

Testimony before the House Committee On Transportation

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Hawaiian Electric Company, Inc.

February 1, 2010

House Bill 2603 Relating to Cost Sharing in the Relocation and Undergrounding of Utility Facilities

Chair Souki, Vice Chair Awana and Members of the Committee:

My name is Ken Morikami and I am testifying on behalf of the Hawaiian Electric Company and its subsidiaries, Hawaii Electric Light Company and Maui Electric Company.

We **oppose** HB 2603 as it is currently written.

In accordance with a recent Decision and Order issued by the State Public Utilities Commission (PUC), Hawaiian Electric Company, Inc. (Hawaiian Electric) recently filed Docket 2009-0356 on 12/23/09 with the State Public Utilities Commission (PUC) to incorporate Hawaiian Electric's policy on underground lines in Tariff Rule 13. The policy sets forth a cost sharing formula as follows: 80% federal funds, 10% state funds and 10% utility funds. This formula was first established by the Federal Highways Administration in connection with the Emergency Waimea Bay Rock Slide project and has become the cost sharing model for use in all subsequent projects following the enactment of this undergrounding statute. HRS § 264-33.5 states: "The director of transportation shall arrange for the installation of all utility cables and facilities below the ground... when a determination is made that federal highway funds are available to pay for the federal share of the cost differential between underground and overhead facilities" Accordingly, consistent with the language of the foregoing provision, available federal monies should be actively pursued and utilized by the State Department of Transportation (DOT) to pay for the relocation and undergrounding desired by the State DOT. The proposed change in the bill would require the utility to incur 50% of the costs. Additionally, proposed section 2 (c) in the bill would also require additional credits such as depreciation credit, salvage value and \$10,000. All costs proposed by the bill would be added cost to our customers.

We are aware of the State DOT's desire for improvements to Hawaii's highway system; however, the existing overhead line proposed to be relocated is currently operating and serving customers. We note that the State DOT's request to relocate and place underground existing overhead lines is 4 to 5 times more costly than relocating the lines overhead. We further note that in these cases, the relocation and undergrounding is requested by the State DOT. Accordingly, the requestor demanding the more costly alternative should be willing to pay for the choice. Additionally, Hawaiian Electric is mandated to follow all of its tariffs approved by the State PUC, including Tariff Rule 13, which states that the party seeking to relocate and place existing lines underground, is responsible for the overhead and underground cost differential.

Hawaiian Electric agrees clarifying the cost sharing provisions in HRS Section 264-33.5 is necessary; however, we are opposed to paying 50% of the cost to underground utility facilities as currently proposed.

Hawaiian Electric also opposes the amendment which would require utility owners to make payment within 30 days when the utility owner's share of the cost is determined. The proposed amendment is contrary to State PUC regulatory requirements which prohibit Hawaiian Electric from committing funds earlier than 60 days after filing of the PUC application. The proposed upfront payment, prior to any construction being completed, is not a construction industry standard. Progress payments which are remitted as the construction work is completed, is the more common practice involving large construction projects.

Although the DOT and Hawaiian Electric each have differing positions on cost sharing and upfront payments issues, we have developed a positive and cooperative relationship on many other issues. We are thankful for the State DOT's cooperation and willingness to work for the betterment of the public. Hawaiian Electric commits itself to working with our colleagues at the DOT in finding a workable solution.

Thank you for the opportunity to testify on this matter.

LATE TESTIMONY

HB 2603

RELATING TO COST SHARING IN THE RELOCATION AND UNDERGROUNDING OF UTILITY FACILITIES

LYNETTE YOSHIDA

SENIOR MANAGER - ENGINEERING

HAWAIIAN TELCOM

February 2, 2010

Chair Souki and members of the House Transportation Committee:

I am Lynette Yoshida, testifying on behalf of Hawaiian Telcom on SB 2603, Relating to Cost Sharing in the Relocation and Undergrounding of Utility Facilities. Hawaiian Telcom cannot support this measure in its present form.

HB 2603 requires utilities whose facilities occupy state highway rights-of-way to provide their share of relocation costs up front to the affected state agency and also requires that the total cost sharing for the difference between overhead relocation to underground is to be shared 50/50 between the utility owner and the transportation agency.

Both of these proposed changes place an unfair disadvantage upon Hawaiian Telcom and impose a significant negative financial drain on our company that we cannot in our current financial situation absorb. Hawaiian Telcom is not a monopoly and does not have the ability to pass on these added costs to our customers; therefore, we should not be included in this bill. Telecommunications is a highly competitive industry. Today, consumers have the freedom to choose from a wide array of other telecommunication providers and services instead of a landline, including wireless and VoIP. In addition, this measure will allow some of these other telecommunication providers to offer the same services as Hawaiian Telcom, but not be burdened by the additional relocation costs.

If the Committee decides to advance this measure, we respectfully request an exemption be provided for a "telecommunication carrier utility owner" on page 3, line 16; page 5, line 6; and page 5, line 13 of the bill.

Based on the aforementioned, unless the bill is amended to address our concerns, Hawaiian Telcom urges this committee to defer HB 2603.

Thank you for the opportunity to testify.