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Bill No. 1855

Support Y N —

Date 1/25

Time 7:47 AM

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LAWRENCE M. REIFURTH
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Type 1 2 WI

TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2010

TUESDAY, JANUARY 26, 2010
8:00 A.M.

TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR,
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND
CONSUMER AFFAIRS, TO THE HONORABLE HERMINA M. MORITA, CHAIR, AND
MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 1855, – RELATING TO PUBLIC UTILITIES.

DESCRIPTION:

This measure proposes to allow public utilities providing electrical services to recover from ratepayers costs and a fifteen percent rate of return on investments in and installations of voltage regulation technologies that meet certain criteria.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") offers comments for the Committee's consideration.

COMMENTS:

The measure seeks to give public utility companies certain financial incentives to invest in and install voltage regulation technologies.

The Consumer Advocate is concerned that one specific technology is being targeted for a premium investment return. There are many possible technologies and measures that can and should be considered when planning for Hawaii's migration towards an electric industry that uses more renewable energy and uses its energy more efficiently. The proposed measure may cause an unnecessary, and possibly inappropriate, bias that might result in a less than optimal investment in plant.

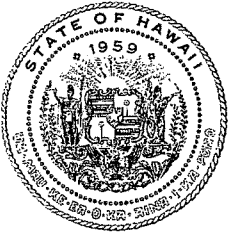
The former Integrated Resources Planning process has been terminated and there is an ongoing process to develop the appropriate means of long range planning in the electric industry. Whether that planning takes the form of a modified Integrated

Resources Planning process or Clean Energy Scenario Planning Process, once adopted by the Public Utilities Commission ("Commission"), that forum will provide the appropriate setting in which to evaluate all of the possible options, such as generation, energy efficiency, and load control measures, that can be used. If voltage regulation technologies are appropriate measures to meet the needs of any island electric grid, then those technologies will be appropriately identified and used.

In some of the most recent rate increase applications filed with the Commission by the energy companies, such as Hawaiian Electric Company, Inc. and Hawaii Electric Light Company, Inc., the rate of return that was requested by the companies was 8.81% and 8.73% respectively. Thus, a rate of return of 15% for the voltage regulation technologies appears excessive. Even if the proposed 15% rate of return is limited to only investments in voltage regulation technologies, requiring the customers of electric utility companies to bear this excessive rate of return may not be in the public interest.

In addition, as written, the proposed measure would allow the electric cooperative, Kauai Island Utility Cooperative, the company serving the member owners on the island of Kauai, to collect 15% on voltage regulation technologies. The proposed incentive is a mechanism that might be appropriate for investor owned utility companies, but appears inappropriate for a cooperative.

Thank you for this 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
**HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION**

Tuesday, January 26, 2010
8:00 a.m.
State Capitol, Conference Room 325

in consideration of

**HB 1855
RELATING TO PUBLIC UTILITIES, VOLTAGE REGULATION**

Bill No. 1855
Support Y N
Date 1/25
Time 1358
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Good Morning, Chair Morita, Vice Chair Coffman, and Members of the Committee.

House Bill 1855 amends Section 269 to allow electric utilities to recover the costs of installing “voltage regulation technologies”, plus a fifteen percent rate of return on such costs or investments. The Department of Business, Economic Development and Tourism (DBEDT) supports the intent or purpose of installing voltage regulation technologies as specified in the bill.

However, the determination of the appropriate rate of return on utility investments as well as the determination of the prudence of a utility’s costs and investments including cost recovery are under the purview and authority of the Public Utilities Commission (PUC) pursuant to Section 269-16, HRS, and DBEDT believes that these issues are best addressed by the PUC in the exercise of their regulatory function and oversight.

There are several regulatory proceedings currently before the PUC that are addressing clean energy initiatives such as reducing energy consumption and improving grid access.

