

**TESTIMONY OF CARLITO P. CALIBOSO  
CHAIRMAN, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON WAYS AND MEANS  
FEBRUARY 22, 2010**

**MEASURE: S.B. No. 2809, S.D. 1**  
**TITLE: Relating to Utilities Regulation**

Chair Kim and Members of the Committee:

**DESCRIPTION:**

This bill appropriates moneys for the reorganization of the Public Utilities Commission ("Commission") and the Division of Consumer Advocacy ("DCA").

**POSITION:**

The Commission supports this bill, which recognizes the need to fully fund regulatory resources that are needed to achieve important and high priority goals of the State.

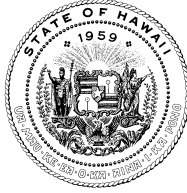
**COMMENTS:**

- The Commission is appreciative of the support that this bill lends towards effecting the Commission's restructuring plan, which was previously required by the Legislature, and required to be implemented by the Legislature.
- As described in the bill, the Legislature already recognized the importance of fully funding public utility regulatory agencies when it passed Act 143, Session Laws of Hawaii ("SLH") 2006, which required the Commission and the DCA to develop a comprehensive plan to restructure and supplement their respective agencies and resources to function more effectively and efficiently.
- The Commission submitted the restructuring report required by Act 143 to the Legislature in December 2006 (the "Commission's Report"). The Division of Consumer Advocacy submitted a similar report.
- The Legislature then further recognized the need to provide adequate resources to the Commission when it required in Act 177, SLH 2007, that the Commission shall restructure its operations as provided in the Commission's Report. In Act 177, the Legislature also recognized the need to obtain additional office space and to relocate the Commission's office.
- The Commission agrees that improving the capabilities of regulatory bodies is essential to successful implementation of current and future energy policy reforms. In addition to

traditional regulatory responsibilities, the Commission's role in regulatory and policy matters has been changing recently with increased responsibility in many important policy and administrative matters, with an emphasis in energy policy. As such, the restructuring and relocation proposals detailed in the Commission's Report and required by Act 177 are still required to enable the Commission to efficiently and effectively carry out its statutory duties and the State's high priority initiatives. The Commission believes that investing in the Commission to make it as effective as possible will greatly benefit the public interest.

- The need for Act 177 has not changed, and in fact, the need for Act 177, is even greater with the increased need to evaluate and implement, where appropriate, many new clean energy policy objectives that are high priorities for the State.
- The restructuring required by Act 177 can be fully funded with the Commission's Special Fund. The Commission and DCA are funded with revenues from the Commission's Special Fund, established in Chapter 269, Hawaii Revised Statutes ("HRS"), which is supported primarily from fees charged to the entities that the Commission regulates. Funding the Commission's restructuring plan will require approximately \$4.95M in Fiscal Year 2011 and approximately \$2.42M (recurring costs) in Fiscal Year 2012. Section 4 of the bill should be revised to include these amounts.
- To prevent the possible automatic transfer of moneys appropriated for a relocation into the State General Fund at the end of each year as provided in Chapter 269, HRS, some provision should be made to prevent the lapsing of relocation moneys if the moneys cannot be spent or encumbered by the end of the year. The full relocation of the Commission's Oahu office is a critical, necessary component of the Commission's restructuring. Preventing the lapsing of such funds under Chapter 269, HRS will enable the Commission to proceed with the relocation in Fiscal Year 2011 and address any unforeseen issues that may occur beyond the Commission's control that may delay any required initial steps and prevent the completion of the relocation project by the end of Fiscal Year 2011. If the annual lapsing of relocation funds under Chapter 269, HRS is not prevented, the moneys earmarked for relocation that are not spent or encumbered due to unforeseen relocation delays will lapse to the State General Fund.
- The Commission also supports funding the DCA's reorganization plan as detailed in Act 183, SLH 2007. As an *ex officio* party to any proceeding before the Commission, the DCA's ability to perform its duties and responsibilities efficiently has a direct impact on the Commission's operational efficiency and effectiveness. The Commission defers to the DCA for their specific budget requirements to the extent that the Commission's Special Fund can support their request and is in compliance with Chapter 239, HRS.

