

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

MARCH 17, 2014
 2:10 p.m.

MEASURE: S.B. No. 2924
TITLE: Relating to Public Utilities

Chair McKelvey and Members of the Committee:

DESCRIPTION:

This measure amends Section 269-33, Hawaii Revised Statutes (“HRS”), by increasing the minimum balance amount that shall be retained in the Public Utilities Commission (“Commission”) Special Fund (“PUC Special Fund”) at the end of each fiscal year from the current \$1,000,000 requirement to \$10,000,000.

POSITION:

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

COMMENTS:

The PUC Special Fund is the primary source of funding for the operations of both the Commission and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (“Consumer Advocate”), in addition to limited supplemental funding sources such as grants. Since Fiscal Year (“FY”) 2009, the amount of transfers from the PUC Special Fund to the State’s General Fund pursuant to HRS § 269-33 (see table below) has ranged from approximately \$9.3 million (FY2009) to approximately \$14.7 million (FY2010).

PUC Special Fund Transfer to State General Fund (5-Year) [Figures in \$]						
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
	(actual)	(actual)	(actual)	(actual)	(actual)	(estimate)
Appropriation Ceiling	10,628,380	9,569,891	9,249,331	11,049,409	11,269,551	11,351,174
Revenues	17,617,423	21,781,808	17,165,178	19,270,946	21,761,873	19,958,668
Expenditures	8,278,664	7,087,541	7,184,937	8,945,168	8,793,348	11,351,174
Transfer to General Fund	9,338,759	14,694,267	9,755,241	10,175,777	12,157,574	8,576,494

The Public Utility Fee, collected in accordance with HRS § 269-30, is based on public utility company revenues and are, thus, paid by public utility ratepayers for the purpose of providing regulatory oversight.

As the Commission has previously testified before the Legislature, the complexity and size of the Commission's workload has drastically increased over the last few years as new statutory mandates, evolving technology, and new utility business models have necessitated critical review and a potential reform of the current regulatory model. As both the Commission and the Consumer Advocate must rely increasingly on contracting for specialized technical and regulatory services, raising the PUC Special Fund carryover balance amount would help with the encumbering of these types of contracts. Therefore, increasing the annual carryover amount in the PUC Special Fund would further support the Commission and the Consumer Advocate in fulfilling their respective statutory duties and ensuring that the Public Utility Fees, which are paid by public utility ratepayers, are used for the purposes for which they were intended.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
ON
SENATE BILL NO. 2924

March 17, 2014

RELATING TO PUBLIC UTILITIES

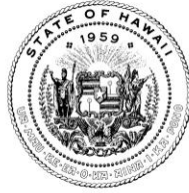
Senate Bill No. 2924 increases the balance that may be retained by the Public Utilities Commission (PUC) special fund at the end of a fiscal year from \$1,000,000 to \$10,000,000.

The Department of Budget and Finance would like to point out that this bill will result in \$9,000,000 less being lapsed to the general fund at the end of a fiscal year. Over the past five fiscal years, the PUC special fund has lapsed the following amounts to the general fund:

	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>
Lapse	\$9,338,759	\$14,694,267	\$9,755,241	\$10,175,777	\$12,157,574

Additionally, without a corresponding special fund budget appropriation increase for operational expenditures, the need to retain a higher balance at the end of a fiscal year is unclear. In light of the recent Council on Revenues' (COR) forecast that projects flat revenue growth in the current fiscal year and significantly reduces the rate of growth of tax revenues to the general fund over the next 5 fiscal years, the Department would advise against Senate Bill No. 2924. The State should support funding investment to support its regulatory objectives that are driven by the PUC since energy solutions are a significant economic driver within our State. However, as the COR has already identified increased revenues from all sources of taxing has

apparently peaked and, therefore, coupled with the COR forecast of declining growth in overall tax revenues in the near future, reducing any general fund revenues will compromise the funding availability for other public services and programs.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

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TO THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2014

MONDAY, MARCH 17, 2014
2:10 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ANGUS L. K. MCKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE

SENATE BILL NO. 2924 - RELATING TO PUBLIC UTILITIES

DESCRIPTION:

This measure proposes to increase the balance that may be retained in the Public Utilities Commission's ("Commission") special fund at the end of the year.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") supports this measure.

COMMENTS:

Hawaii is advancing its clean energy initiatives, but the Consumer Advocate, like other parties; believe that further and more expeditious progress should be enabled.

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Allowing the Commission and the Consumer Advocate to retain consultants and use greater levels of resources would facilitate the more expeditious analysis of existing constraints and the development of possible solutions as it relates to renewable energy integration. Additional resources would also be instrumental in developing sound analyses to evaluate the feasibility and desirability of importing Liquefied Natural Gas to displace fuel oil and diesel fuel as well as other initiatives, such as ubiquitous high speed broadband.

Increasing the amount allowed to be retained in the Commission's Special Fund would be an instrumental step towards facilitating the State's ability to continue and, hopefully expedite, its progress in these new and/or important initiatives. This measure, in conjunction with other measures, such as the intent reflected in the proposed SB 2948, will clearly demonstrate this legislature's commitment to these initiatives.

Thank you for this opportunity to testify.



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Monday, March 17, 2014 – 2:10 p.m. – Room 325

Ulupono Initiative Strongly Supports SB 2924, Relating to Public Utilities

Dear Chair McKelvey, Vice Chair Kawakami and Members of the Committee:

My name is Kyle Datta and I am general partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports SB 2924, which increases the balance that may be retained in the Public Utilities Commission (PUC) special fund at the end of the fiscal year. The PUC is the gatekeeper for many industries, including the energy sector in Hawai'i. Yet, it does not have the resources to handle all of the work that it is required to do. This has directly hurt Hawai'i's renewable energy industry, created delays in projects that will reduce imports of fossil fuel products, and will hurt the long-term prosperity of the overall economy.

As an investment firm, one of the largest reasons to avoid making investments is uncertainty. We, as well as many in the renewable energy industry, struggle with delays from regulatory bodies that often result in projects being less financeable, or scrapped completely.

The PUC needs to have a continuous and reliable stream of funding to attract high quality talent and prevent staff turnover. No PUC can make intelligent and timely decisions without enough trained staff to support the commissioners. On this note, we feel SB 2924 should be integrated with SB 451 SD 1, which grants the PUC more autonomy and increases staffing and pay to attract and retain high quality employees.

Respectfully,

Kyle Datta
General Partner

Email: communications@ulupono.com

