Economic analyses have shown that harnessing the wind
2 resources for the islands appears to be a relatively cost-
3 effective means for helping to meet Hawaii's energy policy
4 objectives. The cost of the energy delivered to the load center
5 is expected to be at or below the cost of other commercially
6 available large scale renewable resources in the near-term, and
7 at or below the cost of petroleum based generation in the
8 longer-term. The capital costs of constructing renewable energy
9 generation projects and developing the high-voltage electric
10 transmission cable systems are substantial in relationship to
11 the electric utility companies' existing rate bases, however,
12 and it is expected that renewable energy generation projects and
13 transmission cable projects will be installed by non-utility
14 investors that assume financial responsibility for the projects
15 until they achieve commercial operations.

16 Non-utility investors in a cable project would be selected
17 through a competitive bidding process authorized, reviewed, and
18 approved by the public utilities commission and developed, with
19 input and assistance from the State energy resources
20 coordinator, by the electric utility that would use the cable.
21 The process would be conducted by the electric utility that
22 would use the cable and the public utilities commission would



1 determine whether a selected cable company would be certified.
2 The use of this process allows for the certified cable company,
3 rather than utility rate payers, to assume risks associated with
4 obtaining permits for the cable project and the costs incurred
5 to construct the cable, and to earn a return on investment
6 commensurate with the assumption of these risks. The renewable
7 energy generation project developers would also bear development
8 period risks, such as permitting and construction, for their
9 projects, since the prices for energy from their projects will
10 be fixed in their power purchase agreements with the electric
11 utility, which are also reviewed and approved by the public
12 utilities commission.

13 The legislature also finds that the development of large-
14 scale renewable energy projects has the potential to impact the
15 communities where the projects are located, and that at least
16 some of the environmental review processes conducted as part of
17 the permitting process for the projects would occur after the
18 public utilities commission would need to act on a cable
19 certification application. In order to foster communication
20 with the affected communities and the commission, the
21 legislature has incorporated within this Act a requirement that
22 the commission hold a public hearing on each island proposed to



1 be connected by the high-voltage electric transmission cable
2 system for the purposes of obtaining comments and input from
3 interested parties.

4 In order to connect undersea high-voltage transmission
5 cables to an electric utility system, the electric utility
6 company will need to install on-island transmission
7 infrastructure. In addition, because of the fixed costs of
8 renewable energy projects relative to the variable costs of
9 fossil fuel generation, it is expected that electric utility
10 ratepayers would benefit if the electric utility company
11 acquires the undersea high-voltage transmission cables at or
12 after the commencement of commercial operations. Given the cost
13 of the on-island transmission infrastructure, the need to have
14 the on-island infrastructure available when the undersea high-
15 voltage transmission cables commence commercial operations, and
16 the potential acquisition cost of the undersea high-voltage
17 transmission cables, the electric utility's credit quality,
18 which is essential to the development of renewable energy
19 resources in Hawaii, may be negatively impacted unless specified
20 cost recovery provisions are added to the public utilities law.

21 The purpose of this Act is to establish the regulatory
22 structure under which interisland undersea transmission cables



1 can be developed, financed, and constructed on commercially
2 reasonable terms, such as those upon which successful cable
3 projects have been undertaken in New York, California, and
4 around the world.

5 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
6 amended by adding a new part to be appropriately designated and
7 to read as follows:

8 **"PART . INTERISLAND TRANSMISSION SYSTEM**

9 **§269-A Definitions.** As used in this part:

10 "Cable acquisition cost" means the electric utility's
11 costs, including reasonable transaction costs, to acquire a
12 high-voltage electric transmission cable system pursuant to a
13 turnkey cable contract or a cable purchase contract.

14 "Cable company" means any person or persons, company,
15 corporation, or entity who is selected through a request for
16 proposal, or other process approved by the commission, to be a
17 certified cable company applicant.

18 "Cable purchase contract" means a contract to purchase a
19 high-voltage electric transmission cable system at or after it
20 achieves commercial operations.

21 "Cable surcharge" means the surcharge approved by the
22 commission pursuant to section 269-D.



1 "Certified cable company" means any person or persons,
2 company, corporation, or entity who owns or controls a high-
3 voltage electric transmission cable system and who is selected
4 through a request for proposal issued by the commission to
5 install the high-voltage electric transmission cable system;
6 provided that the person, persons, company, corporation, or
7 entity receives a certificate of public convenience and
8 necessity from the commission pursuant to section 269-B.

