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# A BILL FOR AN ACT

RELATING TO INTERISLAND ELECTRIC TRANSMISSION CABLE SYSTEMS.

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

1           SECTION 1. The legislature has found that attaining energy  
2 independence from imported fossil fuels is a long-standing  
3 objective of the State.

4           Interconnecting the islands via high-voltage undersea  
5 electric transmission cable systems would provide the islands  
6 with increased energy security and system efficiencies and  
7 enable the islands to provide each other with backup power.

8           Interconnection would also enable Hawaii to make better use  
9 of its abundant natural, renewable energy resources such as  
10 wind, solar, and geothermal. An inter-island undersea cable  
11 system has been identified as the most effective and efficient  
12 means to introduce the variety of utility scale renewable energy  
13 available throughout the Hawaiian islands into a stable grid  
14 environment; to stabilize and equalize rates in all areas served  
15 by the cable; to increase Hawaii's energy independence; to  
16 support "increased energy self-sufficiency where the ratio of  
17 indigenous to imported energy use is increased" and "greater  
18 energy security and diversification in the face of threats to

1 Hawaii's energy supplies and systems"; and to support the  
2 achievement of the renewable portfolio standards established in  
3 section 269-92, Hawaii Revised Statutes, which requires twenty-  
4 five per cent of Hawaii's net electricity sales to come from  
5 renewable sources by 2020, increasing to forty per cent by 2030.

6 However, none of the electric utility systems on any of the  
7 Hawaiian islands is interconnected with electric utility systems  
8 on any other island.

9 The purpose of this Act is to establish the regulatory  
10 structure under which interisland undersea transmission cables  
11 can be developed, financed, and constructed on commercially  
12 reasonable terms, such as those upon which successful cable  
13 projects have been undertaken in several locations around the  
14 world.

15 It also amends other sections of the Hawaii Revised  
16 Statutes to reflect the existence of a separate and distinct  
17 entity transmitting power to and receiving revenue from an  
18 existing electric utility, neither owned nor controlled by that  
19 electric utility.

20 SECTION 2. Chapter 239, Hawaii Revised Statutes, is  
21 amended by adding a new section to be appropriately designated  
22 and to read as follows:

1        "§239- Cable surcharge amounts exempt. Amounts received  
2 in the form of a cable surcharge by an electric utility company  
3 acting on behalf of a certified cable company under section  
4 269-D shall not be deemed gross income of that electric utility  
5 company for purposes of this chapter; provided that any amounts  
6 retained by that electric utility company for collection or  
7 other costs shall not be included in this exemption."

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

11        "§240- Cable surcharge amounts exempt. Amounts received  
12 in the form of a cable surcharge by an electric utility company  
13 acting on behalf of an affected certified cable company under  
14 section 269-D shall not be deemed gross receipts for that  
15 electric utility company for purposes of this chapter; provided  
16 that any amounts retained by that electric utility company for  
17 collection or other costs shall not be included in this  
18 exemption."

19        SECTION 4. Chapter 269, Hawaii Revised Statutes, is  
20 amended by adding a new part to be appropriately designated and  
21 to read as follows:

22        "**PART . INTERISLAND TRANSMISSION SYSTEM**

1           **§269-A Definitions.** As used in this part:

2           "Cable acquisition cost" means the electric utility  
3 company's costs, including reasonable transaction costs, to  
4 acquire a high-voltage electric transmission cable system  
5 pursuant to a turnkey cable contract or a cable purchase  
6 contract.

7           "Cable company" means any person or persons, company,  
8 corporation, or entity that is selected through a request for  
9 proposals, or other process approved by the commission, to be a  
10 certified cable company applicant.

11           "Cable purchase contract" means a contract to purchase a  
12 high-voltage electric transmission cable system at or after it  
13 achieves commercial operations.

14           "Certified cable company" means any person or persons,  
15 company, corporation, or entity who owns or controls a  
16 high-voltage electric transmission cable system and who receives  
17 a certificate of public convenience and necessity from the  
18 commission pursuant to section 269-B.