DBEDT believes that the amendments proposed in HB1855 will best serve the public interest and help achieve the State's clean energy goals if addressed by the PUC in the exercise of its regulatory function.

Thank you for the opportunity to testify.

Testimony Before the House Committee
On
Energy & Environmental Protection
January 26, 2010 (8:00 AM)
H.B. 1855 RELATING TO PUBLIC UTILITIES

By: Alan Hee
Energy Services Department
Hawaiian Electric Company, Inc.

Bill No. HB 1855
Support Y (N)
Date 1/25/10
Time 1758
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Type 1 (2) WI

Chair Morita, Vice Chair Coffman and Members of the Committee:

My name is Alan Hee, and I represent Hawaiian Electric Company (HECO) and its subsidiary utilities, Hawaii Electric Light Company (HELCO) and Maui Electric Company (MECO). I appreciate the opportunity to present testimony on H.B. 1855.

H.B. 1855 provides utilities with a 15% rate of return on investments or installations of voltage regulation devices that reduce energy consumption. While Hawaiian Electric is no longer the administrator of energy efficiency programs, we believe there is a role for cost-effective voltage regulation devices in energy efficiency. Further, Hawaiian Electric appreciates the acknowledgement by the Legislature that utilities should be allowed an adequate rate of return on investments made on behalf of its customers.

However, as you know, the determination of the allowed rate of return on utility investments has traditionally been the role of the Public Utilities Commission. Hawaiian Electric continues to support the PUC's role in that regard.

Thank you for this opportunity to testify on this measure.

HAWAII RENEWABLE ENERGY ALLIANCE

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John Crouch
Sunpower

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

**TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII
RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION**

HB 1855, RELATING TO PUBLIC UTILITIES

January 26, 2010

Chair Morita, Vice-Chair Coffman and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 1855 is to permit electric utilities to recover costs and earn a 15% rate of return from ratepayers on investments and installations of voltage regulation technologies that meet specified standards. HREA opposes this measure for the following reasons:

1. Is there precedent for this type of measure? There maybe, but we are not aware of one.
2. Is there any evidence presented in the bill's preamble to support the recommended change in statute? No, given that there is no preamble to the proposed new section.
3. Discussion. HREA notes that the subject of "rate of return" and/or "return on equity" has been discussed in a number of dockets at the Public Utilities Commission in which HREA has been an Intervenor. In general, a higher ROR or ROE would be warranted given a higher risk endeavor. Invariably, the Parties cannot agree as to an appropriate ROR or ROE for a specific case in point. And, in any case, the Commission would review and approve, deny or modify said ROR or ROE request by the utility.
4. Recommendation. In our opinion, the utility should seek approval for recovery of its costs associated with "voltage regulation technologies" in a rate case or in a separate filing, as appropriate. Therefore, we recommend holding this bill.

Thank you for this opportunity to testify.

Bill No. 1855

Support Y N

Date 1/25

Time 2152

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Type 1 2 WI

Bill No. 1855Support Y NDate 1/25/10Time 5:12 PMCat AF AS AX BCType 1 2 WI

WRITTEN 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
 JANUARY 26, 2010

MEASURE: H.B. No. 1855
 TITLE: Relating to Public Utilities.

~~Chair Morita and Members of the Committee:~~

DESCRIPTION

ratepayers on investments and installations of voltage regulation technologies that meet specified standards.

POSITION:

The Public Utilities Commission ("Commission") opposes this bill.

COMMENTS:

This bill would single out one technology, voltage regulation, for a premium rate of return. In a rate case, the Commission determines a fair and reasonable rate of return on a utility's entire rate base, which is then used to set a utility's revenue requirement.

The Commission would have grave concerns with singling out any one technology over all others for a larger return. While certain voltage regulating technology may help with integrating more renewable energy into our electric grids, there are many technologies that should be considered in the greater context of planning to meet our clean energy goals. Providing a premium to just one technology would not be appropriate.

Thank you for the opportunity to testify.