9 "Commercial operations" means the period after the high-
10 voltage electric transmission cable system:

- 11 (1) Passes acceptance tests approved by the commission, as
12 determined by a qualified independent engineer
13 approved by the commission; and
14 (2) Meets other criteria the commission determines to be
15 reasonable.

16 If the primary source or sources of the renewable
17 electricity that will be transmitted to an electric utility
18 company or companies using the high-voltage electric
19 transmission cable system will be provided pursuant to a power
20 purchase agreement or agreements between that electric utility
21 company or companies and an owner or owners of a new renewable
22 energy generation facility or facilities, the commission shall



1 consider and may include criteria that address whether and to
2 what extent the intended source of renewable energy is available
3 to be transmitted in determining the commercial operations date
4 of the high voltage electric transmission cable system.

5 "Commercial operations date" means the date upon which the
6 high-voltage electric transmission cable system begins
7 commercial operations, as determined by the commission.

8 "Commission" means the public utilities commission.

9 "Cost" means all capital investments, including rate of
10 return; any applicable taxes; and all expenses, including
11 capacity payments, operation and maintenance expenses, related
12 to or resulting from the planning, licensing, permitting,
13 designing, development, construction, or operation of a high-
14 voltage electric transmission cable system.

15 "Cost effective" has the same meaning as in section 269-91.

16 "Development period" means the period of time after the
17 certified transmission entity has been granted a certificate of
18 public convenience and necessity, but before commercial
19 operations.

20 "Electric utility company" means a public utility as
21 defined under section 269-1, for the production, conveyance,
22 transmission, delivery, or furnishing of electric power.



1 "Electric utility system" means the electric system owned
2 and operated by an electric utility company, including any non-
3 utility owned facilities that are interconnected to the system,
4 consisting of power plants, transmission and distribution lines,
5 and related equipment for the production and delivery of
6 electric power to the public.

7 "Energy resources coordinator" or "coordinator" means the
8 director of business, economic development, and tourism.

9 "Expected commercial operations date" means the date
10 reasonably determined by the certified cable company for the
11 high-voltage electric transmission cable system to commence
12 commercial operations.

13 "High-voltage electric transmission cable system" means one
14 hundred and twenty kilovolts or greater of alternating current
15 (AC) or direct current (DC) transmission cables constructed
16 undersea, including connected transmission cables or lines
17 installed on land that connect the electric utility systems on
18 two or more islands or allow for the transmission of power from
19 one or more renewable energy generation facilities to the
20 electric utility system located on another island of the State;
21 AC substation or AC/DC converter station; fiber optic
22 communication cables; and other appurtenant facilities.



1 "On-island transmission infrastructure" means the
2 modifications and additions to the existing alternating current
3 transmission grid on an island and other electric utility system
4 modifications needed to reliably connect a high-voltage electric
5 transmission cable system to an electric utility system, and to
6 reliably accept power generated from large scale renewable
7 energy generation facilities and transmitted via the high-
8 voltage electric transmission cable system connecting two or
9 more islands of the State's electric utility systems.

10 "Power purchase agreement" means an agreement between an
11 electric utility company and the developer of a renewable energy
12 generation facility to sell the power generated by the facility
13 to the electric utility company.

14 "Predevelopment period" means the period of time before the
15 certified transmission entity has been granted a certificate of
16 public convenience and necessity.

17 "Project-on-project financing risk" means the risk involved
18 when mutually dependent projects, whose risk of completion, and
19 therefore, financing, are dependent on each other, such as in
20 the case of a high-voltage electric transmission cable system
21 intended to connect a renewable energy generation facility to an
22 electric utility system where the uncertainty as to whether the



1 renewable energy generation facility can be financed or built
2 results in increased risk for the high-voltage electric
3 transmission cable project because it is not viable without a
4 source of energy to transmit, and vice versa.

5 "Renewable electricity" means electrical energy generated
6 using renewable energy as the source.

7 "Renewable energy" has the same meaning as in section
8 269-91.

9 "Renewable energy generation facility" means a facility
10 generating electrical energy using renewable energy as the
11 primary source.

12 "Renewable portfolio standard" has the same meaning as that
13 provided in section 269-91.

