

ACT 148

H.B. NO. 2945

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 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 of the State. The legislature further finds that Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited, are electric utilities serving the general public that qualify for special purpose revenue bonds pursuant to part VI, chapter 39A, Hawaii Revised Statutes.

SECTION 2. Pursuant to part VI, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor is authorized to issue special purpose revenue bonds in one or more series in a total amount not to exceed \$170,000,000 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:

<u>Company</u>	<u>Amount of Authorization</u>
Hawaiian Electric Company, Inc. (Oahu) Multi-project capital improvement program, including the acquisition of land, power plant additions, transmission and distribution lines, substations, and other electric systems and facilities, or any combination thereof, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1994, through December 31, 1997 .....	\$70,000,000
Hawaii Electric Light Company, Inc. Multi-project capital improvement program, including the acquisition of land, generating facilities (including three new fossil fuel generating units on the island of Hawaii), power plant additions, transmission and distribution lines, substations, and other electric systems and facilities, or any combination thereof, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1994, through December 31, 1997 .....	\$45,000,000
Maui Electric Company, Limited Multi-project capital improvement program, including the acquisition of land, generating facilities (including one new fossil fuel gathering unit on the island of Maui, and three new fossil fuel generating units on the island of Lanai), power plant additions, transmission and distribution lines, substations, and other electric systems and facilities, or any combination thereof, for the financing of which special purpose revenue bonds will be issued during the period from July 1, 1994, through December 31, 1997 .....	\$55,000,000

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. Pursuant to part VI, chapter 39A, Hawaii Revised Statutes, the department of budget and finance is authorized to issue from time to time, including times subsequent to December 31, 1997, 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 of budget and finance 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 4.** The special purpose revenue bonds and the refunding special purpose revenue bonds issued under this Act shall be issued pursuant to part VI, chapter 39A, 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 5.** The authorization to issue special purpose revenue bonds under this Act shall lapse on December 31, 1997.

**SECTION 6.** 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 under 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 7.** This Act shall take effect upon its approval.

(Approved June 9, 1994.)