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

IN REPLY REFER TO:

March 8, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 2756 SD 2

COMMITTEE ON TRANSPORTATION

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

We do have concerns that additional changes need to be made to HRS section 103D to fully carry out the intentions of the changes being proposed in sections 264-33 and 264-33.5.

Testimony Before the House Committee on
Transportation

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

Monday, March 8, 2010, 9:30am
Conference Room #309

**Senate Bill No. 2756, SD2 – Relating to Cost Sharing in the Relocation and
Undergrounding of Utility Facilities**

To the Honorable Joseph M. Souki, Chair; Karen Leilani Awana, Vice-Chair,
and members of the Committee:

KIUC opposes Senate Bill No. 2756, SD2 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 prefers language as written in House Bill 2603, HD2.

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

CHARMAINE TAVARES
Mayor

CHERYL K. OKUMA, Esq.
Director

GREGG KRESGE
Deputy Director



TRACY TAKAMINE, P.E.
Solid Waste Division

DAVID TAYLOR, P.E.
Wastewater Reclamation Division

**COUNTY OF MAUI
DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT**

2200 MAIN STREET, SUITE 100
WAILUKU, MAUI, HAWAII 96793

March 5, 2010

The Honorable Joseph M. Souki, Chair
And Members of the Committee on
Transportation

**HEARING DATE: Monday, March 8, 2010, 9:30 a.m.
Conference Room 309
State Capitol
415 S. Beretania Street**

**RE: SB 2756 SD2 -RELATING TO COST SHARING IN THE RELOCATION AND
UNDERGROUNDING OF UTILITY FACILITIES.**

Dear Chair Souki and Members:

I am Cheryl K. Okuma, Director of the Department of Environmental Management and am providing testimony in opposition to the current language set forth in SB 2756 SD2 which would require utility owners whose facility occupies State Highway right-of way to provide a share of relocation costs up-front to the affected state agency.

Under the current practice when State Department of Transportation (DOT) does roadwork and relocates an existing utility line for sewer, water and drainage, DOT pays for the cost of the relocation. This proposed bill requires the County of Maui to pay towards the cost of relocating its sewer line in the event there is DOT roadwork requiring line relocation. While this proposed bill would result in cost savings to DOT, it would place a financial burden on the County of Maui utilities when the need for relocation is determined by a State Agency such as DOT.

We appreciate the opportunity to provide our comments in opposition to SB 2756 SD2.

Sincerely,

A handwritten signature in black ink that reads "Cheryl K. Okuma".

CHERYL K. OKUMA
Director, Department of
Environmental Management

cc Mayor Charmaine Tavares
Marian Feenstra, Senior Executive Assistant

Council Chair
Danny A. Mateo

Vice-Chair
Michael J. Molina

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Bill Kauakea Medeiros
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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 5, 2010

TO: The Honorable Joseph M. Souki, Chair
House Committee on Transportation

FROM: Danny A. Mateo
Council Chair

SUBJECT: **HEARING OF MARCH 8, 2010; TESTIMONY IN OPPOSITION TO
SB 2756, SD2, 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.

Testimony before the House Committee on Transportation

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

March 8, 2010

Senate Bill 2756 SD2 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 **support** SB 2756 SD2 as it is currently written as it represents a fair use of funds for projects initiated by the State Department of Transportation.

There are two items in the bill: 1) payments for betterments and relocations of utility facilities, and 2) 80/10/10 cost sharing on overhead to underground conversions of utility lines for federal-funded highway work.

Payments: Payment of the utility's full share of the funds to the state or county agency 30 days prior to construction of its facilities is a fair arrangement as long as the state or county agency pays its full share of the funds for any betterment or relocation costs to the utility 30 days prior to construction of its facilities. Also, when the share of funds becomes exceptionally large and can burden the payee, in making one large lump sum payment prior to construction, the use of progress payments is an accepted construction industry payment method. We submit for your consideration one change for clarity in this section. On page 4 line 3, insert "to the utility" such that it reads "A state or county highway agency shall pay its full share to the utility for any betterment or relocation..."

Cost sharing on overhead to underground conversions for utility lines:

Hawaiian Electric agrees that clarifying the cost sharing provisions in HRS Section 264-33.5 is necessary. The proposed cost sharing arrangement of 80/10/10: 80% federal funds, 10% utility funds, and 10% State or County funds maximizes use of federal highway funds. In addition, the State Consumer Advocate and the State Public Utilities Commission (PUC) have carefully reviewed and scrutinized Hawaiian Electric's policy on undergrounding and has determined that this 80/10/10 cost sharing formula is fair and reasonable. We have successfully used that formula in past highway projects.

Thank you for the opportunity to testify on this matter.

THE GAS COMPANY

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

March 8, 2010

Testimony on SB 2756, SD 2
Relating to Cost Sharing in the Relocation and Undergrounding of Utility Facilities

Aloha Chair Souki, Vice Chair Awana and Members of the House Transportation Committee:

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, SD 2.

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. As you may be aware, this measure has gone through several changes and there was a similar measure previously considered by your Committee.

We believe that the current version is a move in the right direction and addresses some of the concerns that we had in other versions of this measure. We respectfully request that paragraph d (SB 2756, SD 2, current page 4, line 5) be modified as follows (our insertion is indicated in bold so that you can see it):

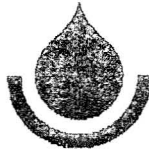
(d) Notwithstanding any other law to the contrary, and with the exception of a telecommunications carrier utility owner, **except for any work contracted for with the public utility owning the facility,** a utility shall pay its full share for any betterment or relocation costs to the state or county highway agency thirty days prior to removal, relocation, replacement, or reconstruction of utility facilities. A state or county highway agency shall pay its full share for any betterment or relocation costs thirty days prior to construction.

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, SD 2.

BOARD OF WATER SUPPLY

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



March 5, 2010

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WAYNE M. HASHIRO, P.E.
Manager and Chief Engineer
DEAN A. NAKANO
Deputy Manager

The Honorable Joseph M. Souki, Chair
and Members
House of Representatives
Committee on Transportation
State Capitol, Conference Room 309
Honolulu, Hawaii 96813

Dear Chair Souki and Members

Subject SENATE BILL 2756, SD2, SSCR2486, RELATING TO COST SHARING IN
THE RELOCATION AND UNDERGROUNDING OF UTILITY FACILITIES

The Honolulu Board of Water Supply (BWS) respectfully opposes SB 2756, SD2, 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, 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.

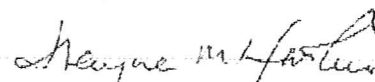
Furthermore, under current practice, when the DOT does roadwork and relocates an existing utility line, the financial burden of relocation rests with the DOT. Requiring utilities to incur approximately one-half of the cost of relocation of underground utility lines and facilities places a financial burden 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.

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

Sincerely,


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