14 "Request for proposal" means a request for proposal
15 developed jointly by an electric company or companies and the
16 energy resources coordinator or its designee issued pursuant to
17 a competitive bidding process authorized by the commission to
18 select a certified cable company and conducted by the electric
19 utility company or companies to which the capacity of a high-
20 voltage electric transmission cable system will be made
21 available. The energy resources coordinator shall be a member



1 of the selection committee that will review and evaluate the
2 proposals.

3 "Turnkey cable contract" means a contract entered into
4 pursuant to a request for proposal under which a cable company
5 designs, builds, and transfers a high-voltage electric
6 transmission cable system to an electric utility company upon
7 commencement of commercial operations.

8 **§269-B Certification.** (a) Prior to installing a high-
9 voltage electric transmission cable system, a cable company
10 shall be selected through a request for proposal, or other
11 process approved by the commission, then certified by the
12 commission pursuant to section 269-7.5.

13 (b) Notwithstanding any provisions in section 269-7.5 to
14 the contrary:

15 (1) The commission shall approve, disapprove, or approve
16 subject to certain conditions, an application for a
17 certificate of public convenience and necessity for a
18 high-voltage electric transmission cable system, and
19 shall issue a final order within one hundred eighty
20 days after the application is filed; provided that the
21 commission may extend the timeline as necessary;



- 1 (2) In determining whether the cable company is
2 financially fit, the commission may allow for the use
3 of commercially reasonable non-recourse project
4 financing for the high-voltage electric transmission
5 cable system;
- 6 (3) In determining whether the proposed transmission
7 capacity service is or will be required by the present
8 or future public convenience and necessity, the
9 commission shall determine whether the high-voltage
10 electric transmission cable system would be a cost-
11 effective means of:
- 12 (A) Interconnecting two or more electric utility
13 systems;
- 14 (B) Helping one or more electric utility companies
15 meet the applicable renewable portfolio standard;
16 or
- 17 (C) Achieving other considerations the commission may
18 deem appropriate;
- 19 (4) If the primary source or sources of the renewable
20 electricity that will be transmitted to an electric
21 utility company or companies using the high-voltage
22 electric transmission cable system will be provided



1 pursuant to a power purchase agreement or agreements
2 between the electric utility company or companies and
3 an owner or owners of a new renewable energy
4 generation facility or facilities, in reviewing and
5 approving the application for certification the
6 commission shall, among other factors, take into
7 consideration:

8 (A) The status of the power purchase agreement or
9 agreements;

10 (B) The extent to which the project-on-project
11 financing risk of the high-voltage electric
12 transmission cable system and the associated
13 renewable energy generation facilities is
14 materially reduced through agreements between the
15 cable company and the owner or owners of the
16 renewable energy generation facilities holding
17 the power purchase agreement or agreements, or
18 through common ownership arrangements; and

19 (C) The extent to which the cable company assumes
20 financial responsibility for the high-voltage
21 electric transmission cable system until both the



- 1 cable system and the new generation facility or
2 facilities have achieved commercial operations;
- 3 (5) In the certification process the commission shall
4 review and determine ratemaking principles appropriate
5 and applicable to the high-voltage electric
6 transmission cable system during commercial
7 operations. The ratemaking principles shall be used
8 in determining the certified cable company's revenue
9 requirement that is used to determine its transmission
10 capacity charges, and may be used to fix the capital
11 investment costs for the high-voltage electric
12 transmission cable system upon which the certified
13 cable company will be allowed to earn an authorized
14 rate of return and the operating costs that may be
15 included in the certified cable company's revenue
16 requirement;
- 17 (6) In determining the authorized rate of return that will
18 apply to a certified cable company, the commission may
19 consider the risks assumed by the certified cable
20 company during the predevelopment, development, and
21 commercial operations periods related to or resulting
22 from the development, financing, construction, and



1 operation of the high-voltage electric transmission
2 cable system, including other factors deemed relevant
3 and appropriate by the commission such as the terms
4 and conditions of the transmission tariff as may be
5 approved by the commission; and

- 6 (7) Prior to approving the application for certification,
7 the commission shall hold a public hearing on each
8 island to be connected by the high-voltage electric
9 transmission cable system to obtain comments and input
10 from the affected communities about the high-voltage
11 electric transmission cable system.

