

ACT 262

H.B. NO. 2671

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 cost bond financing for capital improvement projects, through the use of tax exempt special purpose revenue bonds and refunding bonds. This savings in 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 savings resulting from the reduction in financing 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. and Hawaii Electric Light Company, Inc. 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, with the approval of the governor, is authorized to issue special purpose revenue bonds in one or more series during the period from the effective date of this Act through December 31, 2003, in a total amount not to exceed \$100,000,000 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, facilities used to produce electricity, transmission and distribution facilities, and other electric systems and facilities, or any combination thereof	\$75,000,000
Hawaii Electric Light Company, Inc. Multi-project capital improvement program, including the acquisition of land, facilities used to produce electricity (including two new fossil fuel generating units on the island of Hawaii), transmission and distribution facilities, and other electric systems and facilities, or any combination thereof	\$25,000,000

provided that, of the amount authorized in this section for Hawaiian Electric Company, Inc. (Oahu), none shall be used to fund the installation of a 138 kV line between the Kamoku Substation and the Pukele Substation; and 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 a comparison of the cost of the revenue bonds issued under this Act to the cost of an alternative type of taxable financing, and a listing of the projects which may 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, 2003, refunding special purpose revenue bonds in whatever principal amounts the department shall determine to be necessary to refund:

- (1) The special purpose revenue bonds issued pursuant to section 2 of this Act; and
- (2) Any refunding special purpose revenue bonds issued pursuant to this section.

The refunding special purpose revenue bonds may be issued regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption. The refunding special purpose revenue bonds shall be bonds for the multi-project programs described in section 2. In making the determination to issue refunding special purpose revenue bonds, 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.

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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. The authorization in section 2 to issue special purpose revenue bonds under this Act shall lapse on December 31, 2003.

SECTION 7. This Act shall take effect upon its approval.

(Approved July 20, 1998.)