

JAN 23 2009

A BILL FOR AN ACT

RELATING TO THE PUBLIC UTILITIES COMMISSION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 269, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§269- Investments in infrastructure. (a) The public
5 utilities commission shall require that each electric utility
6 annually invest at least per cent of its net income in
7 expanding, upgrading, improving, replacing, or hardening its
8 energy generation and transmission infrastructure, including but
9 not limited to power transmission lines.

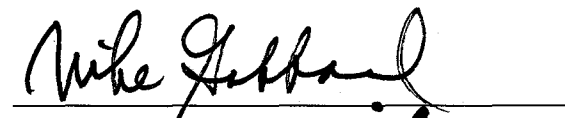

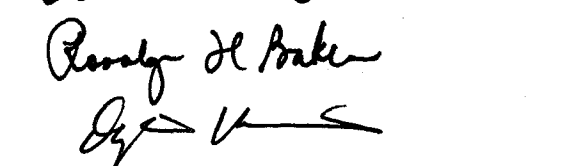
10 (b) The public utilities commission shall adopt rules
11 pursuant to chapter 91 to carry out the purpose of this
12 section."

13 SECTION 2. New statutory material is underscored.

14 SECTION 3. This Act shall take effect on July 1, 2009.

15

INTRODUCED BY:

Report Title:

Public Utilities Commission; Electric Utilities; Infrastructure

Description:

Directs public utilities commission to require that each electric utility invest a percentage of its net income in expanding, upgrading, improving, replacing, or hardening its generation and transmission infrastructure.



**TESTIMONY OF CARLITO P. CALIBOSO
CHAIRMAN, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION
FEBRUARY 26, 2009**

MEASURE: S.B. No. 240

TITLE: Relating to the Public Utilities Commission.

Chair Baker and Members of the Committee:

DESCRIPTION:

This bill proposes to add a new section to chapter 269, Hawaii Revised Statutes ("HRS"), directing the Public Utilities Commission ("Commission") to require each electric utility to annually invest an as yet unspecified minimum percentage of its net income in expanding, upgrading, improving, replacing, or hardening its energy generation and transmission infrastructure.

POSITION:

The Commission respectfully opposes this bill, as it appears to be an attempt to micromanage electric utilities by imposing an arbitrary and mandatory requirement that a certain percentage of net income be reinvested by electric utilities whether or not amounts invested are prudent or reasonable, which may result in unintended consequences.

COMMENTS:

- This bill would essentially have the Legislature and the Commission micromanage the electric utilities with respect to the amount of capital expenditures they must allocate each year out of their net income, irrespective of whether such amount invested would be necessary, prudent or reasonable. This is a task that the individual electric utilities must undertake on an ongoing basis, depending on and according to the age, configuration, and capabilities of its equipment, and ever evolving needs of the particular utility.
- Electric utilities already have a built-in incentive to invest in infrastructure in order to earn an authorized return on investment on the amounts invested, which are generally paid for by ratepayers in the form of increased rates. Therefore, utilities need not be required to reinvest.
- Imposing this arbitrary percentage requirement for re-investment would likely result in guaranteeing that utilities be allowed to recover the entire amounts invested under this new provision regardless of whether the amounts invested were ultimately determined to be reasonable and prudent investments in the judgment of the Consumer Advocate, and as ultimately determined by the Commission.

- The Commission would, under this proposal, need to perform a detailed assessment of each of the electric utilities, along with each one's scope of and need for infrastructure expenditures, both currently and projected, before a fact-based, rational and non-arbitrary determination could be made regarding a minimum percentage of net income
- The Commission has neither the fiscal resources nor the staffing to perform these kinds of assessments, and would in all likelihood have to employ consultants and other outside personnel to conduct one assessment for each electric utility, on each of the Neighbor Islands, in addition to Oahu.
- We are aware of no other jurisdiction that includes a requirement like this, and we believe it is not necessary and may result in unnecessarily increasing electricity rates.

Thank you for the opportunity to testify and provide comments and concerns on this bill.

TESTIMONY BEFORE THE
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Thursday, February 26, 2009
8:30 a.m.
Conference Room 229, State Capitol

S.B. 240
RELATING TO THE PUBLIC UTILITIES COMMISSION

By Lisa Kikuta
Director, Government & Public Affairs
Hawaiian Electric Company, Inc.

Chair Baker, Vice-chair Ige and Members of the Committee:

My name is Lisa Kikuta, testifying on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd. (collectively, the HECO Companies).

The HECO Companies appreciate the intent of the bill to provide for continual investment in generation and transmission infrastructure. However, we do not believe the bill is necessary.

The bill proposes to have the Public Utilities Commission require each electric utility to annually invest a certain fixed percentage of its net income in its generation and transmission infrastructure. However, these are not types of facilities that are typically added every year. These are large cost items that are carefully planned, engineered, and brought before the Commission for approval that are based on our operational needs and take into consideration various factors relevant at a given time. Therefore, the proposal for annual investment does not comport with the forward-looking, multi-year process that is required for typical generation and transmission projects. Rather, the Legislature should continue to rely upon the Commission to provide proper oversight of the HECO Companies' total infrastructure used in the provisioning of safe, reliable and cost-effective service to their customers.

Thank you for the opportunity to testify.