



**Testimony to the House Committee on Water and Land
Wednesday, February 5, 2014 at 9:15 a.m.
State Capitol - Conference Room 325**

RE: HOUSE BILL NO. 1969, RELATING TO WATER ROYALTIES

Chair Evans and Vice Chair Lowen, and members of the committee:

The Chamber **opposes** H.B. No. 1969, because there is no nexus between the increase in fees and the services provided.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The purpose of this Act is to assure the ongoing and future development of water systems in the State by providing a source of funding for the development, repair, maintenance, and replacement of water system infrastructure.

Ordinary government functions performed as part of the service our taxes pay for are now being funded by permitting and using fees and exactions. Therefore, one can only ask, "How much of the various taxes imposed and collected by the State is allotted for development, storage and transportation of potable water?" Rather than continuing to arbitrarily impose additional fees and/or assessments, perhaps government services should be reduced to meet the anticipated budget. Serious discussions are warranted on how much revenue is brought in by the State through the existing taxes, assessments and fees, and then prioritizing the services the State should provide based on the projected revenue. If there is no accountability for the revenue now, the State will continue to increase or add new fees, assessments and taxes as a means to balance the budget.

Thank you for the opportunity to express our views on this matter.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON WATER AND LAND
ON
HOUSE BILL NO. 1969

February 5, 2014

RELATING TO WATER ROYALTIES

House Bill No. 1969 assesses to each entity that removes water from an aquifer, a State aquifer water royalty of \$1.00 for every 1,000 gallons. The Department of Accounting and General Services is to collect the fee and deposit the revenues into a separate account within the State general fund. Moneys in the separate account shall be appropriated by the Legislature, upon application of a board, to defray costs associated with water system infrastructure development, repair, maintenance, and replacement projects.

As a matter of general policy, the Department of Budget and Finance does not support the creation of any special account within the general fund of the State for specific purposes. This is an inconsistent application and use of the general fund. The department strongly believes that general fund program requirements should be reviewed on a statewide basis and allocated to programs based on statewide priorities within available resources.

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

ESTHER KIA'AINA
FIRST DEPUTY

WILLIAM M. TAM
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

**Testimony of
WILLIAM J. AILA, Jr.
Chairperson**

**Before the House Committee on
WATER & LAND**

**Wednesday, February 05, 2014
9:15 AM
State Capitol, Conference Room 325**

**In consideration of
HOUSE BILL 1969
RELATING TO WATER ROYALTIES**

House Bill 1969 proposes to amend Hawaii Revised Statutes (“Haw. Rev. Stat.”) §174 Water and Land Development (not the Hawaii Water Code) to assess a fee of \$1 per thousand gallons of water removed from a state aquifer to support ongoing and future development of water system infrastructure. **The Department of Land and Natural Resources opposes this measure.**

Under Hawaii State Constitution, article XI, §1 and the Hawaii Water code, Haw. Rev. Stat chap. 174C, all ground and surface waters in Hawaii are recognized as public trust resources. The State is the steward and trustee of the water resources. As the trustee, the State must protect and manage water for the public good. Water clearly has “value.” It certainly costs money to develop and transport water. The municipal boards of water supply and private water companies charge a fee to build and deliver water. But the State does not treat water like a private property owner might rent land.

Water is not an asset, property, or commodity that can be owned or sold. Fees associated with the development and use of water resources must have a clear nexus to the protection, conservation, and management of the water resources trust, not as royalties *per se*. This is not an appropriate approach.

Thank you for the opportunity to testify.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 5, 2014

HEARING BEFORE THE
HOUSE COMMITTEE ON WATER AND LAND

TESTIMONY ON **HB 1969**
RELATING TO WATER ROYALTIES
Room 229
9:15 AM

Aloha Chair Evans and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,832 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

Hawaii Farm Bureau stands in STRONG OPPOSITION of HB1969 , imposing water royalties on groundwater.

An increases in cost of this magnitude will immediately drive some operations out of business, will impact homeowners and will send a shockwave through the State's economy.

