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**TO THE HOUSE COMMITTEE ON  
ENERGY AND ENVIRONMENTAL PROTECTION**

**THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2013**

**FRIDAY, APRIL 19, 2013  
8:45 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**

**SENATE CONCURRENT RESOLUTION NO. 37, S.D. 1 – REQUESTING THE PUBLIC  
UTILITIES COMMISSION TO ESTABLISH A STRANDED COST RECOVERY  
MECHANISM TO ENCOURAGE THE ACCELERATED RETIREMENT OF ELECTRIC  
UTILITY FOSSIL FUEL ELECTRIC GENERATION PLANTS**

**DESCRIPTION:**

This resolution requests that the Public Utilities Commission establish a stranded cost recovery mechanism to encourage the accelerated retirement of electric utility fossil fuel electric generation plants.

**POSITION:**

The Division of Consumer Advocacy supports this resolution.

Senate Concurrent Resolution No. 37, S.D. 1  
Senate Committee on Energy and Environmental Protection  
Friday, April 19, 2013, 8:45 a.m.  
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COMMENTS:

The Hawaiian Electric Companies currently operate a number of very old oil-fired generation units on Oahu, Maui, and Hawaii Island. These units are less efficient than modern combined cycle and combustion turbine units. This resolution gives regulators direction in considering whether stranded costs are a significant factor in Hawaiian Electric's decision not to retire these old oil-fired units that are like to be completely depreciated.

Thank you for this opportunity to testify.

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

APRIL 19, 2013  
8:45 a.m.

**MEASURE:** S.C.R. No. 37, S.D. 1  
**TITLE:** Requesting the Public Utilities Commission to Consider Whether Stranded Costs Are a Significant Factor in the Electric Utilities' Failure to Retire Old, Oil-Fired Generation Plants and Any Appropriate Measures That Would Encourage Electric Utilities to Retire Old, Oil-Fired Generation Plants and the Potential Impact This Would Have On Ratepayers

Chair Lee and Members of the Committee:

**DESCRIPTION:**

S.C.R. No. 37, S.D.1 requests that the Public Utilities Commission ("Commission") consider 1) whether stranded costs are "a significant factor in the [Hawaii] electric utilities' failure to retire . . . old, oil-fired generation plants" and 2) appropriate measures to encourage utilities to retire old, oil-fired generation plants and the resulting impacts of such retirements on ratepayers.

**POSITION:**

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

**COMMENTS:**

S.B. No. 120, S.D. 1, which has been enrolled to the Governor, encourages the use of a stranded cost recovery mechanism to influence the operations of utility companies, as well as a number of additional economic incentive tools for the Commission to use to encourage the reduction of utility costs. Therefore, this resolution may be unnecessary. This resolution does, however, convey to the Commission a statement by the Legislature on this issue which serves as important policy guidance. In general, the Commission supports the intent of utilizing economic incentives and disincentives – including electric utility recovery of stranded costs for oil-fired generation when appropriate and justified – to facilitate moving an electric utility toward a desired course of action that will serve and enhance the public interest. In all situations, the Commission must carefully weigh the cost and impacts of any incentive or disincentive mechanism that is utilized to ensure that it serves the public interest and it is just and reasonable.

Thank you for the opportunity to testify on this measure.