19           "Commercial operations" means the period after the high-  
20 voltage electric transmission cable system:

1 (1) Passes acceptance tests approved by the commission, as  
2 determined by a qualified independent engineer  
3 approved by the commission; and

4 (2) Meets other criteria the commission determines to be  
5 reasonable.

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

9 "Commission" means the public utilities commission.

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

11 "Electric utility company" means a public utility as  
12 defined in section 269-1, for the production, conveyance,  
13 transmission, delivery, or furnishing of electric power.

14 "Electric utility system" means the electric system owned  
15 and operated by an electric utility company, including any  
16 non-utility owned facilities that are interconnected to the  
17 system, consisting of power plants, transmission and  
18 distribution lines, and related equipment for the production and  
19 delivery of electric power to the public.

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

1 "High-voltage electric transmission cable system" means one  
2 hundred twenty kilovolts or greater of alternating current or  
3 direct current transmission cables constructed undersea,  
4 including connected transmission cables or lines installed on  
5 land that connect the electric utility systems on two or more  
6 islands or allow for the transmission of power from one or more  
7 energy generation facilities to the electric utility system  
8 located on another island of the State; alternating current  
9 substation or alternating current-direct current converter  
10 station; on-island transmission infrastructure if required;  
11 fiber optic communication cables; and other appurtenant  
12 facilities.

13 "On-island transmission infrastructure" means the  
14 modifications and additions to the existing alternating current  
15 transmission grid on an island and other electric utility system  
16 modifications needed to reliably connect a high-voltage electric  
17 transmission cable system to an electric utility system, and to  
18 reliably accept power transmitted via the high-voltage electric  
19 transmission cable system connecting two or more islands of the  
20 State's electric utility systems.

21 "Power purchase agreement" means an agreement between an  
22 electric utility company and the developer of an energy

1 generation facility to sell the power generated by the facility  
2 to the electric utility company.

3 "Project-on-project financing risk" means the risk involved  
4 when mutually dependent projects, whose risk of completion, and  
5 therefore, financing, are dependent on each other.

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

8 "Renewable energy" has the same meaning as in section  
9 269-91.

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

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

15 "Request for proposals" means a request for proposals  
16 issued pursuant to a competitive bidding process authorized,  
17 reviewed, and approved by the commission, and developed and  
18 conducted by the electric utility company or companies to which  
19 the capacity of a high-voltage electric transmission cable  
20 system will be made available, with input and assistance from  
21 the state energy resources coordinator, to select a cable  
22 company.

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

6 **§269-B Certification.** (a) Prior to installing a  
7 high-voltage electric transmission cable system, a cable company  
8 shall be selected through a request for proposals, or other  
9 process approved by the commission, and issued a certificate of  
10 public convenience and necessity by the commission pursuant to  
11 section 269-7.5. A certified cable company shall be subject to  
12 regulation by the commission and defined as a "public utility"  
13 under section 269-1, notwithstanding the exceptions in paragraph  
14 (2)(G) of the definition of "public utility" under section  
15 269-1.

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



1 shall suspend or terminate the request for proposals at the  
2 discretion of the commission.

3 (c) Notwithstanding any provisions in section 269-7.5 to  
4 the contrary:

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

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

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

- 1 (A) Interconnecting two or more electric utility
- 2 systems;
- 3 (B) Helping one or more electric utility companies
- 4 meet the applicable renewable portfolio standard;
- 5 or
- 6 (C) Achieving other considerations the commission may
- 7 deem appropriate;
- 8 (4) If the primary source or sources of the renewable
- 9 electricity that will be transmitted to an electric
- 10 utility company or companies using the high-voltage
- 11 electric transmission cable system will be provided
- 12 pursuant to a power purchase agreement or agreements
- 13 between the electric utility company or companies and
- 14 an owner or owners of a new renewable energy
- 15 generation facility or facilities, in reviewing and
- 16 approving the application for a certificate of public
- 17 convenience and necessity, the commission shall, among
- 18 other factors, take into consideration:
  - 19 (A) The status of the power purchase agreement or
  - 20 agreements;
  - 21 (B) The extent to which the project-on-project
  - 22 financing risk of the high-voltage electric

