



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

Deputy Directors
MICHAEL D. FORMBY
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JIRO A. SUMADA

IN REPLY REFER TO:

March 17, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 2756 SD 2, HD 1

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

The Department of Transportation supports the intent of Senate Draft 2 of this bill, which attempts to address a long-standing challenge for the Department to complete projects involving relocation or undergrounding of utilities.

However, we believe that even with this bill, changes would still need to be made to HRS section 103D-309 to address the issue that requires the State to certify all funds, including the utility's share, prior to the advertisement of a project as HRS 264-33 does not address nor authorize changes in procurement and the way project funds are certified. Therefore, we prefer SB 506, which proposes changes to HRS section 103D-309 which would allow the State or County to certify the utility's share of a contract through a legal agreement instead of requiring the funds upfront. The provisions of SB 506 would allow the State to avoid unnecessarily locking up State funds that could be used for other projects and it would allow the utilities to hold onto their funds until the actual utility work is physically started.

SB 506, HD 2 is the result of collaboration between the Legislature, the Department and the utilities and we believe would result in a fairer relationship between the utilities and the State or County. Therefore, we request that SB 2756 be held.

Council Chair
Danny A. Mateo

Vice-Chair
Michael J. Molina

Council Members
Gladys C. Baisa
Jo Anne Johnson
Sol P. Kaho'ohalahala
Bill Kauakea Medeiros
Wayne K. Nishiki
Joseph Pontanilla
Michael P. Victorino

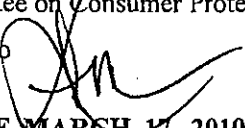


Director of Council Services
Ken Fukuoka

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

March 16, 2010

TO: The Honorable Robert N. Herkes, Chair
House Committee on Consumer Protection & Commerce

FROM: Danny A. Mateo
Council Chair 

SUBJECT: **HEARING OF MARCH 17, 2010; TESTIMONY IN OPPOSITION TO SB 2756, SD2, HD1, RELATING TO COST SHARING IN THE RELOCATION AND UNDERGROUNDING OF UTILITY FACILITIES**

Thank you for the opportunity to testify in opposition to this important measure. The purpose of this measure is to allocate cost sharing among highway agencies and utilities for projects involving the removal, relocation, replacement, or reconstruction of utility facilities that border state or county highways.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I oppose this measure for the following reasons:

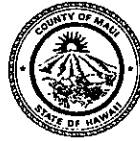
1. The proposed undergrounding is being specifically requested by the State Department of Transportation (DOT). While this proposed bill would result in a cost savings to the DOT, it would place a financial burden on the counties' utilities.
2. This proposed bill requires the counties to pay towards the cost of relocating and undergrounding of utilities when the DOT's requirements or needs dictate. Both the State and counties desire infrastructure improvements; however, this funding mandate placed on the counties (particularly during our fiscal crisis) creates an uncertain ability to comply.
3. In addition, the proposed bill would likely result in higher utility costs for our residents during a very difficult economic downturn and further frustrate the revitalization of the local economy.

For the foregoing reasons, I oppose this measure.

Council Chair
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Vice-Chair
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March 16, 2010

TO: Honorable Robert N. Herkes, Chair
Committee on Consumer Protection & Commerce

FROM: Bill Kauakea Medeiros
Council Member

DATE: Wednesday, March 17, 2010, @ 2:00pm in Conference Room 325

SUBJECT: **OPPOSITION TO SB 2756 SD2, HD1, RELATING TO COST SHARING IN THE
RELOCATION AND UNDERGROUNDING OF UTILITY FACILITIES.**

I OPPOSE SB 2756 for the reasons cited in testimony submitted by the Maui County Council Chair, and urge you to oppose this measure.

Testimony Before the House Committee on
Consumer Protection & Commerce

By: Michael V. Yamane, P.E.
Engineering Manager
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Wednesday, March 17, 2010, 2:00pm
Conference Room # 325

**Senate Bill No. 2756, S.D. 2, H.D.1 – Relating to Cost Sharing in the Relocation and
Undergrounding of Utility Facilities**

To the Honorable Robert N. Herkes, Chair; Glenn Wakai, Vice-Chair,
and members of the Committee:

KIUC opposes Senate Bill No. 2756, SD2, HD1 as drafted and respectfully submits
comments:

The purpose of this measure is to clarify the cost-sharing requirement for public utilities
and other entities that occupy State or County rights-of-way for relocating their facilities
due to highway development projects or undergrounding facilities.

However, the majority of this bill does not accurately depict KIUC's current process of
dealing with State and County relocation of utilities.

Specifically on Section 264-33.5 Undergrounding Installation, the bill as drafted would
require KIUC to pay 10% of underground facilities if federally funded, or 50% if non-
federally funded. KIUC, via PUC-approved tariff, is required to pay 50% of the
overhead pole cost equivalent of the undergrounding facilities.

Also, on the issue of payment, in most cases, KIUC completes the work and then bills
the State DOT their portion of the actual amount.

KIUC currently executes a Utility Agreement with the State Dept. of Transportation for
all State Relocation Jobs that clearly defines the cost sharing obligation of both parties.
KIUC prefers this method versus having it codified in the HRS.

