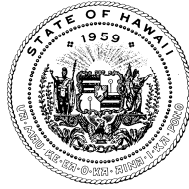


LINDA LINGLE
GOVERNOR



BRENNON T. MORIOKA
DIRECTOR

Deputy Directors
MICHAEL D. FORMBY
FRANCIS PAUL KEENO
BRIAN H. SEKIGUCHI
JIRO A. SUMADA

IN REPLY REFER TO:

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

February 22, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

SENATE BILL NO. 2756 SD 1

COMMITTEE ON WAYS AND MEANS

The Department of Transportation supports Senate Draft 1 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. We will introduce these additional changes later this session in a procurement-related bill.

BOARD OF WATER SUPPLY

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



February 19, 2010

MUFI HANNEMANN, Mayor

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

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

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

DEAN A. NAKANO
Deputy Manager

The Honorable Donna Mercado Kim, Chair
and Members
The Senate
Committee on Ways and Means
State Capitol, Conference Room 211
Honolulu, Hawaii 96813

Subject: Senate Bill 2756, SD1, Relating to Cost Sharing in
the Relocation and Undergrounding of Utility Facilities

The Honolulu Board of Water Supply ("BWS") respectfully opposes SB 2756, SD1 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 upfront 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, SD1, 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, SD1.

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

Sincerely,

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

Testimony Before the Senate Committee on
Ways and Means

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

Monday, February 22, 2010, 10:00am
Conference Room #211

**Senate Bill No. 2756, SD1 – Relating to Cost Sharing in the Relocation
and Undergrounding of Utility Facilities**

To the Honorable Donna Mercado Kim, Chair; Shan S. Tsutsui, Vice-Chair,
and members of the Committee:

KIUC opposes Senate Bill No. 2756, SD1 as drafted and respectfully submits
comments:

On the issue of payment 30 days prior to relocation. In most cases KIUC does the work
first and then bills actual amount to the State DOT their portion.

On the underground relocation, the proposed language seems more confusing and
KIUC still believes the additional cost incurred in unduly burdensome to KIUC and its
members. It would seem that these items should be separately negotiated with each
utility and not through legislation.

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

THE GAS COMPANY

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

February 22, 2010

Testimony on SB 2756, SD 1
Relating to Cost Sharing in the Relocation and Undergrounding of Utility Facilities

Aloha Chair Kim, Vice Chair Tsutsui and Members of the Ways and Means 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 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 note that the current version of this measure contains a defective implementation date and we ask that this date be maintained for now so that we can evaluate the impact of this measure on our rate payers. As you may be aware, this measure has gone through several changes and there is a similar measure being considered in the House.

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 1.

Testimony before the Senate Committee On Ways and Means

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

February 22, 2010

Senate Bill 2756 SD1 Relating to Cost Sharing in the Relocation and Undergrounding of Utility Facilities

Chair Mercado Kim, Vice Chair Tsutsui 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 SD1 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 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.

SB 2756 SD1

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

**KENNETH HIRAKI
VP-GOVERNMENT AND COMMUNITY AFFAIRS**

HAWAIIAN TELCOM

February 22, 2010

Chair Kim and members of the Senate Ways and Means Committee:

Hawaiian Telcom supports SB 2756 SD1 as is and opposes any additional substantive amendments to the bill.

Thank you for the opportunity to testify.