While we commend the legislature for seeking creative mechanisms to fund water source development, this proposal is alarming. Responsibility for water infrastructure largely falls under the County purview. The majority of people in the State are dependent upon groundwater sources. Increase of their water costs by \$1 per thousand gallons will surely be met with stern opposition. Often, passage of increases at cents per thousand is strongly opposed by water users. An increase of this magnitude will surely be met with outrage from all corners of the state

The Molokai system pumps nearly 700,000,000 gallons per year. This additional cost will invariably be passed on to users. Many farmers and ranchers rely on groundwater resources. Many wells are private; built and operated with private resources. In areas such as the Kamuela area of the Big Island, groundwater is accessed during times of drought-a time that is especially challenging for farmers and ranchers. Increased costs means yields will be reduced on farms and ranches that rely on groundwater, forage grasses gone, resulting in exorbitant feed and food production costs.

Thank you for opposing HB1969



DEPARTMENT OF WATER SUPPLY • COUNTY OF HAWAI'I

345 KEKŪANAŌ'A STREET, SUITE 20 • HILO, HAWAI'I 96720

TELEPHONE (808) 961-8050 • FAX (808) 961-8657

February 4, 2014

The Honorable Cindy Evans, Representative
House District 7
Chair, House Committee on Water & Land

The Honorable Mark Nakashima, Representative
House District 1

HB 1969, RELATING TO WATER ROYALTIES

The Department of Water Supply, County of Hawai'i, respectfully submits this testimony strongly opposing House Bill 1969 which proposes to assess a royalty amount of \$1 per 1,000 gallons of water withdrawn from an aquifer.

The proposed legislation would result in an economic hardship for families, businesses, and any entity that utilizes water.

Our main concerns are as follows:

- The Department's base general use water rate is less than the proposed legislation at \$0.89/1,000 gallons.
- This would result in approximately \$11 million dollars to be assessed annually to our Department's approximately 40,000 customers.
- The State for the most part does not develop, maintain, repair, or replace water system infrastructure. That is handled primarily by the Boards of Water Supply and other private and military water purveyors.
- These existing water purveyors already have established rate schedules to do just what the proposed legislation attempts to accomplish as far as maintaining and operating their water system infrastructure.
- How will the funds be managed and utilized in a manner that would be equitable and appropriate for water purveyors' customers?

Thank you for your consideration. If there are any questions, please contact me at (808) 961-8050.

Sincerely yours,


Quirino Antonio, Jr., P.E.
Manager-Chief Engineer

KKO:dmj

copy – Honorable William P. Kenoi, Mayor, County of Hawai'i
Kenneth Kaneshiro, Chairperson, Water Board
Ernest Lau, Manager and Chief Engineer, Honolulu Board of Water Supply
Dave Taylor, Director, Maui Department of Water Supply
Kirk Saiki, Acting Manager and Chief Engineer, Kauai Department of Water Supply

... Water, Our Most Precious Resource ... Ka Wai A Kane ...

The Department of Water Supply is an Equal Opportunity provider and employer.

BIA-HAWAII

BUILDING INDUSTRY ASSOCIATION

THE VOICE OF THE CONSTRUCTION INDUSTRY

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Stephen Hanson

simplicityHR by ALTRES

Testimony to the House Committee on Water and Land

Wednesday, February 5, 2014

9:15 a.m.

State Capitol - Conference Room 325

RE: H.B. 1969, RELATING TO WATER ROYALTIES

Dear Chair Evans, Vice Chair Lowen, and members of the Committee:

My name is Gladys Marrone, Government Relations Director for the Building Industry Association of Hawaii (BIA-Hawaii), the Voice of the Construction Industry. We promote our members through advocacy and education, and provide community outreach programs to enhance the quality of life for the people of Hawaii. BIA-Hawaii is a not-for-profit professional trade organization chartered in 1955, and affiliated with the National Association of Home Builders.

H.B. 1969 proposes to assess \$1 royalty for every 1000 gallons pumped from the State's aquifers. The bill dedicates these revenues to offset water system project costs.

BIA-Hawaii **opposes** H.B. 1969 because there is no nexus between the increase in fees and the services provided.

The purpose of this bill is to assure the ongoing and future development of water systems in the State by providing a source of funding for the development, repair, maintenance, and replacement of water system infrastructure.

