



EXECUTIVE CHAMBERS
HONOLULU

DAVID Y. IGE
GOVERNOR

GOV. MSG. NO. 1319

July 12, 2017

The Honorable Ronald D. Kouchi,
President
and Members of the Senate
Twenty-Ninth State Legislature
State Capitol, Room 409
Honolulu, Hawai'i 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Twenty-Ninth State Legislature
State Capitol, Room 431
Honolulu, Hawai'i 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

Re: SB376 SD1 HD1 CD1

SB376 SD1 HD1 CD1, entitled "A BILL FOR AN ACT RELATING TO THE INTERISLAND TRANSMISSION SYSTEM" will become law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this bill is to repeal chapter 269, part VIII, HRS, relating to the interisland transmission system.

The elimination of HRS 269, Part VIII, would increase uncertainty surrounding the development of an interisland undersea cable. This would likely lengthen the assessment and development period which would be necessary before moving forward with such project. There is also concern that current renewable technology and efficiency levels are not sufficient to hit the 100% renewable level on O'ahu without the interisland transmission system.

For the foregoing reasons, SB376 SD1 HD1 CD1 will become law as Act 205, Session Laws of Hawaii 2017, effective July 12, 2017, without my signature.

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii

A BILL FOR AN ACT

RELATING TO THE INTERISLAND TRANSMISSION SYSTEM.

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

1 **PART I**

2 SECTION 1. The legislature finds that Act 165, Session
3 Laws of Hawaii 2012, codified as part VIII of chapter 269,
4 Hawaii Revised Statutes, established the regulatory structure
5 under which interisland undersea transmission cables could be
6 developed, financed, and constructed. However, the legislature
7 notes that the current priorities of the legislature do not
8 include an interisland transmission system. The legislature
9 notes that it is more appropriate to remove references to the
10 interisland transmission system from the Hawaii Revised Statutes
11 until a consensus on such a system can be reached.

12 The purpose of this Act is to repeal chapter 269, part
13 VIII, Hawaii Revised Statutes, relating to the interisland
14 transmission system.

15 **PART II**

16 SECTION 2. Chapter 269, part VIII, Hawaii Revised
17 Statutes, is repealed.

18 **PART III**



1 SECTION 3. Section 23-74, Hawaii Revised Statutes, is
2 amended by amending subsection (c) to read as follows:

3 "(c) This section shall apply to the following:

4 (1) Section 239-2, paragraph (5) of the definition of
5 "gross income"--Gross income of home service providers
6 of mobile telecommunications services;

7 (2) Section 239-2, exclusions under the definition of
8 "gross income"--Dividends paid by one member to
9 another member of an affiliated public service company
10 group or gross income from the sale or transfer of
11 materials and supplies, interest on loans, and
12 provision of services among members of an affiliated
13 public service company group;

14 (3) Section 237-3(b)--Gross receipts from the sale or
15 transfer of materials and supplies, interest on loans,
16 and provision of services among members of an
17 affiliated public service company group;

18 (4) Section 239-5.5--Gross income of utilities from
19 monthly surcharges;

20 [~~5~~] ~~Section 239-5.6--Gross income of electric utility~~
21 ~~companies from cable surcharges;~~



- 1 ~~(6)~~ (5) Section 239-6.5--Tax credit for lifeline
- 2 telephone service subsidies;
- 3 ~~(7)~~ (6) Section 269-172--Green infrastructure charges
- 4 received by electric utilities;
- 5 ~~(8)~~ (7) Section 237-29.7--Gross income or gross proceeds
- 6 received by insurance companies;
- 7 ~~(9)~~ (8) Section 431:7-207--Tax credit to facilitate
- 8 regulatory oversight;
- 9 ~~(10)~~ (9) Section 432:1-403--Exemption for nonprofit
- 10 medical indemnity or hospital service associations or
- 11 societies specifically from the general excise tax,
- 12 public service company tax, or insurance premium tax;
- 13 and
- 14 ~~(11)~~ (10) Section 432:2-503--Exemption for fraternal
- 15 benefit societies specifically from the general excise
- 16 tax, public service company tax, or insurance premium
- 17 tax."

