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TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL
PROTECTION

THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

Tuesday, March 11, 2008
9:00 a.m.

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

**SENATE BILL NO. 3001, SENATE DRAFT 2 – 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. We recommend that the measure be amended to be effective upon approval.

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

S.B. No. 3001, S.D. 2
House Committee on Energy and Environmental Protection
Tuesday, March 11, 2008, 9:00 a.m.

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.

It may also be necessary to clarify the law by specifically exempting 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 discourage the customer from engaging in such programs.

Thank you for this opportunity to testify.

**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

MARCH 11, 2008**

MEASURE: S.B. No. 3001 S.D. 2
TITLE: Relating to Energy Efficiency.

Chair Morita 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.
- **In addition, 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.
- **Finally, the Commission requests your committee to amend the effective date in Section 4 of bill, to allow the Act to take effect upon its approval.**
 - The current language establishes an effective date of July 1, 2050. The Commission plans to transition to a third-party administration of energy-efficiency and DSM programs and services beginning January 1, 2009. Request for Proposals for the third party administrator will be issued shortly.

Thank you for the opportunity to testify.



COLLEGE OF SOCIAL SCIENCES
HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

Hawai'i Energy Policy Forum

Mr. Robbie Alm, HECO
Ms. Amy Asselbayer, Ofc of US Rep.
Neil Abercrombie
Ms. Madeleine Austin, World Business Academy
Ms. Catherine Awakuni, Div. of Consumer Advocacy
Mr. Warren Bollmeier
Hi Renewable Energy Alliance
Mr. Carlito Caliboso, PUC (Observer)
Mr. Albert Chee, Chevron
Mr. Kyle Datta, U.S. Biofuels
Sen. Kalani English, Hi State Senate
Mr. Mitch Ewan, UH HNEI
Mr. Carl Freedman
Haiku Design and Analysis
Mr. Mark Glick, OHA
Mr. Steve Golden, The Gas Company
Dr. Michael Hamnett, RCUH
Ms. Paula Helfrich, EDAH
Mr. William Kaneko, HI Institute for Public Affairs
Mr. Darren Kimura, Energy Industries Holdings
Mr. Mike Kitamura, Ofc of US Sen. Daniel K. Akaka
Mr. Kal Kobayashi, Maui County
Mr. Laurence Lau, DOH
Ms. Yvonne Lau, Ofc of US Rep. Mazie Hirono
Mr. Allyn Lee, C&C of HNL
Mr. Aaron Leong, Ofc of US Senator Daniel K. Inouye
Dr. Stephen Meder, AIA-Honolulu
Sen. Ron Menor, Hi State Senate
Mr. Jeff Mikulina, Sierra Club
Dr. Bruce Miller, UH Ofc of Sustainability
Dr. Sharon Miyashiro, Social Sciences Public Policy Ctr.
Rep. Hermina Morita, HI State House of Representatives
Mr. Tim O'Connell, USDA/Rural Development
Mr. Richard Paglinawan
Pa Ku'i A Lua
Ms. Melissa Pavlicek, Western States Petroleum Assn
Mr. Randy Perreira, HI State AFL-CIO
Mr. Rick Reed, Inter-Island Solar Supply
Dr. Rick Rocheleau, UH HNEI
Mr. Peter Rosegg, HECO
Mr. Steven Rymsha, KIUC
Mr. Riley Saito, PowerLight Corp.
Mr. Glenn Sato, Kauai County OED
Ms. Carilyn Shon, DBEDT
Mr. Bill Short, BIA of Hawaii
Mr. Ray Starling, HI Energy Grp
Mr. Lance Tanaka, Tesoro HI Corp
Dr. Don Thomas, UH Center for the Study of Active Volcanoes
Mr. Murray Towill, Hawai'i Hotel Assn
Ms. Joan White, Hon Community Action Program

Testimony of
Carl Freedman

Chair – Regulatory Reform Working Group
Hawai'i Energy Policy Forum

House Committee on Energy & Environmental Protection
Tuesday, March 11, 2008
9:00 a.m.
Conference Room 312

IN SUPPORT OF S.B. 3001 SD2 – Energy Efficiency; Public Benefits

I am Carl Freedman, Chair of the Regulatory Reform Working Group of the Hawaii Energy Policy Forum ("Forum"). The Forum is comprised of 46 representatives from the electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. We have been meeting since 2002 and have adopted a common vision and mission, and a comprehensive "10 Point Action Plan," which serves as a framework and guide for meeting our preferred energy vision and goals. The Forum supports the passage of SB 3001, SD 2 as it helps achieve several points of the Forum's Action Plan.

The purpose of SB 3001, SD 2 is to ensure that statutory language regarding the Public Benefits Fee is consistent with existing legislative intent and the regulatory practices of the Public Utilities Commission (PUC). In particular, SB 3001, SD 2 clarifies that (1) the public benefits fee administrator is not a public utility but will be subject to regulation by the PUC under provisions applicable to public utilities, and (2) public benefit fee moneys collected from utility bills to fund the administration and implementation of energy efficiency services are not state funds.

The clarifications provided by SB 3001, SD 2 will ensure that energy efficiency programs will be administered efficiently in a manner consistent with practices applied to existing public utilities, with oversight and regulation by the PUC. SB 3001, SD 2 clarifies that, identical to the way procedures are now applied to existing public utilities, the state's procurement laws and state budget appropriation procedures do not apply to moneys collected from utility tariffs for utility programs.

SB 3001 SD2 will therefore further the efficient implementation and accountable regulation of Hawai'i's energy efficiency programs.

Thank you for this opportunity to testify.

This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organization

Testimony before the
House Committee on

Energy and Environmental Protection

S.B. 3001, SD2 – Relating to Renewable Energy

Tuesday, March 11, 2008
9:00 am, Conference Room 312

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

Chair Morita, Vice Chair Carroll 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, SD2, 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.