

SCR 37

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.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEES ON
ENERGY & ENVIRONMENT
AND
COMMERCE & CONSUMER PROTECTION

MARCH 14, 2013
3:45 p.m.

MEASURE: S.C.R. No. 37
TITLE: 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

Chair Gabbard, Chair Baker, and Members of the Committees:

DESCRIPTION:

S.C.R. No. 37 requests that the Public Utilities Commission ("Commission") establish a stranded cost recovery regulatory mechanism to help accelerate the retirement of fossil fuel-based power generation plants utilized by electric utilities.

POSITION:

The Commission supports the intent of S.C.R. No. 37 and would like to offer the following comments for the Committees' consideration.

COMMENTS:

The Commission appreciates policy guidance from the Legislature. The use of stranded cost recovery mechanisms is a regulatory practice to encourage electric utilities to move toward a desired course of action.

S.B. No. 120, S.D. 1 is another legislative vehicle 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 Whatever vehicle, via a bill or a resolution, the Legislature finally chooses to convey its policy guidance, the Commission supports the intent of utilizing economic incentives and disincentives to facilitate moving an electric utility toward a desired course of action that will serve and enhance the public interest.

Thank you for the opportunity to testify on this measure.

¹S.B. No. 120, S.D. 1, relating to public utilities, passed out of the Senate and subsequently crossed over to the House on February 28, 2013, and has been referred initially to the House Committee on Energy & Environmental Protection.



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TO THE SENATE COMMITTEES ON ENERGY AND ENVIRONMENT
AND COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013

THURSDAY, MARCH 14, 2013
3:45 P.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE MIKE GABBARD AND THE HONORABLE
ROSALYN H. BAKER, CHAIRS, AND MEMBERS OF THE COMMITTEES

SENATE CONCURRENT RESOLUTION NO. 37 – 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 (PUC) 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 (Consumer Advocate) supports the intent of this resolution and offers the following comments.

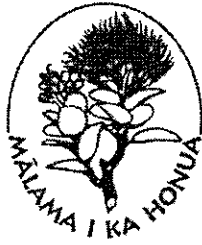
Senate Concurrent Resolution No. 37
Senate Committee on Energy and Environment
Senate Committee on Commerce and Consumer Protection
Thursday, March 14, 2013, 3:45 p.m.
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COMMENTS:

The Consumer Advocate appreciates the policy directive by this Legislature to the PUC that directs the PUC to establish a stranded cost recovery mechanism to encourage the accelerated retirement of electric utility fossil fuel electricity generation plants. The Consumer Advocate notes that many of Hawaii's oil-fired generation plants are extremely old where the electric utility has recovered most, if not all, of its capital costs. This suggests that stranded costs may not be what are holding back the acceleration of the retirement of oil-fired plants.

The Consumer Advocate recommends an amendment to this resolution that directs the PUC to investigate whether stranded cost recovery is a significant factor in the electric utilities' decision not to retire any of their oil-fired generation plants.

Thank you for this opportunity to testify.



Sierra Club Hawai'i Chapter

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SENATE COMMITTEE ON ENERGY AND ENVIRONMENT SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

March 14, 2013, 3:45 P.M.
(Testimony is 1 page long)

TESTIMONY IN SUPPORT OF SCR 37

Aloha Chair Gabbard, Chair Baker, and Members of the Committees:

The Sierra Club, Hawaii Chapter, with over 10,000 dues paying members and supporters statewide, respectfully *supports* SCR 37. This measure requests that the PUC establish a financial mechanism by which utilities can start retiring older fossil fuels.

Hawaii is moving forward with clean, renewable energy. And yet consumers may not yet see the advantage of renewable energy because our older fossil fuel plants cannot easily ramp up and down -- they simply have to operate at high capacity all the time, regardless of when cheap renewable energy may be available. Thus consumers are not able to see the full advantages of less expensive renewable energy.

As we move forward with our clean energy future, we will need to start scheduling the retirement of our less efficient, more polluting plants. This measure is a small, but important step in that direction.

We encourage this Committee to move this measure forward. Mahalo for the opportunity to testify.