
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.

18 One of the key elements of Hawaii's energy policy concerns



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

10 In order to achieve the State's aggressive renewable
11 portfolio standard goals, electric utility companies need to
12 emphasize technologies that are commercially available, are
13 capable of being developed soon, are available on a large scale,
14 and may be used to generate electricity that may be delivered to
15 Hawaii's load centers.

16 Electrical services on the islands of Oahu, Maui, Molokai,
17 Lanai, and Hawaii are provided by affiliated, franchised
18 electric utility companies. None of the electric utility
19 systems on these islands are presently electrically
20 interconnected to a electric utility system on any other island.

21 Oahu has the largest demand for electricity and the largest
22 concentration of the population base. A variety of renewable



1 energy resources that are limited on Oahu are abundant on the
2 neighbor islands. To help attain renewable portfolio standard
3 goals, strategies to link Oahu's demand to abundant reasonable
4 fixed price resources from the neighbor islands are being
5 pursued. For example, technical implementation and routing
6 studies have been conducted that show that it is technically
7 feasible to connect renewable energy generation facilities in
8 Maui county to the Oahu load using undersea high-voltage
9 transmission cables.

10 The islands of Maui and Hawaii currently have significant
11 as-available renewable resource penetration levels, based on
12 projects that are currently in service or that have power
13 purchase contracts. They also have significant potential for
14 additional renewable resources. There are plans to consider
15 using high-voltage undersea transmission cables to link the
16 electric utility systems on these islands to the electric
17 utility system on Oahu.

18 Economic analyses have shown that harnessing the wind
19 resources for the islands appears to be a relatively cost-
20 effective means for helping to meet Hawaii's energy policy
21 objectives. The cost of the energy delivered to the load center
22 is expected to be at or below the cost of other commercially



1 available large scale renewable resources in the near-term, and
2 at or below the cost of petroleum based generation in the
3 longer-term. The capital costs of constructing renewable energy
4 generation projects and developing the high-voltage electric
5 transmission cable systems are substantial in relationship to
6 the electric utility companies' existing rate bases, however,
7 and it is expected that renewable energy generation projects and
8 transmission cable projects will be installed by non-utility
9 investors who assume financial responsibility for the projects
10 until they achieve commercial operations.

11 Non-utility investors in a cable project would be selected
12 through a competitive bidding process authorized, reviewed, and
13 approved by the public utilities commission and developed, with
14 input and assistance from the state energy resources
15 coordinator, by the electric utility that would use the cable.
16 The process would be conducted by the electric utility that
17 would use the cable and the public utilities commission would
18 determine whether a selected cable company would be certified.

19 The use of this process allows for the certified cable
20 company, rather than utility rate payers, to assume risks
21 associated with obtaining permits for the cable project and the
22 costs incurred to construct the cable, and to earn a return on



1 investment commensurate with the assumption of these risks. The
2 renewable energy generation project developers would also bear
3 development period risks, such as permitting and construction,
4 for their projects, since the prices for energy from their
5 projects will be fixed in their power purchase agreements with
6 the electric utility, which are also reviewed and approved by
7 the public utilities commission.

8 The legislature also finds that the development of large-
9 scale renewable energy projects has the potential to impact the
10 communities where the projects are located, and that at least
11 some of the environmental review processes conducted as part of
12 the permitting process for the projects would occur after the
13 public utilities commission would need to act on a cable
14 certification application. In order to foster communication
15 with the affected communities and the commission, the
16 legislature has incorporated within this Act a requirement that
17 the commission hold a public hearing on each island proposed to
18 be connected by the high-voltage electric transmission cable
19 system for the purposes of obtaining input from interested
20 parties.

21 In order to connect undersea high-voltage transmission
22 cables to an electric utility system, the electric utility



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

16 The purpose of this Act is to establish the regulatory
17 structure under which interisland undersea transmission cables
18 can be developed, financed, and constructed on commercially
19 reasonable terms, such as those upon which successful cable
20 projects have been undertaken in New York, California, and
21 around the world.



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

4 **"PART . INTERISLAND TRANSMISSION SYSTEM**

5 **§269-A Definitions.** As used in this part:

6 "Cable acquisition cost" means the electric utility's
7 costs, including reasonable transaction costs, to acquire a
8 high-voltage electric transmission cable system pursuant to a
9 turnkey cable contract or a cable purchase contract.