Thank you for the opportunity to testify.



LINDA LINGLE  
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TO THE SENATE COMMITTEE ON WAYS AND MEANS

THE TWENTY-FIFTH LEGISLATURE  
REGULAR SESSION OF 2010

MONDAY, FEBRUARY 22, 2010  
10:00 A.M.

WRITTEN COMMENTS OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF  
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER  
AFFAIRS TO THE HONORABLE SENATOR DONNA MERCADO KIM, CHAIR, AND  
MEMBERS OF THE COMMITTEE

**SENATE BILL NO. 2809, S.D. 1 - RELATING TO UTILITIES REGULATION**

**DESCRIPTION:**

This measure proposes to authorize sufficient funding for the operation and staffing of the Public Utilities Commission ("Commission") and the Division of Consumer Advocacy ("Consumer Advocate") in order to facilitate the agencies' ability to meet their expected objectives and to fulfill the intent of the reorganizations that were begun with Act 177 and Act 183 from the 2007 legislative session. In addition, the measure proposes to require that applicable state and/or county agencies should assist in carrying out the proposed measure.

**POSITION:**

The Consumer Advocate supports this measure.

**COMMENTS:**

This measure proposes to make available the resources necessary to ensure that the Commission and the Consumer Advocate are sufficiently funded and staffed to handle the normal ongoing workload that is associated with regulating various public utility industries, such as the electric, natural gas, telecommunications, water, and wastewater industries, as well as the regulation of transportation companies, such as

those engaged in intraisland shipping. It should be noted that the normal, ongoing workload generally consists of rate change requests, capital improvement project applications, and other matters. This normal, ongoing workload has been increased recently due to the Clean Energy Initiatives that the State is actively pursuing. These initiatives are resulting in dockets that are novel, complex and resource consuming.

In order to manage the workload, the Consumer Advocate has been considering and implementing various measures to meet the ongoing workload and the associated procedural deadlines that are established. One of these measures is evaluating the dockets to determine the general type of or specific applications in which the Consumer Advocate will not participate, such as requests filed by companies seeking certification of authority to provide telecommunications services in Hawaii and certain types of applications filed by telecommunications services providers related to financing. The Consumer Advocate has also implemented other measures, including reducing the scope of analysis in order to minimize the time that might be required by available staff or consultants to complete the review of the application within the procedural deadlines.

Historically, the Commission and the Consumer Advocate have had difficulties finding and retaining individuals to fill available vacancies. These difficulties are more pronounced for the Consumer Advocate because of the expectations of analysts to provide written and oral testimonies under the applicable deadlines. The Consumer Advocate had already implemented various measures meant to be short-term in nature in order to address the staffing deficiencies experienced, but with the additional budget cuts and elimination of vacant positions, the already difficult situation was exacerbated, which required even more extreme measures. Such measures adversely affect the Consumer Advocate's effectiveness on both short- and long-term bases, but are necessary to meet the ongoing workload and procedural deadlines. If the eight eliminated positions, budgeted at approximately \$604,000, and the training budget, \$30,000, were restored, the Consumer Advocate would be better able to continue protecting and advancing the interest of utility consumers, as well as providing increasingly substantive contributions to proceedings related to clean energy and energy efficiency. The Consumer Advocate defers to the Commission as it relates to the funds necessary to facilitate the reorganization and relocation approved by the Legislature in 2007, but contends that the amounts identified above related to the restoration of the eight positions in the Consumer Advocate should be able to be accommodated by the Commission's total budget and the funds collected through the Public Utilities Fee as authorized by HRS section 269-33.

It should be noted that, on an ongoing basis, the Consumer Advocate's participation in various rate proceedings results in millions of dollars in reductions on an annual basis of the rate increases sought by Hawaii's utility companies. If the Consumer Advocate continues to face resource challenges, it is likely that the effectiveness of the agency will be diminished and the savings that might have been

generated by an adequately staffed Consumer Advocate will decrease as the Consumer Advocate is forced to reduce its participation in various proceedings.

