

SB 3001

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON
ENERGY & ENVIRONMENT
FEBRUARY 5, 2008**

MEASURE: S.B. No. 3001

TITLE: Relating to Energy Efficiency.

Chair Menor and Members of the Committee:

DESCRIPTION:

This bill proposes to clarify provisions in chapter 269, Hawaii Revised Statutes ("HRS") relating to administration and use of moneys supporting energy-efficiency and demand-side management ("DSM") programs and services. Among other things, the bill makes consistent the wording of chapter 269, part VII, HRS, with the processes and procedures applicable to third-party administration of energy-efficiency and DSM programs and services.

POSITION:

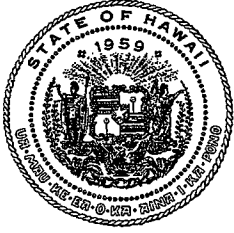
The Public Utilities Commission ("Commission") strongly supports this Administration bill.

COMMENTS:

- **This bill aligns the language of the law with the regulatory process and procedures that the Commission will establish through a pending docket that will apply under a third-party administrator structure for energy-efficiency and DSM programs and services in Hawaii.**
- **For example, the bill changes "public benefits fund" to "public benefits fee," and makes other related amendments within chapter 269, part VII, HRS, to clarify that the moneys collected for purposes of funding energy-efficiency and DSM programs and services will not actually be deposited into a state fund for expenditure by the Commission.**
 - As presently worded, chapter 269, part VII, HRS can be inaccurately interpreted to mean that upon the establishment of a public benefits fund, moneys collected by the public utilities through current DSM surcharges will be transferred to the Commission, and the Commission will then deposit them into the state treasury and expend those moneys subject to legislative appropriation.

- In actuality, under a third-party administrator structure, the Commission will require an initial transfer of DSM surcharge moneys from public utilities to the third-party administrator, which will receive the public benefits fees and expend them consistent with Commission-approved programs and services. In effect, the third-party administrator will act as public utilities currently do.
- For this reason, the bill makes explicitly clear that public benefits fees shall not be considered state or public moneys subject to legislative appropriation and shall not be required to be deposited into the state treasury.
- **Also under the bill, the State has express authority to participate in any energy-efficiency and DSM programs and services offered by the third-party administrator.**
 - This clarification removes possible misinterpretation that the law prohibits state agencies from participating in these programs and services or deriving any benefit from them.
- **Finally, the bill clarifies language contained in § 269-122(b), HRS relating to regulation of the public benefits fee administrator.**
 - The current language is not clear as to whether the public benefits fee administrator is a public utility under Commission regulation.
 - Under the clarifying language, the public benefits fee administrator will be regulated under certain sections of chapter 269 that are also applicable to public utilities, but would not itself be a public utility.

Thank you for the opportunity to testify.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday, February 5, 2008
3:00 p.m.
State Capitol, Conference Room 414

in consideration of
SB 3001

RELATING TO ENERGY EFFICIENCY.

Chair Menor, Vice Chair Hooser, and Members of the
Committee.

The Department of Business, Economic Development, and Tourism
(DBEDT) supports the intent of SB 3001, which clarifies certain
sections of Chapter 269, Part VII, relating to the Public
Benefits Fund.

The bill proposes to amend Sections 269-121 to 269-124 with
the intent to clarify, and DBEDT supports the general intent of
the bill, and defers to the Department of Budget and Finance on
the proposed changes.

Thank you for the opportunity to testify.



LINDA LINGLE
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JAMES R. AIONA, JR.
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LAWRENCE M. REIFURTH
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RONALD BOYER
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TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Tuesday, February 5, 2008
3:00 p.m.

TESTIMONY OF CATHERINE P. AWAKUNI, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS TO THE HONORABLE SENATOR MENOR, CHAIR
AND MEMBERS OF THE COMMITTEE

SENATE BILL NO. 3001 – RELATING TO ENERGY EFFICIENCY.

DESCRIPTION:

This measure clarifies provisions of chapter 269, Part VII, Hawaii Revised Statutes, relating to the administration and use of moneys supporting energy-efficiency and demand-side management programs and services.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports this Administration measure, which clarifies chapter 269, part VII, HRS.