12 **§269-C Transmission tariff.** The commission shall, by
13 order, approve, disapprove, or approve subject to certain
14 conditions, the tariff of the certified cable company pursuant
15 to which the certified cable company shall make the capacity of
16 its high-voltage electric transmission cable system available to
17 the electric utility company or companies. The tariff shall be
18 consistent with the tariff provisions provided in the request
19 for proposals. The tariff shall specify the terms and
20 conditions under which the certified cable company will be
21 entitled to receive revenues collected through the cable
22 surcharge. The certified cable company may submit its proposed



1 tariff for approval prior to the expected commercial operations
2 date, and the commission shall take final action on the proposed
3 tariff within one hundred and twenty days after submittal of the
4 proposed tariff with supporting documentation as may be required
5 by the commission; provided that the commission may extend the
6 timeline as necessary.

7 **§269-D Surcharge.** (a) The commission shall establish a
8 cable surcharge to allow recovery of the high-voltage electric
9 transmission cable system costs designated for recovery
10 according to the ratemaking principles pursuant to section
11 269-B.

12 (b) Pursuant to the tariff described in section 269-C, the
13 commission shall, by order, designate the electric utility
14 company or companies to which the capacity of the high-voltage
15 electric transmission cable system shall be made available as
16 the agent of the certified cable company in order to collect the
17 cable surcharge approved by the commission. The electric
18 utility company or companies collecting the cable surcharge for
19 the benefit of the certified cable utility shall have no right,
20 title, or interest in the moneys. The commission shall approve
21 a fee, to be collected by the electric utility company or



1 companies concurrently with the cable surcharge, for acting as
2 the collection agent for the certified cable company.

3 (c) Notwithstanding any requirements to the contrary, a
4 high-voltage electric transmission cable system may be deemed
5 "used or useful for public utility purposes" upon commencing
6 commercial operations, subject to the commission's determination
7 and approval.

8 **§269-E Electric utility company acquisition of cable**

9 **system.** (a) The commission may approve an electric utility's
10 acquisition of a high-voltage electric transmission cable system
11 pursuant to a commission approved turnkey cable contract or
12 cable purchase contract.

13 (b) In the case of a turnkey cable contract, the
14 commission shall review and approve, disapprove, or approve
15 subject to certain conditions, the contract upon application
16 filed by the electric utility company.

17 (c) In the case of a cable purchase contract, the
18 commission shall review and approve, disapprove, or approve
19 subject to certain conditions, the option to purchase in the
20 same proceeding in which it reviews and approves a certificate
21 of public convenience and necessity for a cable company
22 providing the option to purchase or a power purchase agreement



1 containing the option to purchase, and shall review and approve,
2 disapprove, or approve subject to certain conditions, the cable
3 purchase contract resulting from exercise of the option to
4 purchase upon application filed by the electric utility company
5 proposing to acquire the high-voltage electric transmission
6 cable system.

7 **§269-F Recovery of electric utility company costs. (a)**

8 An electric utility company shall be entitled to recover its
9 revenue requirement, as approved by the commission, resulting
10 from the costs that it prudently incurs in acquiring a high-
11 voltage electric transmission cable system throughout the
12 commercial operations period after it is acquired; provided that
13 the acquisition is approved by the commission.

14 (b) An electric utility company shall be entitled to
15 recover, through an automatic rate adjustment clause, its
16 revenue requirement resulting from the capital costs that it
17 prudently incurs for on-island transmission infrastructure,
18 provided the commission has approved the utility's commitment of
19 capital expenditure costs for the project.

20 (c) In order to provide for timely recovery of the revenue
21 requirement, the commission shall establish a separate automatic
22 rate adjustment clause for that purpose, or modify an existing



1 automatic rate adjustment clause. The use of the automatic rate
2 adjustment clause to recover the revenue requirement shall be
3 allowed to continue until the revenue requirement is
4 incorporated in rates in an electric utility company's rate
5 case.

6 (d) The electric utility company's revenue requirement
7 includes:

8 (1) The commission-approved rate of return as set in the
9 electric utility company's last rate case on the
10 utility's net investment in the high-voltage electric
11 transmission cable system from the acquisition date of
12 the high-voltage electric transmission cable system,
13 and in the on-island transmission infrastructure from
14 the date the on-island transmission infrastructure is
15 completed and available for service;

16 (2) Depreciation; and

17 (3) Revenue taxes and other relevant costs as approved by
18 the commission.

19 (e) The electric utility company's net investment includes
20 the cable acquisition cost in the case of the high-voltage
21 electric transmission cable system and the costs of planning,
22 permitting, and constructing the on-island transmission



1 infrastructure, including an allowance for funds used during
2 construction where the utility finances the planning,
3 permitting, and construction costs, less accumulated
4 depreciation and associated unamortized deferred income taxes.