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

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



- 1 (1) Income not subject to taxation by the State under the
2 Constitution and laws of the United States;
- 3 (2) Rights, benefits, and other income exempted from
4 taxation by section 88-91, having to do with the state
5 retirement system, and the rights, benefits, and other
6 income, comparable to the rights, benefits, and other
7 income exempted by section 88-91, under any other
8 public retirement system;
- 9 (3) Any compensation received in the form of a pension for
10 past services;
- 11 (4) Compensation paid to a patient affected with Hansen's
12 disease employed by the State or the United States in
13 any hospital, settlement, or place for the treatment
14 of Hansen's disease;
- 15 (5) Except as otherwise expressly provided, payments made
16 by the United States or this State, under an act of
17 Congress or a law of this State, which by express
18 provision or administrative regulation or
19 interpretation are exempt from both the normal and
20 surtaxes of the United States, even though not so
21 exempted by the Internal Revenue Code itself;



- 1 (6) Any income expressly exempted or excluded from the
2 measure of the tax imposed by this chapter by any
3 other law of the State, it being the intent of this
4 chapter not to repeal or supersede any express
5 exemption or exclusion;
- 6 (7) Income received by each member of the reserve
7 components of the Army, Navy, Air Force, Marine Corps,
8 or Coast Guard of the United States of America, and
9 the Hawaii National Guard as compensation for
10 performance of duty, equivalent to pay received for
11 forty-eight drills (equivalent of twelve weekends) and
12 fifteen days of annual duty, at an:
- 13 (A) E-1 pay grade after eight years of service;
14 provided that this subparagraph shall apply to
15 taxable years beginning after December 31, 2004;
- 16 (B) E-2 pay grade after eight years of service;
17 provided that this subparagraph shall apply to
18 taxable years beginning after December 31, 2005;
- 19 (C) E-3 pay grade after eight years of service;
20 provided that this subparagraph shall apply to
21 taxable years beginning after December 31, 2006;



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



- 1 (10) Amounts paid, directly or indirectly, by a legal
2 service plan to a taxpayer as payment or reimbursement
3 for the provision of legal services to the taxpayer,
4 the taxpayer's spouse, and the taxpayer's dependents;
- 5 (11) Contributions by an employer to a legal service plan
6 for compensation (through insurance or otherwise) to
7 the employer's employees for the costs of legal
8 services incurred by the employer's employees, their
9 spouses, and their dependents;
- 10 (12) Amounts received in the form of a monthly surcharge by
11 a utility acting on behalf of an affected utility
12 under section 269-16.3; provided that amounts retained
13 by the acting utility for collection or other costs
14 shall not be included in this exemption;
- 15 ~~[(13) Amounts received in the form of a cable surcharge by~~
16 ~~an electric utility company acting on behalf of a~~
17 ~~certified cable company under section 269-134,~~
18 ~~provided that any amounts retained by that electric~~
19 ~~utility company for collection or other costs shall~~
20 ~~not be included in this exemption;] and~~



1 [~~14~~] (13) One hundred per cent of the gain realized by a
2 fee simple owner from the sale of a leased fee
3 interest in units within a condominium project,
4 cooperative project, or planned unit development to
5 the association of owners under chapter 514A or 514B,
6 or the residential cooperative corporation of the
7 leasehold units.

8 For purposes of this paragraph:

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

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

15 "Condominium project" and "cooperative project"
16 shall have the same meanings as provided under section
17 514C-1."

18 SECTION 5. Section 269-30, Hawaii Revised Statutes, is
19 amended to read as follows:

20 "**§269-30 Finances; public utility fee.** (a) Sections
21 607-5 to 607-9 shall apply to the public utilities commission



1 and each commissioner, as well as to the supreme and circuit
2 courts, and all costs and fees paid or collected pursuant to
3 this section shall be deposited with the director of finance to
4 the credit of the public utilities commission special fund
5 established under section 269-33.

6 (b) There also shall be paid to the public utilities
7 commission in each of the months of July and December of each
8 year, by each public utility subject to investigation by the
9 public utilities commission, a fee equal to one-fourth of one
10 per cent of the gross income from the public utility's business
11 during the preceding year, or the sum of \$30, whichever is
12 greater. This fee shall be deposited with the director of
13 finance to the credit of the public utilities commission special
14 fund.

