

Honolulu, Hawaii

FEB 07 2012

RE: S.B. No. 2752
S.D. 1

Honorable Shan S. Tsutsui
President of the Senate
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2752 entitled:

"A BILL FOR AN ACT RELATING TO ELECTRIC UTILITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to authorize the Public Utilities Commission to allow electric utility companies to recover all non-energy power purchase costs that have been approved by the Commission.

Your Committee received testimony in support of this measure from the Public Utilities Commission; Hawaiian Electric Company, Inc.; Maui Electric Company, Limited; Hawaii Electric Light Company, Inc.; Blue Planet Foundation; and Hawaii Renewable Energy Alliance. Your Committee received testimony in opposition to this measure from Friends of Lana'i and one individual.

Your Committee finds that credit agencies impute debt associated with power purchase contracts when establishing a utility's credit rating. Credit ratings measure credit risk and can have an impact on the cost of capital to an electric utility company and the cost of power purchase contracts. Your Committee further finds that these costs ultimately impact the cost of electricity to customers, as the costs of financing and purchased power are recoverable in customers' rates.

Your Committee additionally finds that this measure will reduce the imputed debt levels of local electric utility



companies, thus enhancing the financial strength and credit ratings of the companies. Fiscally strong electric utility companies can ultimately benefit electric utility customers in the form of cheaper rates from lower costs of capital.

Your Committee has amended this measure by:

- (1) Clarifying the effects of independent power purchase contracts from a credit rating agency perspective and a credit rating agency's reason for imputing debt;
- (2) Clarifying which power purchase costs arising out of power purchase agreements are allowed to be recovered by an electric utility company and how they may be recovered; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2752, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2752, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