Thus, the Consumer Advocate truly appreciates the acknowledgement of the legislature of the importance that the Consumer Advocate and the Commission have on Hawaii's businesses and residents on a daily basis. The Consumer Advocate understands the current situation with the State's budget crisis, but believes that it is important for the Consumer Advocate and the Commission to be adequately staffed and funded in order to enable the agencies to address the overall objectives of the State regarding renewable energy and energy efficiency, as well as meet the continuing demands of utility regulation.

One suggestion that the Consumer Advocate would like to offer for consideration relates to Section 3 of the measure, which requires other state and county agencies to assist the public utilities commission in carrying out the provisions of the proposed measure. In order to reduce the possibility of any confusion, this committee might consider inserting the words "and/or the division of consumer advocacy" after references to the Commission in order to ensure that the other state agencies, county agencies and the Department of Human Resources and Development assists the Consumer Advocate, as well as the Commission, in carrying out the provisions of the proposed measure.

Thank you for this opportunity to provide written comments.



**SENATE COMMITTEE ON WAYS AND MEANS**

February 22, 2010, 10:00 A.M.

Room 211

**(Testimony is 2 pages long)**

**TESTIMONY IN SUPPORT OF SB 2809 SD1, PROPOSED AMENDMENT**

Chair Kim and members of the Committee:

The Blue Planet Foundation strongly supports Senate Bill 2809 SD1, a measure to ensure proper funding for the Public Utilities Commission (PUC) to complete their essential work, including funding to implement the reorganization approved by Act 177 (2007), including the reinstating and funding of the nine positions removed by Act 162 (2009).

This measure is critically important to Hawaii's clean energy future. The PUC is charged with developing and enforcing policies that govern the lifeblood of Hawaii's economy: electricity. They need to be properly funded to successfully navigate the multi-billion dollar transition to a clean energy future. The full amount of revenue generated in the special fund should be dedicated to the public utilities commission.

<u>Funds</u>	<u>FY 2008</u>	<u>FY 2009</u>
PUC special fund revenue	\$ 17,443,000	\$ 17,617,000
PUC budget	\$ 7,719,000	\$ 8,279,000
Transfers to general fund	\$ 9,724,000	\$ 9,339,000

Currently, the PUC is funded through the PUC special fund which collects funding from various sources, most significantly an annual fee of one-half of one per cent of the gross income of the public utility's previous year's business. Over half of the revenue in this special fund—which receives about \$17.5 million annually—is diverted to the state's general fund, however. For fiscal year 2009, of the \$17.6 million in revenue generated, \$8.3 million was expended by the PUC while \$9.3 was diverted to the state general fund. The PUC is currently deliberating

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dockets that will fundamentally reshape Hawaii's electric utility sector. Smart grid, utility decoupling, feed-in tariffs for clean energy, integrated resource planning—these dockets require thorough deliberation, research, and expert input. The PUC must have the talent and resources to adequately investigate and develop the right policies for Hawaii's 21st century electricity industry. The total funding available to them through their revenues should be available for their work.

The public utilities commission needs funding to navigate the multi-billion dollar transition to Hawaii's clean energy economy.

**PROPOSED AMENDMENT**

Blue Planet respectfully asks that this committee amend SB 2809 SD1 to appropriate the full amount of the PUC special fund to the PUC for fiscal year 2010 – 2011.

Please forward SB 2809 SD1.

Thank you for the opportunity to testify.

TESTIMONY BEFORE THE  
SENATE COMMITTEE ON WAYS AND MEANS

Monday, February 22, 2010  
10:00 a.m.  
Conference Room 211, State Capitol

S.B. No. 2809, S.D.1  
RELATING TO UTILITIES REGULATION

By Kevin Katsura  
Associate General Counsel, Legal Department  
Hawaiian Electric Company, Inc.

