

A Bill for an Act Relating to the Issuance of Special Purpose Revenue Bonds to Assist the Gas Utility 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 gas utility in providing utility gas services to the general public and in obtaining lower interest rate bond financing for capital improvement projects through the use of tax exempt special purpose revenue bonds and refunding bonds. Ratepayers pay for capital costs, including the cost of financing, as part of the rates set by the public utilities commission. The savings in interest cost would be reflected in the gas rates established by the public utilities commission in subsequent rate case proceedings. Therefore, the resulting reduction in capital costs will benefit the gas utility 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 gas utility. 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. The legislature further finds that The Gas Company, a division of Citizens Utilities Company, is the gas utility serving the general public that qualifies for special purpose revenue bonds pursuant to chapter 39A, part VI, Hawaii Revised Statutes.

SECTION 2. The department of budget and finance, with approval of the governor, is authorized to issue special purpose revenue bonds in one or more series in a total amount not to exceed \$19,600,000 for the following capital improvement programs for the local furnishing of utility gas by The Gas Company, division of Citizens Utilities Company, the gas utility serving the general public: multi-purpose capital improvement program, transmission and distribution lines, and other gas utility facilities and equipment or any combination thereof. The legislature finds that the activities and facilities of The Gas Company constitute a project, and that the financing thereof is assistance to a utility serving the general public in providing gas. The special purpose revenue bonds will be issued during the period from July 1, 1999, through December 31, 2002; provided that approval by the public utilities commission shall be required for any project financed by the issuance of special purpose revenue bonds under this Act.

SECTION 3. The public utilities commission shall report annually to the legislature as to the progress under this Act in reducing financing costs of the gas utility 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 issuance of revenue bonds, 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, from time to time, including times subsequent to December 31, 2002, to issue 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 of 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 or whether 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 utility gas.

SECTION 6. The authorization to issue special purpose revenue bonds under this Act shall lapse on December 31, 2002.

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

(Approved July 6, 1999.)