10 "Cable company" means any person or persons, company,
11 corporation, or entity who is selected through a request for
12 proposal, or other process approved by the commission, to be an
13 applicant to be a certified cable company.

14 "Cable purchase contract" means a contract to purchase a
15 high-voltage electric transmission cable system at or after it
16 achieves commercial operations.

17 "Cable surcharge" means the surcharge approved by the
18 commission pursuant to section 269-D.

19 "Certified cable company" means any person or persons,
20 company, corporation, or entity who owns or controls a high-
21 voltage electric transmission cable system and who receives a



1 certificate of public convenience and necessity from the
2 commission pursuant to section 269-B.

3 "Commercial operations" means the period after the high-
4 voltage electric transmission cable system:

- 5 (1) Passes acceptance tests approved by the commission, as
6 determined by a qualified independent engineer
7 approved by the commission; and
- 8 (2) Meets other criteria the commission determines to be
9 reasonable.

10 "Commercial operations date" means the date upon which the
11 high-voltage electric transmission cable system begins
12 commercial operations, as determined by the commission.

13 "Commission" means the public utilities commission.

14 "Cost" means all capital investments, including rate of
15 return; any applicable taxes; any applicable land costs; and all
16 expenses, including capacity payments, operation and maintenance
17 expenses, related to or resulting from the planning, licensing,
18 permitting, designing, development, construction, or operation
19 of a high-voltage electric transmission cable system.

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



1 "Development period" means the period of time after the
2 certified cable company has been granted a certificate of public
3 convenience and necessity, but before commercial operations.

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

7 "Electric utility system" means the electric system owned
8 and operated by an electric utility company, including any non-
9 utility owned facilities that are interconnected to the system,
10 consisting of power plants, transmission and distribution lines,
11 and related equipment for the production and delivery of
12 electric power to the public.

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

15 "Expected commercial operations date" means the date
16 reasonably determined by the certified cable company for the
17 high-voltage electric transmission cable system to commence
18 commercial operations.

19 "High-voltage electric transmission cable system" means one
20 hundred twenty kilovolts or greater of alternating current (AC)
21 or direct current (DC) transmission cables constructed undersea,
22 including connected transmission cables or lines installed on



1 land that connect the electric utility systems on two or more
2 islands or allow for the transmission of power from one or more
3 renewable energy generation facilities to the electric utility
4 system located on another island of the State; AC substation or
5 AC/DC converter station; fiber optic communication cables; and
6 other appurtenant facilities.

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

16 "Power purchase agreement" means an agreement between an
17 electric utility company and the developer of a renewable energy
18 generation facility to sell the power generated by the facility
19 to the electric utility company.

20 "Predevelopment period" means the period of time before the
21 certified cable company has been granted a certificate of public
22 convenience and necessity.



1 "Project-on-project financing risk" means the risk involved
2 when mutually dependent projects, whose risk of completion, and
3 therefore, financing, are dependent on each other, such as in
4 the case of a high-voltage electric transmission cable system
5 intended to connect a renewable energy generation facility to an
6 electric utility system where the uncertainty as to whether the
7 renewable energy generation facility can be financed or built
8 results in increased risk for the high-voltage electric
9 transmission cable project because it is not viable without a
10 source of energy to transmit, and vice versa.

11 "Renewable electricity" means electrical energy generated
12 using renewable energy as the source.

13 "Renewable energy" has the same meaning as in section
14 269-91.

15 "Renewable energy generation facility" means a facility
16 generating electrical energy using renewable energy as the
17 primary source.

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

20 "Request for proposals" means a request for proposals
21 issued pursuant to a competitive bidding process authorized,
22 reviewed, and approved by the commission, and developed and



1 conducted by the electric company or companies to which the
2 capacity of a high-voltage electric transmission cable system
3 will be made available, with input and assistance from the state
4 energy resources coordinator, to select a cable company.

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

10 **§269-B Certification.** (a) Prior to installing a high-
11 voltage electric transmission cable system, a cable company
12 shall be selected through a request for proposals, or other
13 process approved by the commission, and issued a certificate of
14 public convenience and necessity by the commission pursuant to
15 section 269-7.5.