Chair Kim, Vice-Chair Tsutsui, and Members of the Committee:

My name is Kevin Katsura providing written testimony in support of S.B. No. 2809, S.D.1 on behalf of Hawaiian Electric Company, Inc. and our subsidiary companies, Hawaii Electric Light Company, Inc. and Maui Electric Company, Ltd. (collectively, the Hawaiian Electric Companies).

The Hawaiian Electric Companies strongly support this bill, which authorizes funding for the operation and staffing of the Public Utilities Commission (PUC) and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (Consumer Advocate).

While we are not qualified to address the amount of funding required to fund all positions included in the reorganization approved by Act 177, Session Laws of Hawaii 2007, we can endorse the need for additional resources within the PUC and the Consumer Advocate.

From the Hawaiian Electric Companies' perspective, the workload of the PUC has never been greater, and our look at the future suggests the situation which presently exists is not a temporary one. The PUC's work in the electric utility sector includes general rate cases, project applications, and dockets initiated by the Commission in response to legislative action or external events. Each of these requires extensive review and timely action beneficial to all involved. The Consumer Advocate is automatically a party to every docket involving the electric utility.

In addition, the PUC and the Consumer Advocate bear statutory responsibilities in the regulation of telecommunications, water and wastewater utilities, and water and motor carriers.

For these reasons, we support S.B. No. 2809, S.D.1 and request its passage. Thank you for the opportunity to provide testimony.





COLLEGE OF SOCIAL SCIENCES  
**HAWAII ENERGY POLICY FORUM**  
UNIVERSITY OF HAWAII AT MĀNOA

**Hawai'i Energy Policy Forum**

Ms. Stephanie Ackerman, The Gas Co.  
Mr. Robbie Alm, HECO  
Ms. Amy Asselbayer, Office of US Rep. Neil Abercrombie  
Ms. Madeleine Austin, World Business Academy  
Mr. Warren Bollmeier, Hawai'i Renewable Energy Alliance  
Mr. Carlito Caliboso, PUC (Observer)  
Mr. Albert Chee, Chevron  
Ms. Elizabeth Cole, The Kohala Center  
Mr. Kyle Datta, New Energy Partners  
Ms. Laura Dierenfield, People's Advocacy for Trails Hawai'i (PATH)  
Mr. Mark Duda, HI Solar Energy Asst.  
Sen. Kalani English, Hawai'i State Senate  
Mr. Mitch Ewan, UH HNEI  
Mr. Carl Freedman, Haiku Design & Analysis  
Sen. Mike Gabbard, Hawai'i State Senate  
Mr. Mark Glick, OHA  
Dr. Michael Hamnett, RCUH  
Dr. Robert Harris, Sierra Club  
Mr. William Kaneko, Hawai'i Institute for Public Affairs  
Mr. Darren Kimura, Energy Industries Holdings  
Ms. Kelly King, Sustainable Biodiesel Alliance  
Mr. Mike Kitamura, Office of US Senator Daniel K. Akaka  
Mr. Kal Kobayashi & Victor Reyes, Maui County Energy Office  
Mr. Laurence Lau, State of Hawai'i DOH  
Mr. Allyn Lee, C&C of Honolulu Dept. of Design & Construction  
Dr. Stephen Meder, UH Center of Smart Building & Community Design  
Dr. Sharon Miyashiro, UH College of Social Sciences Public Policy Center  
Rep. Hermina Morita, Hawai'i State House of Representatives  
Mr. Dean Nishina, Div of Consumer Advocacy  
Mr. Tim O'Connell, USDA-Rural Development  
Ms. Melissa Pavlicek, Hawai'i Public Policy Advocates  
Mr. Ted Peck, State of Hawai'i DBEDT Strategic Industries Division  
Mr. Randy Perreira, Hawai'i State AFL-CIO  
Dr. Rick Rocheleau, UH HNEI  
Mr. William Rolston, Hawai'i County Dept. of Research & Development  
Mr. Peter Rosegg, HECO  
Mr. Steven Rymsha, KIUC  
Mr. Riley Saito, PowerLight Corporation  
Mr. Glenn Sato, Kaua'i County Office of Economic Development  
Mr. Bill Short, BIA of Hawai'i  
Ms. Joelle Simonpietri, Simonpietri Enterprises LLC  
Mr. H. Ray Starling, Hawai'i Energy Group LLC  
Mr. Lance Tanaka, Tesoro Hawai'i Corp.  
Dr. Don Thomas, UH Center for the Study of Active Volcanoes  
Ms. Maria Tome, State of Hawai'i DBEDT Energy Office  
Mr. Murray Towill, Hawai'i Hotel Association  
Mr. Joshua Wisch, Office US Representative Mazie Hirono  
Mr. Alan Yamamoto, Office US Senator Daniel Inouye

