

ACT 277

S.B. NO. 2468

A Bill for an Act Relating to the Issuance of Special Purpose Revenue Bonds to Assist Utilities Serving the General Public.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds and declares that the issuance of special purpose revenue bonds and refunding special purpose revenue bonds under this Act will assist the utilities providing electric service to the general public in obtaining lower interest rate bond financing for capital improvement projects, through the use of tax exempt special purpose revenue bonds and refunding bonds. This savings in interest cost would be reflected in the electric rates established by the public utilities commission in rate case proceedings. Ratepayers pay for capital costs, including the cost of financing, as part of the rates set by the public utilities commission. Therefore, the entire savings resulting from the reduction in capital costs will benefit the ratepayers. Furthermore, these bonds cannot be secured directly or indirectly by the general credit of the counties or the revenues or taxes of the State but rather solely by the utilities. Thus, the cost of financing necessary capital improvements can be decreased with no cost or risk to the State. For the foregoing reasons, the legislature finds and declares that the issuance under this Act of special purpose revenue bonds and refunding special purpose revenue bonds is in the public interest and for the public health, safety, and general welfare. Hawaiian Electric Company, Hawaii Electric Light Company, Maui Electric Company, and Kauai Electric Division of Citizens Utilities Company are electric utilities serving the general public that qualify for special purpose revenue bonds pursuant to chapter 39A, part VI, Hawaii Revised Statutes.

SECTION 2. The department of budget and finance is authorized to issue special purpose revenue bonds in one or more series in a total amount not to exceed \$165,410,000 for the following capital improvement programs which are multi-project programs for the local furnishing of electric energy by electric utilities serving the general public:

Company	Amount of Authorization
Hawaiian Electric Company, Oahu Multi-project capital improvement program, including generating facilities and power plant additions or electric systems or both, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1988 through December 31, 1991	\$97,410,000
Hawaii Electric Light Company, Hawaii Multi-project capital improvement program, including the acquisition of land, generating facilities (including a new fossil fuel generating unit on the island of Ha-	

waii) and power plant additions or electric systems or both, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1988 through December 31, 1991	\$24,000,000
Kauai Electric Division of Citizens Utilities Company, Kauai	
Multi-project capital improvement program, including acquisition of land, transmission lines, generating facilities (including two additional diesel generating units at the Port Allen station), and other power plant additions or electric systems or both, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1988 through December 31, 1991	\$34,000,000
Maui Electric Company, Maui	
Multi-project capital improvement program, including the acquisition of land, generating facilities (including a new fossil fuel generating unit on the island of Maui) and power plant additions or electric systems or both, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1988 through December 31, 1991	\$10,000,000

provided that public utilities commission approval shall be required for any project financed by the issuance of special purpose revenue bonds under this Act, and provided further that, of the amount authorized in this section, none shall be used for nuclear fuel generating units.

SECTION 3. The public utilities commission shall report annually to the legislature as to the progress under this Act in reducing financing costs of electric utilities, including the cost of the bonds at the time of issue as compared to the cost to the utility if the issue was made on other than the revenue bond provision, the estimated benefits derived from the use of the special purpose revenue bonds, and a listing of the projects to be funded by the special purpose revenue bonds.

SECTION 4. The department of budget and finance is authorized to issue from time to time, including times subsequent to December 31, 1991, refunding special purpose revenue bonds in whatever principal amounts the department shall determine to be necessary to refund the special purpose revenue bonds authorized in section 2 and any refunding special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption, and the refunding special purpose revenue bonds shall be bonds for the multi-project programs described in section 2. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized by this section.

SECTION 5. The special purpose revenue bonds and the refunding special purpose revenue bonds issued under this Act shall be issued pursuant to chapter 39A, part VI, Hawaii Revised Statutes, relating to the power to issue special purpose revenue bonds and refunding special purpose revenue bonds to assist utilities serving the general public in providing electric energy.

SECTION 6. This Act shall take effect upon its approval.

(Approved June 13, 1988.)