5 (f) The on-island transmission infrastructure shall be
6 available for service before the commercial operations date of
7 the high-voltage electric transmission cable system.
8 Notwithstanding any other provision in chapter 269 to the
9 contrary, at the time the commission approves the electric
10 utility company's commitment of capital expenditure costs for
11 the project, the commission may either:

12 (1) Allow the electric utility company to recover its
13 approved revenue requirement resulting from the
14 capital costs that it prudently incurs for on-island
15 infrastructure at the time that the infrastructure is
16 available for service; or

17 (2) Allow the company to continue to accrue an allowance
18 for funds used during construction on such prudently
19 incurred capital costs until the commercial operations
20 date for the high-voltage electric transmission
21 system.



1 (g) If the electric utility company elects not to complete
2 the on-island transmission infrastructure, and the commission
3 approves such election, or is precluded from completing
4 construction of the on-island transmission infrastructure, the
5 electric utility shall be allowed to recover all costs
6 determined by the commission to have been prudently incurred by
7 the electric utility company during the predevelopment and
8 development periods. The electric utility company shall recover
9 these costs through the cable surcharge over a period equal to
10 the period during which the costs were incurred or five years,
11 whichever is greater."

12 SECTION 3. Chapter 239, Hawaii Revised Statutes, is
13 amended by adding a new section to be appropriately designated
14 and to read as follows:

15 "§239- Surcharge amounts exempt. Amounts received in
16 the form of a cable surcharge by an electric utility company
17 acting on behalf of a certified cable company under section
18 269-D shall not be counted as gross income of that electric
19 utility company for purposes of this chapter; provided that any
20 amounts retained by that electric utility company for collection
21 or other costs shall not be included in this exemption."



1 SECTION 4. Chapter 240, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§240- Surcharge amounts exempt. Amounts received in
5 the form of a cable surcharge by an electric utility company
6 acting on behalf of an affected certified cable company under
7 section 269-D shall not be counted as gross receipts for that
8 electric utility company for purposes of this chapter; provided
9 that any amounts retained by that electric utility company for
10 collection or other costs shall not be included in this
11 exemption."

12 SECTION 5. Section 235-7, Hawaii Revised Statutes, is
13 amended by amending subsection (a) to read as follows:

14 "(a) There shall be excluded from gross income, adjusted
15 gross income, and taxable income:

16 (1) Income not subject to taxation by the State under the
17 Constitution and laws of the United States;

18 (2) Rights, benefits, and other income exempted from
19 taxation by section 88-91, having to do with the state
20 retirement system, and the rights, benefits, and other
21 income, comparable to the rights, benefits, and other



- 1 income exempted by section 88-91, under any other
2 public retirement system;
- 3 (3) Any compensation received in the form of a pension for
4 past services;
- 5 (4) Compensation paid to a patient affected with Hansen's
6 disease employed by the State or the United States in
7 any hospital, settlement, or place for the treatment
8 of Hansen's disease;
- 9 (5) Except as otherwise expressly provided, payments made
10 by the United States or this State, under an act of
11 Congress or a law of this State, which by express
12 provision or administrative regulation or
13 interpretation are exempt from both the normal and
14 surtaxes of the United States, even though not so
15 exempted by the Internal Revenue Code itself;
- 16 (6) Any income expressly exempted or excluded from the
17 measure of the tax imposed by this chapter by any
18 other law of the State, it being the intent of this
19 chapter not to repeal or supersede any express
20 exemption or exclusion;
- 21 (7) Income received by each member of the reserve
22 components of the Army, Navy, Air Force, Marine Corps,



1 or Coast Guard of the United States of America, and
2 the Hawaii national guard as compensation for
3 performance of duty, equivalent to pay received for
4 forty-eight drills (equivalent of twelve weekends) and
5 fifteen days of annual duty, at an:

6 (A) E-1 pay grade after eight years of service;
7 provided that this subparagraph shall apply to
8 taxable years beginning after December 31, 2004;

9 (B) E-2 pay grade after eight years of service;
10 provided that this subparagraph shall apply to
11 taxable years beginning after December 31, 2005

12 (C) E-3 pay grade after eight years of service;
13 provided that this subparagraph shall apply to
14 taxable years beginning after December 31, 2006;