16 (b) The utility and the energy resources coordinator or
17 the energy resources coordinator's designee shall develop the
18 request for proposals, and the energy resources coordinator or
19 the energy resources coordinator's designee shall be a member of
20 the selection committee that will review and evaluate the
21 proposals. The utility shall suspend or terminate the request
22 for proposals at the direction of the commission.



1 (c) Notwithstanding any provisions in section 269-7.5 to
2 the contrary:

3 (1) The commission shall approve, disapprove, or approve
4 subject to certain conditions, an application for a
5 certificate of public convenience and necessity for a
6 high-voltage electric transmission cable system, and
7 shall issue a final order within one hundred eighty
8 days after the application is filed; provided that the
9 commission may extend the timeline as necessary;

10 (2) In determining whether the cable company is
11 financially fit, the commission may allow for the use
12 of commercially reasonable non-recourse project
13 financing for the high-voltage electric transmission
14 cable system;

15 (3) In determining whether the proposed high-voltage
16 electric transmission capacity service is or will be
17 required by the present or future public convenience
18 and necessity, the commission shall determine whether
19 the high-voltage electric transmission cable system
20 would be a cost-effective means of:

21 (A) Interconnecting two or more electric utility
22 systems;



1 (B) Helping one or more electric utility companies
2 meet the applicable renewable portfolio standard;
3 or

4 (C) Achieving other considerations the commission may
5 deem appropriate;

6 (4) If the primary source or sources of the renewable
7 electricity that will be transmitted to an electric
8 utility company or companies using the high-voltage
9 electric transmission cable system will be provided
10 pursuant to a power purchase agreement or agreements
11 between the electric utility company or companies and
12 an owner or owners of a new renewable energy
13 generation facility or facilities, in reviewing and
14 approving the application for a certificate of public
15 convenience and necessity, the commission shall, among
16 other factors, take into consideration:

17 (A) The status of the power purchase agreement or
18 agreements;

19 (B) The extent to which the project-on-project
20 financing risk of the high-voltage electric
21 transmission cable system and the associated
22 renewable energy generation facilities is



1 materially reduced through agreements between the
2 certified cable company and the owner or owners
3 of the renewable energy generation facilities
4 holding the power purchase agreement or
5 agreements, or through common ownership
6 arrangements; and

7 (C) The extent to which the certified cable company
8 assumes financial responsibility for the high-
9 voltage electric transmission cable system until
10 both the cable system and the new generation
11 facility or facilities have achieved commercial
12 operations;

13 (5) In the certification process, the commission shall
14 review and determine ratemaking principles appropriate
15 and applicable to the high-voltage electric
16 transmission cable system during commercial
17 operations. The ratemaking principles shall be used
18 in determining the certified cable company's revenue
19 requirement that is used to determine its transmission
20 capacity charges, and may be used to fix the capital
21 investment costs for the high-voltage electric
22 transmission cable system upon which the certified



1 cable company will be allowed to earn an authorized
2 rate of return and the operating costs that may be
3 included in the certified cable company's revenue
4 requirement;

5 (6) In determining the authorized rate of return that will
6 apply to a certified cable company, the commission may
7 consider the risks assumed by the certified cable
8 company during the predevelopment, development, and
9 commercial operations periods related to or resulting
10 from the development, financing, construction, and
11 operation of the high-voltage electric transmission
12 cable system, including other factors deemed relevant
13 and appropriate by the commission such as the terms
14 and conditions of the transmission tariff as may be
15 approved by the commission; and

16 (7) Prior to approving the application for a certificate
17 of public convenience and necessity, the commission
18 shall hold a public hearing on each island to be
19 connected by the high-voltage electric transmission
20 cable system to obtain input from the affected
21 communities about the high-voltage electric
22 transmission cable system.



1 **§269-C Transmission tariff.** The commission shall, by
2 order, approve, disapprove, or approve subject to certain
3 conditions, the tariff of the certified cable company pursuant
4 to which the certified cable company shall make the capacity of
5 its high-voltage electric transmission cable system available to
6 the electric utility company or companies. The tariff shall be
7 consistent with the tariff provisions provided in the request
8 for proposals. The tariff shall specify the terms and
9 conditions under which the certified cable company will be
10 entitled to receive revenues collected through the cable
11 surcharge. The certified cable company may submit its proposed
12 tariff for approval prior to the expected commercial operations
13 date, and the commission shall take final action on the proposed
14 tariff within one hundred twenty days after submittal of the
15 proposed tariff with supporting documentation as may be required
16 by the commission; provided that the commission may extend the
17 timeline as necessary.