Ordinary government functions performed as part of the service our taxes pay for are now being funded by permitting and user fees and exactions. Therefore, one can only ask, "How much of the various taxes imposed and collected by the State is allotted for development, storage and transportation of potable water?"

Rather than continuing to arbitrarily impose additional fees and/or assessments, perhaps government services should be reduced to meet the anticipated budget. Serious discussions are warranted on how much revenue is brought in by the State through the existing taxes, assessments, and fees, and then prioritizing the services the State should provide based on the projected revenue. If there is no accountability for the revenue now, the State will continue to increase or add new fees, assessments, and taxes as a means to balance the budget.

Thank you for the opportunity to express our views on this matter.

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843



February 5, 2014

KIRK CALDWELL, MAYOR

DUANE R. MIYASHIRO, Chairman
MAHEALANI CYPHER, Vice Chair
THERESIA C. McMURDO
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DAVID C. HULIHEE

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GLENN M. OKIMOTO, Ex-Officio

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer

The Honorable Cindy Evans, Chair
and Members
Committee on Water and Land
House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Evans and Members:

Subject: House Bill 1969

The Board of Water Supply, City and Counting of Honolulu (BWS) opposes House Bill No. 1969, relating to water royalties that assesses \$1 for every 1000 gallons pumped from the State's aquifers.

We strongly oppose this measure due to its impact on BWS water rate payers that already are assessed the cost of operating and maintaining water system infrastructure through established water rates as allowed by statutes and City charter.

The Boards of Water Supplies, State Public Utilities Commission and State Department of Agriculture already have the ability to establish and charge fees for the repair and replacement of water system infrastructure. For the BWS, these rates are established by conducting a rate study that takes substantial amount of time, as many issues have to be addressed and vetted to ensure that the proposed water rate revenues are adequate to recover the projected future water supply operating and capital costs. A cost of service analysis is then performed to properly allocate the revenue requirements to the various customer classes in a fair and equitable manner.

Therefore, this proposed royalty is duplication and will impose an onerous financial burden on the ratepayers and create an unreasonable additional burden on existing water purveyors. For example, a \$1 a thousand gallon royalty would equate to a 25 percent rate increase on July 2014 for the typical Honolulu ratepayer.

In closing, the proposed royalty is very broad in its reach and silent in its application such that fees collected on one island for example, could be miss-allocated to another islands' water system. An assessment from a specific water system's customers should only be used for the same water system's improvement as allowed by statute.

Thank you for your consideration of our testimony in opposition of House Bill No. 1969.

Very truly yours,

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

NEIL ABERCROMBIE
GOVERNOR



Dean H. Seki
Comptroller

Maria E. Zielinski
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
DEAN H. SEKI, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
HOUSE COMMITTEE
ON
WATER & LAND
ON
FEBRUARY 5, 2014

H.B. 1969

RELATING TO WATER ROYALTIES

Chair Evans and members of the Committee, thank you for the opportunity to submit written testimony on H.B. 1969.

The Department of Accounting and General Services (DAGS) supports the intent of H.B. 1969 and provides the following comments.

DAGS does not have the jurisdictional authority or responsibility for providing overview management and control on operations and maintenance of potable water resources that tap into the State of Hawaii ground water aquifer. Also, DAGS does not typically implement potable water infrastructure systems within the State of Hawaii.

Thank you for the opportunity to submit written testimony on this matter.



HB1969
RELATING TO WATER ROYALTIES
House Committee on Water & Land

February 5, 2014

9:15 a.m.

Room 325

The Administration of the Office of Hawaiian Affairs (OHA) will recommend that the Board of Trustees offer the following **COMMENTS** on HB1969, which would generate revenues from the state's public trust water resources for the development and maintenance of state water system infrastructure.

OHA appreciates the intent of this bill in recognizing the public trust character of the state's water resources, which are held in trust for the benefit of present and future generations. By requiring royalty payments for the use of aquifer water, this bill reaffirms that our limited water resources are held by the state, and seeks to increase the public benefit from the use of these resources. Royalty payments may also encourage greater conservation efforts by both water system owners and users of water, who would have an economic incentive to ensure that water is distributed and used efficiently and with minimal waste.

