

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

FEBRUARY 5, 2013
8:30 a.m.

MEASURE: H.B. No. 815

TITLE: Relating to Electric Cooperatives

Chair Lee and Members of the Committee:

DESCRIPTION:

H.B. No. 815 directs both the Public Utilities Commission (“Commission”) and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (“Consumer Advocate”) to take into consideration the ownership structure and interests of electric utility cooperatives (“Cooperative”) when dealing with relevant matters. Further, the Commission is authorized to waive or exempt Cooperatives from having to comply with certain regulatory laws when such compliance is determined by the Commission to be unjust, unreasonable, or not in the public interest.

POSITION:

The Commission strongly supports this measure and would also like to offer the following comments for the Committee’s consideration.

COMMENTS:

Chapter 269, Hawaii Revised Statutes (“HRS”), is structured to provide regulatory oversight of investor-owned electric utilities. Cooperatives are member-owned and operate on a not-for-profit basis. Therefore, the Commission believes it would be appropriate to review laws and administrative rules for their applicability to the Cooperative model until such a time a policy decision is made not to regulate Cooperatives or a separate chapter is enacted specifically for the regulation of electrical cooperatives.

The Commission believes there are adequate safeguards for the Cooperative member/ratepayer. Any application for a waiver or exemption must go through a proceeding which, by existing statute, includes the Consumer Advocate and may, at the discretion of the Commission, include qualified interveners or participants.

Thank you for the opportunity to testify on this measure.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

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KEALI'I S. LOPEZ
DIRECTOR

JO ANN UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE
ON ENERGY AND ENVIRONMENTAL PROTECTION

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013

TUESDAY, FEBRUARY 5, 2013
8:30 A.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE CHRIS LEE, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 815 - RELATING TO ELECTRIC COOPERATIVES

DESCRIPTION:

This measure proposes to direct the Public Utilities Commission ("PUC") and the Division of Consumer Advocacy ("DCA") to specifically consider the ownership structure and interests of an electric cooperative; and authorizes the PUC to waive or exempt an electric cooperative operating in the State from compliance with the provisions of Chapter 269, Hawaii Revised Statutes, as well as any other applicable charters, franchises, rules, decisions, orders, or any other laws.

POSITION:

The Division of Consumer Advocacy (Consumer Advocate) supports H.B. No. 815.

House Bill No. 815
House Committee on Energy and Environmental Protection
Tuesday, February 5, 2013, 8:30 a.m.
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COMMENTS:

Electric utility cooperatives are required to act in the best interest of their member/owners. Unlike investor owner utilities (IOU), cooperatives are not profit-driven.

In various dockets involving Kauai Island Utility Cooperative (KIUC), the Consumer Advocate took the position that the Consumer Advocate would apply the same level of scrutiny to KIUC, in spite of its cooperative ownership model, because Hawaii Revised Statutes Chapter 269, did not provide for any exceptions for electric utility cooperatives. H.B. No. 815 would provide the necessary exception, but at the same time provide adequate protection to the cooperative's member/owners by requiring the cooperative to apply for a waiver or exemption to the Public Utilities Commission.

Thank you for this opportunity to testify.

Testimony Before the House Committee on
Energy & Environmental Protection

By Michael Yamane, P.E.
Chief of Operations
Kauai Island Utility Cooperative
4463 Pahee Street, Suite 1, Lihue, Hawaii, 96766-2000

Tuesday, February 5, 2013, 8:30a.m.
Conference Room #325

House Bill No. 815, – Relating to Electric Cooperatives

To the Honorable Chris Lee, Chair; Cynthia Thielen, Vice-Chair,
and Members of the Committee:

Thank you for the opportunity to testify on this measure. I am Michael Yamane, Chief of Operations at Kauai Island Utility Cooperative (“KIUC”). I am here today to testify in strong support of House Bill No. 815.

As you know, KIUC is a member-owned electric cooperative. Unlike for-profit corporations (i.e. investor owned utilities), cooperatives are not-for-profit and member-run. KIUC has 9 Board of Directors who are elected by its membership. Without the need for profits and shareholder dividends, cooperatives are free to invest what would normally be profits (cooperatives call them "margins") in the business by allocating margins to the cooperative's members as capital credit contributions, or, eventually, by making patronage capital refunds to its members; and otherwise generally using the monies collected for the general welfare of the cooperative members. Any additional expenses would be passed through to our members and reduce KIUC margins that would impact patronage capital refunds back to our members.