18 **§269-D Cable surcharge.** (a) The commission shall
19 establish a cable surcharge to allow recovery of the high-
20 voltage electric transmission cable system costs designated for
21 recovery according to the ratemaking principles pursuant to
22 section 269-B.



1 (b) Pursuant to the transmission tariff, the commission
2 shall, by order, designate the electric utility company or
3 companies to which the capacity of the high-voltage electric
4 transmission cable system shall be made available as the agent
5 of the certified cable company in order to collect the cable
6 surcharge approved by the commission. The electric utility
7 company or companies collecting the cable surcharge for the
8 benefit of the certified cable company shall have no right,
9 title, or interest in the moneys. The commission shall approve
10 a fee, to be collected by the electric utility company or
11 companies concurrently with the cable surcharge, for acting as
12 the collection agent for the certified cable company.

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

18 **§269-E Electric utility company acquisition of cable**
19 **system.** (a) The commission may approve an electric utility
20 company's acquisition of a high-voltage electric transmission
21 cable system pursuant to a commission-approved turnkey cable
22 contract or cable purchase contract.



1 (b) In the case of a turnkey cable contract, the
2 commission shall review and approve, disapprove, or approve
3 subject to certain conditions, the contract upon application
4 filed by the electric utility company.

5 (c) In the case of a cable purchase contract, the
6 commission shall review and approve, disapprove, or approve
7 subject to certain conditions, the option to purchase in the
8 same proceeding in which the commission reviews and approves a
9 certificate of public convenience and necessity for a cable
10 company providing the option to purchase or a power purchase
11 agreement containing the option to purchase, and shall review
12 and approve, disapprove, or approve subject to certain
13 conditions, the cable purchase contract resulting from exercise
14 of the option to purchase upon application filed by the electric
15 utility company proposing to acquire the high-voltage electric
16 transmission cable system.

17 **§269-F Recovery of electric utility company costs.** (a)
18 An electric utility company may recover its revenue requirement,
19 as approved by the commission, resulting from the costs that it
20 prudently incurs in acquiring a high-voltage electric
21 transmission cable system throughout the commercial operations



1 period after it is acquired; provided that the acquisition is
2 approved by the commission.

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

9 (c) In order to provide for timely recovery of the revenue
10 requirement, the commission shall establish a separate automatic
11 rate adjustment clause for that purpose, or modify an existing
12 automatic rate adjustment clause. The use of the automatic rate
13 adjustment clause to recover the revenue requirement shall be
14 allowed to continue until the revenue requirement is
15 incorporated in rates in an electric utility company's rate
16 case.

17 (d) The electric utility company's revenue requirement
18 shall include:

19 (1) The commission-approved rate of return, as set in the
20 electric utility company's last rate case, on the
21 utility's net investment in the high-voltage electric
22 transmission cable system from the acquisition date of



1 the high-voltage electric transmission cable system,
2 and in the on-island transmission infrastructure from
3 the date the on-island transmission infrastructure is
4 completed and available for service;

5 (2) Depreciation; and

6 (3) Revenue taxes and other relevant costs as approved by
7 the commission.

8 (e) The electric utility company's net investment includes
9 the cable acquisition cost in the case of the high-voltage
10 electric transmission cable system and the costs of planning,
11 permitting, and constructing the on-island transmission
12 infrastructure, including an allowance for funds used during
13 construction where the utility finances the planning,
14 permitting, and construction costs, less offsets such as
15 accumulated depreciation and associated unamortized deferred
16 income taxes.

17 (f) The on-island transmission infrastructure shall be
18 available for service before the commercial operations date of
19 the high-voltage electric transmission cable system.