However, OHA notes that not all those who remove water from an aquifer are similarly situated, and that it may be inequitable to charge the same fee for all such entities. For example, both Kamehameha Schools and the Department of Hawaiian Homelands (DHHL) may remove water from an aquifer, but do so to support important public purposes including education, housing, cultural perpetuation and the betterment of the conditions of Native Hawaiians. Water system maintenance is in fact one of the highest existing financial burdens on DHHL, and charging an additional \$1 per thousand gallons removed may significantly detract from this agency's important trust-related activities. In contrast, private, for-profit entities who remove water from state aquifers may do so primarily for private economic gain; in such cases, it may be more appropriate to charge royalties to increase the public benefit from these private entities' use of public resources.

OHA further urges the committee to ensure that this bill, if passed, does not impact kalo farmers or others who may use surface or spring water for recognized Native Hawaiian traditional and customary practices or other instream beneficial uses. Such users of water generally do not use or depend on state-maintained water infrastructure, and many of these uses are considered beneficial public uses that are otherwise compatible with the public interest. Charging these users \$1 per every thousand gallons of water that may flow through their property could result in an undue and impractical financial burden to such users, and would deter rather than support public trust uses of such water resources.

Thank you for the opportunity to testify on this measure.

Nancy E. Burns, P.E., LLC
73-1487 Hao Street
Kailua-Kona, HI 96740
Tel: 325-3182 Fax 325-1065

February 5, 2014

The Honorable Cindy Evans, Representative
House District 7
Chair, House Committee on Water & Land

The Honorable Mark Nakashima, Representative
House District 1

HB 1969 Relating to Water Royalties

I am a civil engineer in Kona and I strongly oppose House Bill 1969 which proposes to assess a royalty amount of \$1 per 1,000 gallons of water withdrawn from an aquifer.

The proposed legislation would result in an economic hardship for all entities that utilize water and does not provide for fair and equitable treatment of project developers who construct water well facilities.

Currently on the island of Hawaii developers of real estate are tasked with acquiring well sites, permitting the wells and paying all costs associated with the development of such wells the infrastructure needed to transmit the water to project sites. Water from the privately developed wells is then partly allocated to the developer of the well and partly allocated to the County Department of Water Supply. The Department of Water Supply maintains water systems once they are dedicated. The State has little or no involvement with the development of water wells or the construction and repair of water systems and therefore has no justification for taxing citizens further for the use of water.

Please call me at 325-3182 if you have any questions.

Sincerely,
NANCY E. BURNS, P.E., LLC

A handwritten signature in cursive script that reads "Nancy E. Burns".

Nancy E. Burns, P.E.

NEIL ABERCROMBIE
Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

**TESTIMONY OF SCOTT E. ENRIGHT
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE HOUSE COMMITTEE ON
WATER AND LAND**

**FEBRUARY 5, 2014, 9:15 A.M.
ROOM 325**

**HOUSE BILL NO. 1969
RELATING TO WATER ROYALTIES**

Chairperson Evans and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 1969. The purpose of this bill is to assess a \$1 royalty for every 1,000 gallons pumped from the State's aquifers and to dedicate the revenues from the royalty to offset water system project costs. The Hawaii Department of Agriculture opposes this bill.

The HDOA relies on ground water for 100% of its irrigation water for Kahuku and over 33% of its irrigation water for Molokai. The Waimea and Waimanalo systems also have pumps associated with their systems which are activated during drought conditions. This amounts to approximately 400,000,000 gallons per year. HDOA's current water delivery rate is set at 50 cents per thousand gallons. This bill would potentially triple the farmer's bills. Any increase to the water delivery fee assessed to irrigation water users is carefully weighed as the program is mandated to be self-sufficient. As such, the Department strives to balance reliable service against the delivery cost. We are unable to absorb any fees associated with this bill and would have to pass on the increased costs to the farmers. This fee represents over 35% of our entire program budget.



Additionally, many farmers utilize county water to irrigate and process crops. The increase in cost to the county systems could be passed on to these farmers as well.

The overall effect of this fee would increase the cost of production for agriculture, making farming a far more challenging venture than it already is. Farms that rely on ground water for all their irrigation needs might eventually disappear. Farmers that are considering expansion by tapping additional ground water would find the cost/benefit analysis much harder to justify expanding. Overall, HDOA believes this fee would have a negative impact on food security in the State.