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

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

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

1 investment costs for the high-voltage electric  
2 transmission cable system upon which the certified  
3 cable company will be allowed to earn an authorized  
4 rate of return and the operating costs that may be  
5 included in the certified cable company's revenue  
6 requirement. Any applicable land costs shall be  
7 included in the determination of the certified cable  
8 company's revenue requirement;

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

19 (7) Prior to approving the application for a certificate  
20 of public convenience and necessity, the commission  
21 shall hold a public hearing on each island to be  
22 connected by the high-voltage electric transmission

1 cable system to obtain input from the affected  
2 communities about the high-voltage electric  
3 transmission cable system.

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

1           **§269-D Cable surcharge.** (a) The commission shall  
2 establish a cable surcharge to allow recovery of the  
3 high-voltage electric transmission cable system costs designated  
4 for recovery according to the ratemaking principles pursuant to  
5 section 269-B.

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

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

1           **§269-E Electric utility company acquisition of cable**  
2 **system.** (a) The commission may approve an electric utility  
3 company's acquisition of a high-voltage electric transmission  
4 cable system pursuant to a commission-approved turnkey cable  
5 contract or cable purchase contract.

6           (b) In the case of a turnkey cable contract, the  
7 commission shall review and approve, disapprove, or approve  
8 subject to certain conditions, the filing by the electric  
9 utility company to acquire the turnkey project.

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

1           **§269-F Recovery of electric utility company costs.** (a)

2 An electric utility company may recover its revenue requirement,  
3 as approved by the commission, resulting from the costs that it  
4 prudently incurs in acquiring a high-voltage electric  
5 transmission cable system throughout the commercial operations  
6 period after it is acquired; provided that the acquisition was  
7 approved by the commission.

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

14           (c) To provide for timely recovery of the revenue  
15 requirement, the commission shall establish a separate automatic  
16 rate adjustment clause for that purpose, or modify an existing  
17 automatic rate adjustment clause. The use of the automatic rate  
18 adjustment clause to recover the revenue requirement shall be  
19 allowed to continue until the revenue requirement is  
20 incorporated in rates in an electric utility company's rate  
21 case.



1 (d) The electric utility company's revenue requirement  
2 shall include:

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

11 (2) Depreciation; and

12 (3) Revenue taxes and other relevant costs as approved by  
13 the commission.

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

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

4 Notwithstanding any other provision in this chapter to the  
5 contrary, at the time the commission approves the electric  
6 utility company's commitment of capital expenditure costs for  
7 the project, the commission may either:

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

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

18 (g) If the electric utility company elects not to complete  
19 the on-island transmission infrastructure, and the commission  
20 approves this election, or the electric utility company is  
21 precluded from completing construction of the on-island  
22 transmission infrastructure, the electric utility company shall

1 be allowed to recover reasonable costs determined by the  
2 commission to have been prudently incurred by the electric  
3 utility company with respect to the on-island transmission  
4 infrastructure. The electric utility company shall be allowed  
5 by the commission to recover the reasonable costs through the  
6 cable surcharge over a period equal to the period during which  
7 the costs were incurred or five years, whichever is greater."

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

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

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

14 (2) Rights, benefits, and other income exempted from  
15 taxation by section 88-91, having to do with the state  
16 retirement system, and the rights, benefits, and other  
17 income, comparable to the rights, benefits, and other  
18 income exempted by section 88-91, under any other  
19 public retirement system;

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

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

H.B. NO. 2523

1           forty-eight drills (equivalent of twelve weekends) and  
2           fifteen days of annual duty, at an:

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

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

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

12           (D) E-4 pay grade after eight years of service;  
13                provided that this subparagraph shall apply to  
14                taxable years beginning after December 31, 2007;

15           and

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

19       (8) Income derived from the operation of ships or aircraft  
20       if the income is exempt under the Internal Revenue  
21       Code pursuant to the provisions of an income tax  
22       treaty or agreement entered into by and between the