Thank you for the opportunity to inform you of KIUC's position on this matter.

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843



March 16, 2010

MUJI HANNEMANN, Mayor

RANDALL Y. S. CHUNG, Chairman
SAMUEL T. HATA
WILLIAM K. MAHOE
THERESIA C. McMURDO
ADAM C. WONG

JEFFREY S. GUDIAMAT, Ex-Officio
BRENNON T. MORIOKA, Ex-Officio

WAYNE M. HASHIRO, P.E.
Manager and Chief Engineer

DEAN A. NAKANO
Deputy Manager

The Honorable Robert N. Herkes, Chair
and Members
House of Representatives
Committee on Consumer Protection & Commerce
State Capitol, Conference Room 325
Honolulu, Hawaii 96813

Dear Chair Herkes and Members:

Subject: SENATE BILL 2756, SD2, HD1, (HSCR705-10), RELATING TO COST SHARING
IN THE RELOCATION AND UNDERGROUNDING OF UTILITY FACILITIES

The Honolulu Board of Water Supply (BWS) respectfully opposes SB 2756, SD2, HD1 (HSCR705-10) which seeks to reduce costs for the Highways Division of the Department of Transportation (DOT) by requiring utilities whose facilities occupy state highway rights-of-way to provide their share of relocation costs up front and the cost differential between underground and overhead facilities to be shared equally by the utility and the DOT.

The additional relocation costs may conflict with the budget of the BWS's capital improvement program, which is based on a thorough evaluation of its current operational condition to address priority projects. Unexpected expenditures imposed by this bill may impact vital capital improvement projects, which would be deferred in order to fund the relocation costs. Deferring critical capital projects, such as water main, pump and reservoir replacement projects, may impact the BWS's ability to provide a safe and dependable water supply thereby impacting the health, safety and welfare of Oahu residents. The BWS would also have to defer other projects such as its leak detection program, which could result in an increased number of main breaks across Oahu, including on state highways.

Additionally, SB 2756, SD2, HD1 bypasses the budgetary process according to the City Charter, which requires the BWS's capital improvement program budget to be approved by its Board of Directors at a public hearing.

Furthermore, under current practice, when the DOT does roadwork and relocates an existing utility line, the financial burden of relocation rests with the DOT. Requiring utilities to incur approximately one-half of the cost of relocation of underground utility lines and facilities places a financial burden on the BWS and would then require BWS to pass these costs on to its water ratepayers, which would impact nearly every resident on the island of Oahu.

The requirement for up front payment is also detrimental to cash flow considerations and is not a construction industry standard. The more common practice for large construction projects is to make incremental payments as the work is being completed.

In conclusion, this resolution impairs the ability of the BWS to effectively carry out its duties and responsibilities to provide a safe and dependable water supply and has a negative impact on all water ratepayers. Therefore, the BWS respectfully urges this Honorable Committee to not pass SB 2756, SD2, HD1 (HSCR705-10).

The BWS appreciates the opportunity to provide testimony on this matter.

Sincerely,

WAYNE M. HASHIRO, P.E.
Manager and Chief Engineer

Water for Life . . . Ka Wai Ola

Testimony before the House Committee on Consumer Protection & Commerce

By Ken T. Morikami
Manager, Engineering Department
Hawaiian Electric Company, Inc.

March 17, 2010

Senate Bill 2756 SD2 HD1
Relating to Cost Sharing in the Relocation and Undergrounding of Utility
Facilities

Chair Herkes, Vice Chair Wakai 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 **support** SB 2756 SD2 HD1 as it is currently written as it represents a fair use of funds for projects initiated by the State Department of Transportation.

We have been working with the Department of Transportation and other utilities to address changes to the procurement law via SB506 SD1 HD2, which your Committee heard and passed jointly with the Economic Revitalization, Business and Military Affairs Committee on March 15, 2010. We feel the proposed changes in that bill (SB506 SD1 HD2) would be suitable to all parties. We therefore would not oppose deferring SB 2756 SD2 HD1 at this time.

Thank you for the opportunity to testify on this matter.

THE GAS COMPANY

P.O. Box 3000
Honolulu, Hawaii 96802-3000
www.hawaiigas.com

March 17, 2010

Testimony on SB 2756, S.D. 2, H.D. 1

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

Aloha Chair Herkes, Vice Chair Wakai and Members of the House Committee on Consumer Protection and Commerce:

My name is Stephanie Ackerman, Vice President Public Policy and Communications of The Gas Company.

Thank you for the opportunity to provide testimony on SB 2756, S.D. 2, H.D. 1.

The Gas Company (TGC) is a public utility that was founded in 1904 and is Hawaii's only government franchised full-service gas energy company making gas products and services available in Hawaii.

We believe that the current version is a move in the right direction and one which addresses some of the concerns that TGC had in other versions of this measure. The current language more clearly defines the terms and responsibilities of the parties and better defines an orderly accounting process as it relates to cost sharing between state, federal and utilities, which should prove helpful, especially for large capital projects. It also should allow all of the parties to better plan their respective funding requirements for the various projects throughout the year.

We look forward to an opportunity to engage in further conversation on this measure before your final consideration of it.

Mahalo for the opportunity to testify on SB 2756, S.D. 2, H.D. 1.