Thank you for the opportunity to testify.



Water has no substitute.....Conserve it

February 4, 2014

Testimony of
Kirk Saiki, P.E.
Acting Manager and Chief Engineer

Before the House Committee on Water & Land
Wednesday, February 5, 2014
9:15 a.m.
State Capitol, Conference Room 325

The Honorable Cindy Evans and Members of the House Committee on Water & Land and Honorable Representative Mark Nakashima,

RE: HB 1969, RELATING TO WATER ROYALTIES

The Department of Water Supply, County of Kaua'i, respectfully submits this testimony **strongly opposing** House Bill 1969 which proposes to assess a royalty amount of \$1 per 1,000 gallons of water withdrawn from an aquifer.

The proposed legislation would result in an economic hardship for families, businesses and any entity that utilizes water. Our customers already pay, through their rates, for the maintenance of water system infrastructure that they utilize and the operations of the Department of Water which includes water resource planning.

Our main concerns are as follows:

- This would result in approximately an additional \$4.6 million dollars, minimum, to be assessed annually to our Department's approximately 22,000 customers.
- The State for the most part does not develop, maintain, repair or replace water system infrastructure. That is handled primarily by the Boards of Water Supply and other private and military water purveyors.
- How will the funds be managed and utilized in a manner that would be equitable and appropriate for water purveyors' customers?
- How does the State propose to separate surface water vs. aquifer water when accounting for the 1,000 gallons?
- The proposed legislation states that \$1 will be assessed for every one thousand gallons but does not specify whether that is 1,000 gallons metered or 1,000 gallons pumped. The national average water loss for water systems is 14%. It would create an extreme hardship on the Departments and thus consumers to have to pay \$1 per thousand gallons of lost water with no direct correlation of metered water.

Thank you for the opportunity to testify. Should you have any questions feel free to call me at (808) 245-5408 or e-mail at ksaiki@kauaiwater.org.

Respectfully,



Kirk Saiki P.E.
Manager-Chief Engineer

AS/mjg

CC: Honorable Bernard P. Carvalho, Mayor, County of Kauai
Clyde Nakaya, Chairperson, Kaua'i Board of Water Supply
Ernest Lau, Manager and Chief Engineer, Honolulu Board of Water Supply
Dave Taylor, Director, Maui Department of Water Supply
Quirino Antonio Jr., Manager and Chief Engineer, County of Hawai'i, Department of Water Supply

lowen2-Lanaly

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 05, 2014 7:36 AM
To: waltestimony
Cc: rsmith@lanihau.net
Subject: Submitted testimony for HB1969 on Feb 5, 2014 09:15AM

HB1969

Submitted on: 2/5/2014

Testimony for WAL on Feb 5, 2014 09:15AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Riley Smith	Individual	Oppose	No

Comments: This legislation is onerous. If the State adds a \$1 royalty for every 1000 gallons of water provided by the utility company, then this cost is passed on to each consumer. Typical monthly water bills will increase by 50% (\$2/1000 will increase to \$3/1000). This will make the cost of water out of reach for most residents of Hawaii island.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
WATER & LAND

FEBRUARY 5, 2014
9:15 a.m.

MEASURE: H.B. No. 1969
TITLE: Relating to Water Royalties

Chair Evans and Members of the Committee:

DESCRIPTION:

This measure assesses a new royalty of \$1 for every one-thousand gallons of water removed from State aquifers. This measure also requires that the fee revenues collected through this royalty be used to offset the costs of water system infrastructure development, repair, maintenance, and replacement projects. This measure explicitly allows for the costs of this fee to be passed to end-users.

POSITION:

The Public Utilities Commission ("Commission") would like to offer the following comments for the Committee's consideration.

COMMENTS:

Regulated water utilities often serve remote areas of the State that are not served by municipal water systems. The costs of maintenance and repair for regulated utilities are already included in rates and new capital investments go through a prudency review. Based on the Commission's initial analysis, regulated water utilities may need to increase rates between 13% and 91% to recover the costs caused by this proposed royalty. This significant level of increase may cause a heavy financial burden on ratepayers served by these regulated water utilities.

Thank you for the opportunity to testify on this measure.