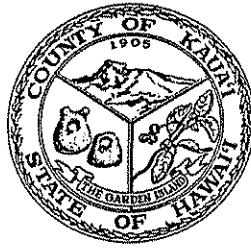
KIUC is also committed to reducing its dependency on imported fossil fuels as KIUC's Strategic Plan calls for 50% renewable generation by 2023.

House Bill No. 815 will provide the Commission with adequate flexibility and discretion to streamline and ease the regulatory process and burden for an electric cooperative in the State. An electric cooperative is currently under the regulation of both federal and state agencies to a degree that can cause a wasteful duplication of compliance, regulatory, and oversight efforts. To the extent that an electric cooperative operates with the principal not-for-profit objective of promoting the service provided to its customer-owners, the streamlining of existing electric utility regulation for these types of entities should be appropriately reviewed and considered by the Commission and the Division of Consumer Advocacy.

Thank you again for the opportunity to inform you of KIUC's position on this matter.

COUNTY COUNCIL

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Nadine K. Nakamura, Vice Chair
Tim Bynum
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Ross Kagawa
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JoAnn A. Yukimura



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4396 Rice Street, Suite 209
Lihu'e, Kaua'i, Hawai'i 96766

February 4, 2013

TESTIMONY OF MEL RAPOZO
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON

H.B. NO. 815, RELATING TO ELECTRIC COOPERATIVES
House Committee on Energy & Environmental Protection
February 5, 2013
8:30 a.m.
Conference Room 325

Dear Chair Lee and Members of the House Committee on Energy & Environmental Protection:

Thank you for this opportunity to submit testimony in strong support of H.B. No. 815, Relating to Electric Cooperatives. My testimony is submitted in my capacity as a Councilmember of the Kaua'i County Council.

I am in full support of H.B. No. 815, which provides for the Public Utilities Commission (PUC) and the Division of Consumer Advocacy (DCA) to specifically consider and evaluate Kaua'i Island Utility Cooperative (KIUC) here on Kaua'i based on KIUC's not-for-profit ownership structure instead of an investor-owned structure. Hawai'i Revised Statutes (HRS) Chapter 269 was enacted well before any electric cooperatives existed in Hawai'i and this Bill will provide the PUC with statutory power to waive or exempt KIUC from any statute or other requirements upon finding that such requirements are unjust, unreasonable or not in the public's best interest. This Bill will support both KIUC and the State's renewable energy initiatives by streamlining the regulatory process for electric cooperatives, reduce cost of regulatory oversight of electric cooperatives and its members, and avoid duplication of compliance efforts required by Federal and State Agencies. This legislation was a collaborative effort by KIUC, the PUC, and the DCA to support the State's energy goals by easing the regulatory burden while still ensuring that regulatory oversight and consumer safeguards are intact.

For the reasons stated above, I am in strong support of H.B. No. 815 and ask for your favorable support. Again, thank you for this opportunity to submit testimony.

Sincerely,

MEL RAPOZO

Councilmember, Kaua'i County Council

COUNTY COUNCIL

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February 4, 2013

TESTIMONY OF GARY L. HOOSER
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
H.B. NO. 815, RELATING TO ELECTRIC COOPERATIVES
House Committee on Energy & Environmental Protection
February 5, 2013
8:30 a.m.
Conference Room 325

Dear Chair Lee and Members of the House Committee on Energy & Environmental Protection:

Thank you for this opportunity to submit testimony in strong support of H.B. No. 815, Relating to Electric Cooperatives. My testimony is submitted in my capacity as a Councilmember of the Kaua'i County Council.