15 (c) Each public utility paying a fee under subsection (b)
16 may impose a surcharge to recover the amount paid above one-
17 eighth of one per cent of gross income. The surcharge imposed
18 shall not be subject to the notice, hearing, and approval
19 requirements of this chapter; provided that the surcharge may be
20 imposed by the utility only after thirty days' notice to the
21 public utilities commission. Unless ordered by the public



1 utilities commission, the surcharge shall be imposed only until
2 the conclusion of the public utility's next rate case; provided
3 that the surcharge shall be subject to refund with interest at
4 the public utility's authorized rate of return on rate base if
5 the utility collects more money from the surcharge than actually
6 paid due to the increase in the fee to one-fourth of one per
7 cent.

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

13 ~~[(e) Amounts received in the form of a cable surcharge by~~
14 ~~an electric utility company acting on behalf of a certified~~
15 ~~cable company under section 269-134 shall not be deemed gross~~
16 ~~income for that electric utility company for purposes of this~~
17 ~~section; provided that any amounts retained by that electric~~
18 ~~utility company for collection or other costs shall not be~~
19 ~~included in this exemption.] "~~

20 SECTION 6. Section 239-5.6, Hawaii Revised Statutes, is
21 repealed.



1 ~~["§239-5.6] Cable surcharge amounts exempt. Amounts~~
2 ~~received in the form of a cable surcharge by an electric utility~~
3 ~~company acting on behalf of a certified cable company under~~
4 ~~section 269-134 shall not be deemed gross income of that~~
5 ~~electric utility company for purposes of this chapter; provided~~
6 ~~that any amounts retained by that electric utility company for~~
7 ~~collection or other costs shall not be included in this~~
8 ~~exemption."]~~

9 SECTION 7. Section 240-1.6, Hawaii Revised Statutes, is
10 repealed.

11 ~~["§240-1.6] Cable surcharge amounts exempt. Amounts~~
12 ~~received in the form of a cable surcharge by an electric utility~~
13 ~~company acting on behalf of an affected certified cable company~~
14 ~~under section 269-134 shall not be deemed gross receipts for~~
15 ~~that electric utility company for purposes of this chapter;~~
16 ~~provided that any amounts retained by that electric utility~~
17 ~~company for collection or other costs shall not be included in~~
18 ~~this exemption."]~~

19 SECTION 8. Section 269-133, Hawaii Revised Statutes, is
20 repealed.



1 ~~["§269-133] Transmission tariff. The commission shall,~~
2 ~~by 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, unless otherwise ordered by the commission. The~~
9 ~~tariff shall specify the terms and conditions under which the~~
10 ~~certified cable company will be entitled to receive revenues~~
11 ~~collected through the cable surcharge, established pursuant to~~
12 ~~section 269-134. The certified cable company may submit its~~
13 ~~proposed tariff for approval prior to the expected commercial~~
14 ~~operations date, and the commission shall take final action on~~
15 ~~the proposed tariff within one hundred twenty days after~~
16 ~~submittal of the proposed tariff with supporting documentation~~
17 ~~as may be required by the commission, provided that the~~
18 ~~commission may extend the timeline as necessary."]~~

19 SECTION 9. Act 165, Session Laws of Hawaii 2012, is
20 amended by amending section 9 to read as follows:



1 "SECTION 9. This Act shall take effect on July 1, 2012;
 2 provided that the [~~amendments~~] amendment made to section [~~235-~~
 3 ~~7~~] 235-7(a)(12), Hawaii Revised Statutes, in section 5 of this
 4 Act shall not be repealed when that section is reenacted on
 5 January 1, [~~2013~~] 2018, pursuant to Act 166, Session Laws of
 6 Hawaii 2007[~~-~~], as amended by section 5 of Act 220, Session Laws
 7 of Hawaii 2012."

PART IV

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

11 SECTION 11. This Act shall take effect upon its approval.

12

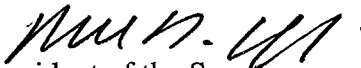
APPROVED this day of , 2017


GOVERNOR OF THE STATE OF HAWAII

THE SENATE OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Twenty-ninth Legislature of the State of Hawaii, Regular Session of 2017.


President of the Senate


Clerk of the Senate

SB No. 376, SD 1, HD 1, CD 1

THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: May 2, 2017
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Twenty-Ninth Legislature of the State of Hawaii, Regular Session of 2017.



Joseph M. Souki
Speaker
House of Representatives



Brian L. Takeshita
Chief Clerk
House of Representatives