20 Notwithstanding any other provision in this chapter to the
21 contrary, at the time the commission approves the electric



1 utility company's commitment of capital expenditure costs for
2 the project, the commission may either:

3 (1) Allow the electric utility company to recover its
4 approved revenue requirement resulting from the
5 capital costs that it prudently incurs for on-island
6 infrastructure at the time that the infrastructure is
7 available for service; or

8 (2) Allow the company to continue to accrue an allowance
9 for funds used during construction on such prudently
10 incurred capital costs until the commercial operations
11 date for the high-voltage electric transmission
12 system.

13 (g) If the electric utility company elects not to complete
14 the on-island transmission infrastructure, and the commission
15 approves this election, or the electric utility company is
16 precluded from completing construction of the on-island
17 transmission infrastructure, the electric utility company shall
18 be allowed to recover all costs determined by the commission to
19 have been prudently incurred by the electric utility company
20 during the predevelopment and development periods. The electric
21 utility company shall recover these costs through the cable



1 surcharge over a period equal to the period during which the
2 costs were incurred or five years, whichever is greater."

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

6 "§239- Cable surcharge amounts exempt. Amounts received
7 in the form of a cable surcharge by an electric utility company
8 acting on behalf of a certified cable company under section
9 269-D shall not be counted as gross income of that electric
10 utility company for purposes of this chapter; provided that any
11 amounts retained by that electric utility company for collection
12 or other costs shall not be included in this exemption."

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

16 "§240- Cable surcharge amounts exempt. Amounts received
17 in the form of a cable surcharge by an electric utility company
18 acting on behalf of an affected certified cable company under
19 section 269-D shall not be counted as gross receipts for that
20 electric utility company for purposes of this chapter; provided
21 that any amounts retained by that electric utility company for



1 collection or other costs shall not be included in this
2 exemption."

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

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

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

9 (2) Rights, benefits, and other income exempted from
10 taxation by section 88-91, having to do with the state
11 retirement system, and the rights, benefits, and other
12 income, comparable to the rights, benefits, and other
13 income exempted by section 88-91, under any other
14 public retirement system;

15 (3) Any compensation received in the form of a pension for
16 past services;

17 (4) Compensation paid to a patient affected with Hansen's
18 disease employed by the State or the United States in
19 any hospital, settlement, or place for the treatment
20 of Hansen's disease;

21 (5) Except as otherwise expressly provided, payments made
22 by the United States or this State, under an act of



- 1 Congress or a law of this State, which by express
2 provision or administrative regulation or
3 interpretation are exempt from both the normal and
4 surtaxes of the United States, even though not so
5 exempted by the Internal Revenue Code itself;
- 6 (6) Any income expressly exempted or excluded from the
7 measure of the tax imposed by this chapter by any
8 other law of the State, it being the intent of this
9 chapter not to repeal or supersede any express
10 exemption or exclusion;
- 11 (7) Income received by each member of the reserve
12 components of the Army, Navy, Air Force, Marine Corps,
13 or Coast Guard of the United States of America, and
14 the Hawaii national guard as compensation for
15 performance of duty, equivalent to pay received for
16 forty-eight drills (equivalent of twelve weekends) and
17 fifteen days of annual duty, at an:
- 18 (A) E-1 pay grade after eight years of service;
19 provided that this subparagraph shall apply to
20 taxable years beginning after December 31, 2004;



- 1 (B) E-2 pay grade after eight years of service;
- 2 provided that this subparagraph shall apply to
- 3 taxable years beginning after December 31, 2005;
- 4 (C) E-3 pay grade after eight years of service;
- 5 provided that this subparagraph shall apply to
- 6 taxable years beginning after December 31, 2006;
- 7 (D) E-4 pay grade after eight years of service;
- 8 provided that this subparagraph shall apply to
- 9 taxable years beginning after December 31, 2007;
- 10 and
- 11 (E) E-5 pay grade after eight years of service;
- 12 provided that this subparagraph shall apply to
- 13 taxable years beginning after December 31, 2008;
- 14 (8) Income derived from the operation of ships or aircraft
- 15 if the income is exempt under the Internal Revenue
- 16 Code pursuant to the provisions of an income tax
- 17 treaty or agreement entered into by and between the
- 18 United States and a foreign country; provided that the
- 19 tax laws of the local governments of that country
- 20 reciprocally exempt from the application of all of
- 21 their net income taxes, the income derived from the



