

SB 2438

Measure Title: RELATING TO THE PUBLIC UTILITIES COMMISSION.

Report Title: PUC; Economic Impact Analysis

Description: Requires that an economic impact analysis be submitted with any application to the PUC that has a fiscal impact. Allows for submission of analyses in contravention and rebuttal of the original. Requires the PUC to provide a final analysis with any decision and order. Establishes requirements for the analysis.

Companion:

Package: None

Current Referral: CPN

Introducer(s): BAKER, CHUN OAKLAND, ESPERO, FUKUNAGA, GALUTERIA, GREEN, IGE, IHARA, TSUTSUI, Dela Cruz, Kidani, Kouchi, Taniguchi

| <u>Sort by</u> <u>Date</u> | | Status Text |
|---|---|---|
| 1/20/2012 | S | Introduced. |
| 1/23/2012 | S | Passed First Reading. |
| 1/23/2012 | S | Referred to CPN. |
| 1/25/2012 | S | The committee(s) on CPN has scheduled a public hearing on 01-31-12 9:00AM in conference room 229. |

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION
JANUARY 31, 2012

MEASURE: S.B. No. 2438

TITLE: Relating to the Public Utilities Commission

Chair Baker and Members of the Committee:

DESCRIPTION:

This measure proposes that an applicant for a project, rate change, or other proposal with a fiscal, rate, fare, charge, or schedule impact shall submit an economic impact analysis ("EIA"). Procedural steps and specific EIA content requirements are also outlined in the measure.

POSITION:

The Commission opposes this measure and would like to offer comments for the Committee's consideration. The Commission is concerned that the bill's economic impact requirement for an applicant for projects, rate changes, or other proposals will have unintended negative consequences for many of the small businesses under the Commission's jurisdiction.

COMMENTS:

The Commission supports the concept of integrating an economic impact analysis in its review of an application, and currently does consider economic impact when appropriate. While it is often important and appropriate to consider this kind of analysis, there will be many instances in which being required to provide an EIA would be onerous and unnecessary, especially for small businesses with limited resources when filing straightforward applications before the Commission and where the burden to develop a defensible record is the responsibility of the applicant.

In addition, HRS § 196-4 currently requires the energy resources coordinator under the department of business, economic development, and tourism to perform the types of analyses contemplated by this measure with respect to energy regulation in the State, as follows:

§196-4 Powers and duties. Subject to the approval of the governor, the coordinator shall:

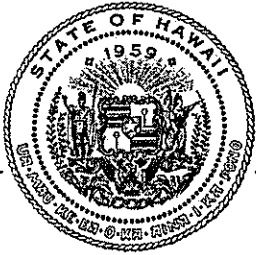
...

(17) Develop and maintain a comprehensive and systematic quantitative and qualitative capacity to analyze the status of energy resources, systems, and markets, both in-state and those to which Hawaii is directly tied, particularly ***in relation to the State's economy, and to recommend, develop proposals for, and assess the effectiveness of policy and regulatory decisions, and conduct energy emergency planning***; and...

emphasis added.

The purpose and intent of this measure is not clear, therefore we look forward to working with the Committee to address these concerns should this legislation move forward.

Thank you for the opportunity to testify on this matter.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

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Statement of
Richard C. Lim
Director

Department of Business, Economic Development, and Tourism
before the

Senate Committee on Commerce and Consumer Protection

Tuesday, January 31, 2012

9:00 AM

State Capitol, Conference Room 229

in consideration of

SB2438

Relating to the Public Utilities Commission.

Chair Baker and Members of the Committee on Commerce and Consumer Protection.

The Department of Business, Economic Development, and Tourism (DBEDT) supports with amendment SB2438, which requires an economic impact analysis be submitted with any application to the Public Utilities Commission (PUC) that has a fiscal impact, and requires the PUC to provide a final analysis with any decision and order.

Economic impact analyses provide a clear picture of both the positives and negatives of any given proposal, which better informs the PUC and improves its decision-making process. However, because previous testimony on HB1881, a companion bill in the House, identified that such a requirement would be too onerous for the utilities as applied to all rate related applications, we recommend the following amendment be inserted in an appropriate section of Chapter 269 to achieve the same purpose:

The commission shall consider the impact of any relevant direct and indirect short-term and long-term benefits or costs in exercising its authority and duties under this chapter, including but not limited to impacts on the economy, and shall develop a standard for evaluating and determining such impacts.

By considering direct and indirect impacts, and developing a standard for evaluating such impacts, the PUC ensures utility applicants and all stakeholders will have a clear understanding of the evaluation process and framework. This amendment is less prescriptive and allows all parties to participate in the development of a standard. Such a standard is consistent with and crucial to the PUC's ability to execute its duties as set forth in Chapter 269, especially in regards to the Renewable Portfolio Standards and related studies.

Additionally, we also recommend the Legislature consider allocating a certain amount of unexpended PUC Special Fund money to assist the PUC in carrying out this measure.

Thank you for the opportunity to offer these comments.

TESTIMONY BEFORE THE
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Tuesday, January 31, 2012
9:00 am

SB 2438
RELATING TO THE PUBLIC UTILITIES COMMISSION

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

Chair Baker, Vice-Chair Taniguchi, and Members of the Committee:

My name is Kevin Katsura, testifying on SB 2438 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).

SB 2438 proposes to maintain a transparent regulatory environment by, among other things, requiring the filing of an economic impact analysis with any application submitted to the Public Utilities Commission (Commission) "for a project, rate change or other proposal with a fiscal, rate, fare, charge, or schedule impact."

The Hawaiian Electric Companies support the intent of the legislation to allow for transparency and clarity in the regulatory process, so that consumers and investors are able to make informed decisions as needed. However, the Hawaiian Electric Companies oppose the bill as currently drafted, which requires the filing of an economic impact analysis with applications to the Commission "for a project, rate change, or other proposal with a fiscal, rate, fare, charge, or schedule impact," as it would result in delaying Commission proceedings and increase the costs and resources needed to complete and process applications.

As broadly defined in the bill, an economic impact analysis would be required for essentially every application the Hawaiian Electric Companies file with the Commission. This would result in the need for additional resources by the Commission, the Consumer Advocate and the utilities, the costs of which would be ultimately borne by our customers. The requirement would also mean a longer regulatory process, which would increase delays for third parties who we may work with and may jeopardize projects (e.g., a renewable energy project being developed under a power purchase agreement with the utility).

Utilities already have the burden to demonstrate why a proposed project is reasonable for a variety of factors specific to the project. Moreover, the Commission regularly requires utilities to provide supporting details and documentation to justify their

requests, if not initially filed with the application. Also, the Consumer Advocate participates as a party to all utility dockets and reviews and evaluates the utilities' applications with the specific aim of protecting the interests of all consumers. In so doing, the Consumer Advocate regularly seeks additional information and analyses from utilities to assess the reasonableness of proposed projects and their impact to customers.

Therefore, a statutory mandate for the additional requirement of filing an "economic impact analysis" with applications is unnecessary, as the Commission already has the authority to require utilities to provide supporting details and documentation to demonstrate reasonableness of a project, including requiring economic impact analyses if needed. Finally, while the Hawaiian Electric Companies defer to the Commission with regard to the bill's requirement that final economic impact analyses be attached to Commission decisions and orders on such applications, we believe the bill's requirement could have significant budget impacts on the Commission in carrying out its regulatory duties and could delay the regulatory process.

Thank you for the opportunity to testify.