I am in full support of H.B. No. 815, which provides for the Public Utilities Commission (PUC) and the Division of Consumer Advocacy (DCA) to specifically consider and evaluate Kaua'i Island Utility Cooperative (KIUC) here on Kaua'i based on KIUC's not-for-profit ownership structure instead of an investor-owned structure. Hawai'i Revised Statutes (HRS) Chapter 269 was enacted well before any electric cooperatives existed in Hawai'i and this Bill will provide the PUC with statutory power to waive or exempt KIUC from any statute or other requirements upon finding that such requirements are unjust, unreasonable or not in the public's best interest. This Bill will support both KIUC and the State's renewable energy initiatives by streamlining the regulatory process for electric cooperatives, reduce cost of regulatory oversight of electric cooperatives and its members, and avoid duplication of compliance efforts required by Federal and State Agencies. This legislation was a collaborative effort by KIUC, the PUC, and the DCA to support the State's energy goals by easing the regulatory burden while still ensuring that regulatory oversight and consumer safeguards are intact.

For the reasons stated above, I am in strong support of H.B. No. 815 and ask for your favorable support. Again, thank you for this opportunity to submit testimony.

Sincerely,

GARY L. HOOSER
Councilmember, Kaua'i County Council

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February 4, 2013

TESTIMONY OF NADINE K. NAKAMURA
VICE CHAIR, KAUAI COUNTY COUNCIL
ON

H.B. NO. 815, RELATING TO ELECTRIC COOPERATIVES
House Committee on Energy & Environmental Protection
February 5, 2013
8:30 a.m.
Conference Room 325

Dear Chair Lee and Members of the House Committee on Energy & Environmental Protection:

Thank you for this opportunity to submit testimony in strong support of H.B. No. 815, Relating to Electric Cooperatives. My testimony is submitted in my capacity as Vice Chair of the Kauai County Council.

I am in full support of H.B. No. 815, which provides for the Public Utilities Commission (PUC) and the Division of Consumer Advocacy (DCA) to specifically consider and evaluate Kauai Island Utility Cooperative (KIUC) here on Kauai based on KIUC's not-for-profit ownership structure instead of an investor-owned structure. Hawaii Revised Statutes (HRS) Chapter 269 was enacted well before any electric cooperatives existed in Hawaii and this Bill will provide the PUC with statutory power to waive or exempt KIUC from any statute or other requirements upon finding that such requirements are unjust, unreasonable or not in the public's best interest. This Bill will support both KIUC and the State's renewable energy initiatives by streamlining the regulatory process for electric cooperatives, reduce cost of regulatory oversight of electric cooperatives and its members, and avoid duplication of compliance efforts required by Federal and State Agencies. This legislation was a collaborative effort by KIUC, the PUC, and the DCA to support the State's energy goals by easing the regulatory burden while still ensuring that regulatory oversight and consumer safeguards are intact.

For the reasons stated above, I am in strong support of H.B. No. 815 and ask for your favorable support. Again, thank you for this opportunity to submit testimony.

Sincerely,

NADINE K. NAKAMURA
Vice Chair, Kauai County Council

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TESTIMONY OF ROSS KAGAWA
COUNCILMEMBER, KAUA'I COUNTY COUNCIL
ON
H.B. NO. 815, RELATING TO ELECTRIC COOPERATIVES
House Committee on Energy & Environmental Protection
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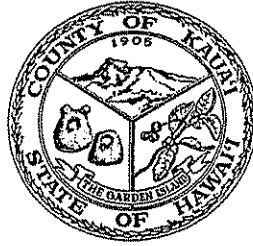
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Sincerely,

ROSS KAGAWA
Councilmember, Kaua'i County Council

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TESTIMONY OF JAY FURFARO
COUNCIL CHAIR, KAUAI COUNTY COUNCIL
ON

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Sincerely,

JAY FURFARO
Council Chair, Kaua'i County Council

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February 4, 2013

TESTIMONY OF TIM BYNUM
COUNCILMEMBER, KAUAI COUNTY COUNCIL
ON
H.B. NO. 815, RELATING TO ELECTRIC COOPERATIVES
House Committee on Energy & Environmental Protection
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Sincerely,

TIM BYNUM

Councilmember, Kauai County Council

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February 4, 2013

TESTIMONY OF JOANN A. YUKIMURA
COUNCILMEMBER, KAUA'I COUNTY COUNCIL
ON
H.B. NO. 815, RELATING TO ELECTRIC COOPERATIVES
House Committee on Energy & Environmental Protection
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Sincerely,

JOANN A. YUKIMURA
Councilmember, Kaua'i County Council