- 1 operation of ships or aircraft that are documented or
2 registered under the laws of the United States;
- 3 (9) The value of legal services provided by a prepaid
4 legal service plan to a taxpayer, the taxpayer's
5 spouse, and the taxpayer's dependents;
- 6 (10) Amounts paid, directly or indirectly, by a prepaid
7 legal service plan to a taxpayer as payment or
8 reimbursement for the provision of legal services to
9 the taxpayer, the taxpayer's spouse, and the
10 taxpayer's dependents;
- 11 (11) Contributions by an employer to a prepaid legal
12 service plan for compensation (through insurance or
13 otherwise) to the employer's employees for the costs
14 of legal services incurred by the employer's
15 employees, their spouses, and their dependents;
- 16 (12) Amounts received in the form of a monthly surcharge by
17 a utility acting on behalf of an affected utility
18 under section 269-16.3 shall not be gross income,
19 adjusted gross income, or taxable income for the
20 acting utility under this chapter. Any amounts
21 retained by the acting utility for collection or other
22 costs shall not be included in this exemption; ~~and~~



1 (13) One hundred per cent of the gain realized by a fee
2 simple owner from the sale of a leased fee interest in
3 units within a condominium project, cooperative
4 project, or planned unit development to the
5 association of owners under chapter 514A or 514B, or
6 the residential cooperative corporation of the
7 leasehold units.

8 For purposes of this paragraph:

9 "Condominium project" and "cooperative project"
10 shall have the same meanings as provided under section
11 514C-1;

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

15 "Legal and equitable owner", and "leased fee
16 interest" shall have the same meanings as provided
17 under section 516-1; and

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

21 (14) Amounts received in the form of a monthly cable
22 surcharge by an electric utility company acting on



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

8 SECTION 6. Section 269-30, Hawaii Revised Statutes, is
9 amended to read as follows:

10 **"§269-30 Finances; public utility fee.** (a) Sections 607-
11 5 to 607-9 shall apply to the public utilities commission and
12 each commissioner, as well as to the supreme and circuit courts,
13 and all costs and fees paid or collected pursuant to this
14 section shall be deposited with the director of finance to the
15 credit of the public utilities commission special fund
16 established under section 269-33.

17 (b) There also shall be paid to the public utilities
18 commission in each of the months of July and December of each
19 year, by each public utility subject to investigation by the
20 public utilities commission, a fee equal to one-fourth of one
21 per cent of the gross income from the public utility's business
22 during the preceding year, or the sum of \$30, whichever is



1 greater. This fee shall be deposited with the director of
2 finance to the credit of the public utilities commission special
3 fund.

4 (c) Each public utility paying a fee under subsection (b)
5 may impose a surcharge to recover the amount paid above one-
6 eighth of one per cent of gross income. The surcharge imposed
7 shall not be subject to the notice, hearing, and approval
8 requirements of this chapter; provided that the surcharge may be
9 imposed by the utility only after thirty days' notice to the
10 public utilities commission. Unless ordered by the public
11 utilities commission, the surcharge shall be imposed only until
12 the conclusion of the public utility's next rate case; provided
13 that the surcharge shall be subject to refund with interest at
14 the public utility's authorized rate of return on rate base if
15 the utility collects more money from the surcharge than actually
16 paid due to the increase in the fee to one-fourth of one per
17 cent.

18 (d) Notwithstanding any provision of this chapter to the
19 contrary, the public utilities commission may, upon the filing
20 of a petition by a public utility, credit a public utility for
21 amounts paid under subsection (b) toward amounts the public
22 utility owes in one call center fees under section 269E-6(f).



1 (e) Amounts received in the form of a cable surcharge by
2 an electric utility company acting on behalf of a certified
3 cable company under section 269-D shall not be counted as gross
4 income for that electric utility company for purposes of this
5 section; provided that any amounts retained by that electric
6 utility company for collection or other costs shall not be
7 included in this exemption."

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

12 SECTION 8. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 9. This Act shall take effect on July 1, 2050;
15 provided that the amendments made to section 235-7, Hawaii
16 Revised Statutes, by section 5 of this Act shall not be repealed
17 when that section is reenacted on January 1, 2013, pursuant to
18 Act 166, Session Laws of Hawaii 2007.



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. Effective 7/1/2050. (HD1 PROPOSED)

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