15 (D) E-4 pay grade after eight years of service;
16 provided that this subparagraph shall apply to
17 taxable years beginning after December 31, 2007;
18 and

19 (E) E-5 pay grade after eight years of service;
20 provided that this subparagraph shall apply to
21 taxable years beginning after December 31, 2008;



- 1 (8) Income derived from the operation of ships or aircraft
2 if the income is exempt under the Internal Revenue
3 Code pursuant to the provisions of an income tax
4 treaty or agreement entered into by and between the
5 United States and a foreign country; provided that the
6 tax laws of the local governments of that country
7 reciprocally exempt from the application of all of
8 their net income taxes, the income derived from the
9 operation of ships or aircraft that are documented or
10 registered under the laws of the United States;
- 11 (9) The value of legal services provided by a prepaid
12 legal service plan to a taxpayer, the taxpayer's
13 spouse, and the taxpayer's dependents;
- 14 (10) Amounts paid, directly or indirectly, by a prepaid
15 legal service plan to a taxpayer as payment or
16 reimbursement for the provision of legal services to
17 the taxpayer, the taxpayer's spouse, and the
18 taxpayer's dependents;
- 19 (11) Contributions by an employer to a prepaid legal
20 service plan for compensation (through insurance or
21 otherwise) to the employer's employees for the costs



1 of legal services incurred by the employer's
2 employees, their spouses, and their dependents;

3 (12) Amounts received in the form of a monthly surcharge by
4 a utility acting on behalf of an affected utility
5 under section 269-16.3 shall not be gross income,
6 adjusted gross income, or taxable income for the
7 acting utility under this chapter. Any amounts
8 retained by the acting utility for collection or other
9 costs shall not be included in this exemption; [and]

10 (13) One hundred per cent of the gain realized by a fee
11 simple owner from the sale of a leased fee interest in
12 units within a condominium project, cooperative
13 project, or planned unit development to the
14 association of owners under chapter 514A or 514B, or
15 the residential cooperative corporation of the
16 leasehold units.

17 For purposes of this paragraph:

18 "Condominium project" and "cooperative project"
19 shall have the same meanings as provided under section
20 514C-1;



1 "Fee simple owner" shall have the same meaning as
2 provided under section 516-1; provided that it shall
3 include legal and equitable owners; and

4 "Legal and equitable owner", and "leased fee
5 interest" shall have the same meanings as provided
6 under section 516-1; and

7 [~~"Condominium project" and "cooperative project"~~
8 ~~shall have the same meanings as provided under section~~
9 ~~514C-1.~~]

10 (14) Amounts received in the form of a monthly cable
11 surcharge by an electric utility company acting on
12 behalf of a certified cable company under section
13 269-D shall not be counted as gross income, adjusted
14 gross income, or taxable income for that electric
15 utility company under this chapter; provided that any
16 amounts retained by that electric utility company for
17 collection or other costs shall not be included in
18 this exemption."

19 SECTION 6. Section 269-30, Hawaii Revised Statutes, is
20 amended by adding subsection (e) to read as follows:

21 "(e) Amounts received in the form of a cable surcharge by
22 an electric utility company acting on behalf of a certified



1 cable company under section 269-D shall not be counted as gross
2 income for that electric utility company for purposes of this
3 section; provided that any amounts retained by that electric
4 utility company for collection or other costs shall not be
5 included in this exemption."

6 SECTION 7. In codifying the new sections added by section
7 2 of this Act, the revisor of statutes shall substitute
8 appropriate section numbers for the letters used in designating
9 the new sections in this Act.

10 SECTION 8. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 9. This Act shall take effect on July 1, 2011.



Report Title:

Energy; Interisland High Voltage Electric Transmission Cable System; Public Utilities Commission; Tax Exemptions

Description:

Establishes a regulatory structure for the installation and implementation of an interisland high voltage electric transmission cable system and for the construction of on-island transmission infrastructure. Allows for the utility company to collect surcharges from its ratepayers to recover the costs of the cable installation on behalf of the cable company. Exempts the surcharges from being counted as gross income, adjusted gross income, or taxable income for tax purposes. Provides for the eventual acquisition of the cable system by the utility company from the cable company. Allows the utility company to recover the costs of acquiring the cable system and developing the on island infrastructure through an automatic rate adjustment clause and then through its rates. Allows the utility to recover the reasonable costs, as determined by the public utilities commission, of predevelopment and development in the event that the system is not completed. (SD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