Testimony of Carl Freedman, Chair  
Regulatory Reform Working Group  
Hawai'i Energy Policy Forum

Senate Committee on Ways and Means  
Senator Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair

Monday, February 22, 2010  
10:00 a.m. Conference Room 211

**IN SUPPORT OF SB 2809 – Relating to Utilities Regulation**

I am Carl Freedman, Chair of the Regulatory Reform Working Group of the Hawaii Energy Policy Forum (“Forum”). The Forum is comprised of 47 representatives from Hawaii’s electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. We have been meeting since 2002 and have adopted a common vision and mission, and a comprehensive “10 Point Action Plan,” which serves as a framework and guide for meeting our preferred energy vision and goals.

SB 2809 would implement the reorganizations of the Public Utilities Commission (PUC) and the Division of Consumer Advocacy (DCA) that were approved by the Legislature in 2007 in Acts 177 and 183. The Forum wholeheartedly agrees with 2007 Legislature’s findings that the reorganizations of these agencies “are essential for providing sufficient regulation of Hawaii's public utilities; controlling utility costs for Hawaii's people, businesses, and governmental agencies; and successfully implementing meaningful energy policy reform in Hawaii.”

**SB2809 is a cost saving measure.** It would reduce the annual utility expenditures of State government by several times as much as the annual cost of fully funding the reorganization of the PUC and DCA. These agencies regulate over \$3 billion of annual telecommunications and electricity utility bills paid by Hawaii’s people, businesses and government agencies. The Forum estimates that fully funding the reorganizations would ultimately result in savings of at least \$100 million annually due to increased regulatory efficiency and consumer protection, bolstered utility industry financial health and prudent allocation of utility investments and expenditures. Funding for the PUC and DCA, including funding of the reorganizations reestablished by this bill, derives from revenues collected by the PUC from users of utility services, not from state general funds.

Sufficient utility regulation and consumer protection are especially essential in the next several years as Hawaii prepares to invest billions of dollars in new utility and private sector infrastructure associated with a transition from over-dependence on fossil fuels to increased reliance on efficiency and renewable energy resources.

Based on the foregoing, the Forum supports SB 2809 and respectfully urges passage of the bill.

Thank you for the opportunity to testify.

*This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations.*



# Sierra Club Hawai'i Chapter

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## SENATE COMMITTEE ON WAYS AND MEANS

February 22, 2010, 10:00 A.M.  
(*Testimony is 1 page long*)

### TESTIMONY IN SUPPORT OF SB 2809

Aloha Chair Kim and Members of the Committees:

The Hawai'i Chapter of the Sierra Club **supports** SB 2809, which provides additional funding for the Public Utilities Commission. The PUC is supposed to be funded through an annual fee of one-half of one per cent of the gross income of the public utility's previous year's business. Unfortunately, a majority of these funds are diverted to the state general fund.

The Sierra Club recognizes the dire budget situation our State finds itself in. This year, we've avoided testifying on any measure that has a direct budgetary impact -- except for this bill. If we're going to accomplish our clean energy future, we need to have a vital and effective public utility commission. In fact, the dockets currently underway by the PUC - like feed-in tariffs for clean energy and energy decoupling -- may be necessary in order to reinvigorate our economy.

Please move this measure forward. Thank you for the opportunity to testify.