

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON WAYS & MEANS

APRIL 4, 2013
9:50 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 Ige 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 is an alternative legislative vehicle to this resolution that 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.¹ However, whatever vehicle, via a bill or a resolution, the Legislature ultimately chooses to use to convey its policy guidance, 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 offer comments on this measure.

¹S.B. No. 120, S.D. 1, relating to public utilities, has been passed in unamended form by both the House Committee on Energy & Environmental Protection and the House Committee on Consumer Protection & Commerce, and the measure currently awaits final reading by the full House of Representatives.