

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

JANUARY 31, 2011**

MEASURE: H.B. No. 481
TITLE: Relating to Gas Pipeline Systems.

Chair Herkes and Members of the Committee:

DESCRIPTION:

This bill adds a new section to Chapter 269, Hawaii Revised Statutes ("HRS"), which:

- Authorizes the Public Utilities Commission ("Commission") to establish, inspect and enforce safety standards consistent with Federal standards for gas pipelines; and
- Appropriates funds to carry out the purposes of this bill, including the hiring of personnel.

POSITION:

The Commission defers to the Legislature on whether the State should undertake gas pipeline safety inspection duties as required in this bill, but would like to offer comments. If the Legislature determines that there is a need for the State to undertake these gas pipeline inspection duties and responsibilities and accordingly, requires the Commission to do so, the Legislature should make sure that the Commission is adequately staffed and funded, so that it is sufficiently equipped to satisfy these gas pipeline safety inspection responsibilities,

COMMENTS:

Prior to 1993, the State had participated in the federally authorized pipeline safety program, as an agent of the federal Office of Pipeline Safety ("OPS").

In March 1993, the OPS terminated the State's certification under that program as a result of failure to meet the OPS' staff training and inspection criteria, and notified

the State that it asserts jurisdiction over gas pipeline operators in the State, thereby preempting the State from asserting authority over gas pipeline operators and the safety of the system.

As a result of the continuing preemption by the federal government over pipeline and master meter systems, and the need to address budgetary issues, the Legislature, in 2009, repealed the Commission's authority over pipeline safety in the HRS by enacting Act 25.

In order to obtain the required certification and maintain that certification, the Commission must be adequately funded to comply with the OPS staffing, training and inspection criteria. The Commission roughly estimates that we would require two full-time positions and about \$200,000 or more per year to acquire and maintain the certification needed to conduct these inspections.

There would also be some time lag between the authorization and requirement of the Commission by state law to conduct the pipeline safety program, and the certification of the State by OPS, since fairly extensive training on the mainland is typically required for inspectors.

In addition, although Section 3 of this bill provides for a general fund appropriation, there should be sufficient amounts in the Commission Special Fund to fund these efforts. We can develop a more precise estimate of the amount that needs to be appropriated if necessary.

Attached are the letters from OPS dated March 8, 1993, and May 4, 2005, for your reference.

Thank you for the opportunity to testify.

THE GAS COMPANY

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

February 1, 2011

Testimony for HB 481: Relating to Gas Pipeline Systems

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 84 (or HB 481).

The Gas Company has provided gas energy to Hawaii's residents since 1904. We provide safe, clean, reliable, environmentally friendly and energy-efficient gas to consumers, business and government throughout the state of Hawaii — Oahu, Maui, Hawaii, Kauai, Molokai and Lanai. And our customers count on gas from The Gas Company because it comes with unparalleled service.

The Gas Company respectfully opposes SB 84 (or HB 481).

It is our understanding that authority is already vested in the Public Utilities Commission (PUC) to inspect gas pipelines and enforce safety standards consistent with federal safety standards. (See Hawaii Administrative Rules, Title 6, Chapter 77).

The Gas Company conducts regular inspections of our gas pipelines that meet or exceed federal safety standards. Based on our reading of the bill, this measure is duplicative and could potentially increase costs, which are ultimately borne by ratepayers. Given the difficult economic climate our state is facing, we respectfully submit that this measure is unnecessary at this time.

We look forward to working with the PUC and sharing best practices to ensuring that our state's gas pipelines continue to be safe, secure, and working properly.