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# A BILL FOR AN ACT

RELATING TO THE INTERISLAND TRANSMISSION SYSTEM.

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

1           SECTION 1. The legislature finds that Act 165, Session  
2 Laws of Hawaii 2012, established the regulatory structure under  
3 which an interisland high-voltage electric transmission cable  
4 system can be developed, financed, and constructed on  
5 commercially reasonable terms. The legislature also finds that  
6 while the construction of the cable and any associated on-island  
7 transmission infrastructure may provide a public benefit by  
8 providing more sustainable and renewable energy to the public,  
9 the cost of construction for this project is estimated to be  
10 approximately one billion dollars. Currently, the law permits  
11 an electric utility company to recover the capital costs that it  
12 prudently incurs for the construction of the on-island  
13 transmission infrastructure and concurrently authorizes an  
14 entity that will install the interisland cable to collect a  
15 surcharge to recover the cable company's costs from ratepayers.  
16 This dual cost recovery could result in a significant increase  
17 in electric utility costs for ratepayers.



1 Prudent public policy would seem to protect ratepayers from  
2 bearing the cost of the construction and use of such a costly  
3 project, and dictate that the electric utility company should  
4 bear a portion of the cost of the construction and  
5 implementation of the interisland and on-island infrastructure.

6 The purpose of this Act is to prohibit an electric utility  
7 company from commencing its recovery of capital costs for the  
8 on-island infrastructure that is constructed for the purpose of  
9 connecting with an interisland high-voltage electric  
10 transmission cable system for ten years after the initial  
11 commercial operations date.

12 SECTION 2. Section 269-135, Hawaii Revised Statutes, is  
13 amended as follows:

14 (1) By amending subsections (a) and (b) to read:

15 "(a) An electric utility company may recover, through an  
16 automatic rate adjustment clause, its revenue requirement  
17 resulting from the capital costs that it prudently incurs for  
18 on-island transmission infrastructure; provided that the  
19 commission has approved the utility's commitment of capital  
20 expenditure costs for the project[-]; provided further that an  
21 electric utility company shall not commence the recovery of any  
22 capital costs incurred for the construction of the on-island



1 transmission infrastructure until ten years after the commercial  
2 operations date of the high-voltage electric transmission cable  
3 system.

4 (b) ~~[To]~~ Subject to subsections (a) and (e), to provide  
5 for ~~[timely]~~ recovery of the revenue requirement, the commission  
6 shall establish a separate automatic rate adjustment clause for  
7 that purpose, or modify an existing automatic rate adjustment  
8 clause. The use of the automatic rate adjustment clause to  
9 recover the revenue requirement shall be allowed to continue  
10 until the revenue requirement is incorporated in rates in an  
11 electric utility company's rate case."

12 (2) By amending subsection (e) to read:

13 "(e) The on-island transmission infrastructure shall be  
14 available for service before the commercial operations date of  
15 the high-voltage electric transmission cable system.

16 ~~[Notwithstanding any other provision in this chapter to the~~  
17 ~~contrary, at the time the commission approves the electric~~  
18 ~~utility company's commitment of capital expenditure costs for~~  
19 ~~the project, the commission may either:~~

20 ~~(1) Allow the electric utility company to recover its~~  
21 ~~approved revenue requirement resulting from the~~  
22 ~~capital costs that it prudently incurs for on-island~~



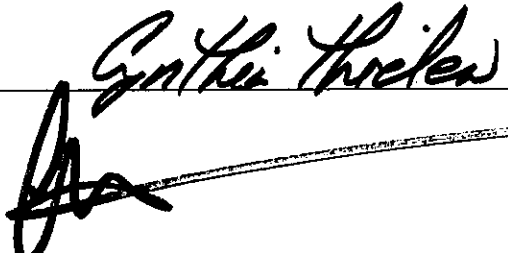
1 ~~infrastructure at the time that the infrastructure is~~  
 2 ~~available for service; or~~  
 3 ~~(2) Allow the company to continue to accrue an allowance~~  
 4 ~~for funds used during construction on such prudently~~  
 5 ~~incurred capital costs until the commercial operations~~  
 6 ~~date for the high voltage electric transmission~~  
 7 ~~system.]~~

8 Not earlier than ten years after the commercial operations date  
 9 of the high-voltage electric transmission cable system, the  
 10 electric utility company may file a rate case that incorporates  
 11 the recovery of its revenue requirement resulting from capital  
 12 costs that it prudently incurred for on-island transmission  
 13 infrastructure."

14 SECTION 3. Statutory material to be repealed is bracketed  
 15 and stricken. New statutory material is underscored.

16 SECTION 4. This Act shall take effect upon its approval.  
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INTRODUCED BY:

  
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JAN 16 2013



# H.B. NO. 12

**Report Title:**

Interisland Transmission System; Electric Utility Company Costs

**Description:**

Prohibits an electric utility company from commencing its capital cost recovery for the construction of the on-island transmission infrastructure earlier than 10 years after the commercial operations date of the high-voltage electric transmission cable system.

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

