
A BILL FOR AN ACT

RELATING TO ELECTRIC PUBLIC UTILITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that electric public
2 utilities in the State are effectively provided a monopoly on
3 the provision of electrical services to residents of the State.
4 In exchange for the privilege to provide electrical services
5 within the State, electric public utilities are subject to the
6 supervision of the public utilities commission and are required
7 to abide by regulations adopted by the commission.

8 The legislature also finds that one of the most important
9 functions of the public utilities commission is to approve rate
10 increases proposed by electric public utilities. The
11 legislature further finds that the cost to ratepayers for
12 electrical services has increased at a constant and precipitous
13 rate that has created serious financial hardships for the
14 residents of the State.

15 The legislature recognizes that electric public utilities,
16 such as Hawaiian Electric Company, Inc., are guaranteed a
17 reasonable rate of return on their rate base. However, the
18 legislature finds that additional oversight and expertise is



1 needed to protect ratepayers by determining what constitutes a
2 reasonable rate of return.

3 The purpose of this Act is to establish:

4 (1) A permanent task force to determine what constitutes a
5 reasonable rate of return on an electric public
6 utility's rate base; and

7 (2) A joint legislative oversight committee to ensure that
8 the public utilities commission is enforcing the
9 reasonable rate of return as established by the task
10 force.

11 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
12 amended by adding a new section to part I to be appropriately
13 designated and to read as follows:

14 "§269- Reasonable rate of return task force. (a) There
15 is established in the department of budget and finance the
16 reasonable rate of return task force. The task force shall
17 consist of four members, or their designees, as follows:

18 (1) The chairperson of the public utilities commission;

19 (2) The director of labor and industrial relations;

20 (3) The director of business, economic development, and
21 tourism; and

22 (4) The director of commerce and consumer affairs.



1 § -2 Establishment of the joint legislative reasonable
2 rate of return oversight committee. (a) There is established
3 within the legislature a bipartisan joint legislative reasonable
4 rate of return oversight committee to determine if the public
5 utilities commission is enforcing the reasonable rate of return
6 on an electric public utility's rate base as established by the
7 reasonable rate of return task force pursuant to section
8 269- .

9 (b) The committee shall consist of six members: three
10 shall be representatives appointed by the speaker of the house
11 of representatives and three shall be senators appointed by the
12 president of the senate; provided that three of the six members
13 shall be of the minority party. The appointing authority of
14 each house shall make and announce the appointment or
15 reappointment of members of the committee no later than fifteen
16 days after the convening of the first regular session of each
17 legislature. The committee shall elect bipartisan co-
18 chairpersons from among its members.

19 (c) Members shall serve for the duration of the
20 legislature during which they are appointed. If the presiding
21 officer of either house has not appointed or reappointed members
22 of the committee within fifteen days after the convening of the



1 first regular session of the legislature, the incumbent members
2 shall continue serving on the committee until successors are
3 appointed. If a member of the committee is not reelected as a
4 member of the legislature and the presiding officer of the
5 respective house has not appointed a successor within fifteen
6 days after the convening of the first regular session of the
7 legislature in which the vacancy occurs, then the majority or
8 minority leader of the respective house, as applicable, shall
9 appoint a majority or minority member to fill the vacancy. When
10 a member of the committee files a declaration of candidacy for
11 an elective office other than that of member of either house of
12 the legislature, and the member has not resigned from membership
13 on the committee, the member's committee membership shall
14 terminate on the date of filing.

15 (d) When a vacancy occurs in the membership of the
16 committee for a reason other than a member not being reelected
17 as a member of the respective house of the legislature, the
18 presiding officer of the house incurring the vacancy shall fill
19 the vacancy within thirty days. A legislator appointed to fill
20 a vacancy shall be a member of the same political party as the
21 member vacating the seat.



1 (e) Members of the committee shall serve without pay, but
2 shall be reimbursed for their actual and necessary expenses,
3 including travel expenses, incurred in carrying out their
4 duties.

5 § -3 Powers and duties. (a) The committee shall:

6 (1) Be considered an investigating committee for purposes
7 of issuing subpoenas pursuant to chapter 21;

8 (2) Have full and free access to records, reports,
9 minutes, data, and other information of the public
10 utilities commission deemed necessary by the
11 committee; provided that the information shall be kept
12 confidential;

13 (3) Exercise its powers during sessions of the legislature
14 and in the interim between sessions, as necessary; and

15 (4) Exercise oversight over the electric utility
16 ratemaking actions of the public utilities commission.