- 1 United States and a foreign country; provided that the  
2 tax laws of the local governments of that country  
3 reciprocally exempt from the application of all of  
4 their net income taxes, the income derived from the  
5 operation of ships or aircraft that are documented or  
6 registered under the laws of the United States;
- 7 (9) The value of legal services provided by a prepaid  
8 legal service plan to a taxpayer, the taxpayer's  
9 spouse, and the taxpayer's dependents;
- 10 (10) Amounts paid, directly or indirectly, by a prepaid  
11 legal service plan to a taxpayer as payment or  
12 reimbursement for the provision of legal services to  
13 the taxpayer, the taxpayer's spouse, and the  
14 taxpayer's dependents;
- 15 (11) Contributions by an employer to a prepaid legal  
16 service plan for compensation (through insurance or  
17 otherwise) to the employer's employees for the costs  
18 of legal services incurred by the employer's  
19 employees, their spouses, and their dependents;
- 20 (12) Amounts received in the form of a monthly surcharge by  
21 a utility acting on behalf of an affected utility  
22 under section 269-16.3 [~~shall not be gross income,~~

1           ~~adjusted gross income, or taxable income for the~~  
2           ~~acting utility under this chapter~~]. Any amounts  
3           retained by the acting utility for collection or other  
4           costs shall not be included in this exemption; ~~and~~

5           (13) Amounts received in the form of a cable surcharge by  
6           an electric utility company acting on behalf of a  
7           certified cable company under section 269-D; provided  
8           that any amounts retained by that electric utility  
9           company for collection or other costs shall not be  
10           included in this exemption; and

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

18           For purposes of this paragraph:

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

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

4           "Condominium project" and "cooperative project"  
5           shall have the same meanings as provided under section  
6           514C-1."

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

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

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



1 finance to the credit of the public utilities commission special  
2 fund.

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

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

22 (e) Amounts received in the form of a cable surcharge by

H.B. NO. 2523

1 an electric utility company acting on behalf of a certified  
 2 cable company under section 269-D shall not be deemed gross  
 3 income for that electric utility company for purposes of this  
 4 section; provided that any amounts retained by that electric  
 5 utility company for collection or other costs shall not be  
 6 included in this exemption."

7 SECTION 7. In codifying the new sections added to chapter  
 8 269, Hawaii Revised Statutes, by section 4 of this Act, the  
 9 revisor of statutes shall substitute appropriate section numbers  
 10 for the letters used in designating and referring to the new  
 11 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 upon its approval;  
 15 provided that the amendments made to section 235-7, Hawaii  
 16 Revised Statutes, in 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.

19  
 20  
 21

INTRODUCED BY: 

BY REQUEST  
 JAN 23 2012

H.B. NO. 2523

**Report Title:**

Interisland Electric Transmission Cable System

**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.

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

JUSTIFICATION SHEET

DEPARTMENT: Office of the Governor.

TITLE: A BILL FOR AN ACT RELATING TO INTERISLAND  
ELECTRIC TRANSMISSION CABLE SYSTEMS.

PURPOSE: To establish the regulatory structure under  
which interisland undersea transmission  
cables can be developed, financed, and  
constructed on commercially reasonable  
terms, such as those upon which successful  
cable projects have been undertaken in  
several locations around the world.

MEANS: Add new sections to chapters 239 and 240; add  
a new part to chapter 269; and amend sections  
235-7(a) and 269-30, Hawaii Revised Statutes.

JUSTIFICATION: The connection of Hawaii's islands via  
undersea electric transmission cable systems  
is essential to achieve Hawaii's energy and  
economic objectives.

Impact on the public: Positive. Facilitates  
development of Hawaii's renewable resources;  
reduces financing costs.

Impact on the department and other agencies:  
Positive. Clarifies roles and  
responsibilities.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: BED 120.

OTHER AFFECTED  
AGENCIES: Department of Business, Economic Development  
& Tourism; Public Utilities Commission.

EFFECTIVE DATE: Upon approval.