S.B. No. 3001
Senate Committee on Energy and Environment
Tuesday, February 5, 2008, 3:00 p.m.

COMMENTS:

The clarification is necessary to ensure that the statute cannot be inaccurately interpreted to mean that, should the Public Utilities Commission establish a public benefits fund, moneys collected by the public utilities through current demand-side management surcharges will be transferred to the Public Utilities Commission, which would then possess and expend those moneys, subject to legislative appropriation.

We also question whether it may be necessary to specifically exempt any moneys paid out by the Public Benefits Fund Administrator (e.g., rebates to customers participating in energy efficiency programs) from the State procurement law, as these funds are not State funds, but customer moneys held by a third-party for use in funding important energy efficiency and demand-side management measures. Discussions with other states utilizing such public benefits fund programs have indicated that strict interpretation of other states' statutes have required compliance with procurement processes, which greatly lengthen the amount of time to provide rebate payouts to customers, among other payments. Such delays may disincite the customer to engage in such programs.

Thank you for this opportunity to testify.

Testimony before the
Senate Committee on

Energy and Environment

S.B. 3001 – Relating to Renewable Energy

Tuesday, February 5, 2008
3:00 pm, Conference Room 414

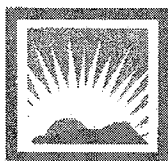
By William A. Bonnet
Vice President, Government & Community Affairs
Hawaiian Electric Company, Inc.

Chair Menor, Vice Chair Hooser and Members of the Committee:

My name is Bill Bonnet and I am testifying on behalf of Hawaiian Electric Company, Inc. and its subsidiary utilities, Maui Electric Company, Ltd. and Hawaii Electric Light Company.

Hawaiian Electric Company supports S.B. 3001, which allows demand-side management surcharge proceeds to be transferred to and managed by a third party administrator appointed by the Public Utilities Commission. This would avoid the need for the Commission to create and administer a state fund. The bill ensures that moneys collected from utility customers will be used for their intended purpose of supporting energy efficiency and conservation programs and services. The Commission still retains responsibility, control, and oversight of the moneys through a contract with the third-party administrator.

We urge your favorable consideration of this bill and appreciate the opportunity to provide testimony.



LATE TESTIMONY

Hawaii Solar Energy Association
Serving Hawaii Since 1977

TESTIMONY OF THE HAWAII SOLAR ENERGY ASSOCIATION
IN REGARD TO S.B. 3001
RELATING TO ENERGY EFFICIENCY
BEFORE THE
SENATE COMMITTEE ON ENERGY & ENVIRONMENT
ON
TUESDAY, FEBRUARY 5, 2008

Chair Menor, Vice-Chair Hooser and members of the committee, my name is Richard Reed and I represent the Hawaii Solar Energy Assn. (HSEA). HSEA strongly supports the passage of S.B. 3001.

S.B. 3001 clarifies that the public benefits fees collected by Hawaii's electric utility companies and then transferred to a new third-party DSM administrator appointed by the PUC shall not be considered state or public funds subject to appropriation by the legislature or for deposit into the state general fund.

State raids on dedicated funds are common. In a paper for the Regulatory Assistance Project, or RAP, entitled "Who Should Deliver Ratepayer Funded Energy Efficiency?", Cheryl Harrington discusses raids on public benefit funds in Maine, Wisconsin, Ohio and Connecticut. A raid has been threatened in Oregon. In the Connecticut example, the legislature appropriated \$12 million from a *utility-held* public benefic account to the general fund.

S.B. 3001 makes clear that the sole purpose of a public benefits fund in Hawaii is to provide demand-side management and energy-efficiency services to Hawaii's residential and commercial ratepayers. The bill also makes explicit that the State of Hawaii may participate in any of the DSM programs on the same basis as any other ratepayer.

The transition of DSM and energy-efficiency programs from our electric utility companies to a third party administrator is already underway. This bill provides additional clarity to the law and guidance to the PUC.

Thank you for the opportunity to testify.