17 (b) The committee may suspend a decision and order of the
18 public utilities commission that authorizes an electric utility
19 rate increase if the committee finds that the public utilities
20 commission did not apply the most recent rate established by the
21 reasonable rate of return task force. The committee shall cause
22 the suspension of an electric utility rate increase decision and



1 order only if a concurrent resolution is adopted by majority
2 vote in each house to authorize the suspension. If the
3 legislature is not in session, then the concurrent resolution
4 authorizing the rate increase suspension shall be adopted during
5 the next occurring regular session in order for the suspension
6 to be valid.

7 § -4 Meetings, quorum, voting. (a) No action shall be
8 taken by the committee at any meeting unless a quorum is
9 present. The committee may act by a majority vote of the
10 members present and voting at a meeting at which there is a
11 quorum.

12 (b) A quorum shall consist of a majority of the total
13 authorized membership of the committee.

14 (c) The committee shall be exempt from chapter 92."

15 SECTION 4. Section 269-16, Hawaii Revised Statutes, is
16 amended by amending subsections (c) and (d) to read as follows:

17 "(c) The commission [~~may~~] in its discretion, after public
18 hearing and upon showing by a public utility of probable
19 entitlement and financial need, may authorize temporary
20 increases in rates, fares, and charges; provided that the
21 commission shall require by order the public utility to return,
22 in the form of an adjustment to rates, fares, or charges to be



1 billed in the future, any amounts with interest, at a rate equal
2 to the rate of return on the public utility's rate base found to
3 be reasonable by the commission, received by reason of continued
4 operation that are in excess of the rates, fares, or charges
5 finally determined to be just and reasonable by the
6 commission[-]; provided further that the rate of return on an
7 electric public utility's rate base shall be in accordance with
8 the rate established by the reasonable rate of return task
9 force. Interest on any excess shall commence as of the date
10 that any rate, fare, or charge goes into effect that results in
11 the excess and shall continue to accrue on the balance of the
12 excess until returned.

13 (d) The commission shall make every effort to complete its
14 deliberations and issue its decision as expeditiously as
15 possible and before nine months from the date the public utility
16 filed its completed application; provided that in carrying out
17 this mandate, the commission shall require all parties to a
18 proceeding to comply strictly with procedural time schedules
19 that it establishes. If a decision is rendered after the nine-
20 month period, the commission shall report in writing the reasons
21 therefor to the legislature within thirty days after rendering
22 the decision.



1 Notwithstanding subsection (c), if the commission has not
2 issued its final decision on a public utility's rate application
3 within the nine-month period stated in this section, the
4 commission, within one month after the expiration of the nine-
5 month period, shall render an interim decision allowing the
6 increase in rates, fares and charges, if any, to which the
7 commission, based on the evidentiary record before it, believes
8 the public utility is probably entitled. The commission may
9 postpone its interim rate decision for thirty days if the
10 commission considers the evidentiary hearings incomplete. In
11 the event interim rates are made effective, the commission shall
12 require by order the public utility to return, in the form of an
13 adjustment to rates, fares, or charges to be billed in the
14 future, any amounts with interest, at a rate equal to the rate
15 of return on the public utility's rate base found to be
16 reasonable by the commission, received under the interim rates
17 that are in excess of the rates, fares, or charges finally
18 determined to be just and reasonable by the commission[-];
19 provided that the rate of return on an electric public utility's
20 rate base shall be in accordance with the rate established by
21 the reasonable rate of return task force. Interest on any
22 excess shall commence as of the date that any rate, fare, or



1 charge goes into effect that results in the excess and shall
2 continue to accrue on the balance of the excess until returned.

3 The nine-month period in this subsection shall begin only
4 after a completed application has been filed with the commission
5 and a copy served on the consumer advocate. The commission
6 shall establish standards concerning the data required to be set
7 forth in the application in order for it to be deemed a
8 completed application. The consumer advocate may~~[7-within~~
9 ~~twenty-one days after receipt,]~~ object to the sufficiency of any
10 application~~[7]~~ within twenty-one days after receipt, and the
11 commission shall hear and determine any objection within twenty-
12 one days after it is filed. If the commission finds that the
13 objections are without merit, the application shall be deemed to
14 have been completed upon original filing. If the commission
15 finds the application to be incomplete, it shall require the
16 applicant to submit an amended application consistent with its
17 findings, and the nine-month period shall not commence until the
18 amended application is filed."

19 SECTION 5. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



H.B. NO. 10

1 SECTION 6. This Act shall take effect upon its approval.

2

INTRODUCED BY: *Guthrie Hiebel*

A handwritten signature, possibly reading "Guthrie Hiebel", written in black ink over a horizontal line.

JAN 16 2013



H.B. NO. 10

Report Title:

Electric Utility Rate Determination; Legislative Oversight

Description:

Establishes a permanent task force to determine and periodically revise a reasonable rate of return for electric utilities. Establishes a bipartisan joint legislative oversight committee to determine if the PUC is enforcing the reasonable rate of return established by the task force.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

