

SCR 38/ SR 19

Measure Title: REQUESTING THE PUBLIC UTILITIES COMMISSION TO ESTABLISH AND ACCELERATE THE IMPLEMENTATION OF A COST SAVINGS INCENTIVE MECHANISM AS A FINANCIAL INCENTIVE TO MOTIVATE ELECTRIC UTILITIES TO REDUCE ENERGY COSTS.

Report Title: Public Utilities; Shared Cost Savings Incentive Mechanism

Description:

Companion:

Package: None

Current Referral: CPN, WAM

Introducer(s): SOLOMON

| <u>Sort by</u> <u>Date</u> | | Status Text |
|---|---|--|
| 2/20/2013 | S | Offered. |
| 3/5/2013 | S | Referred to CPN, WAM. |
| 3/7/2013 | S | The committee(s) on CPN has scheduled a public hearing on 03-12-13 10:00AM in conference room 229. |

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

MARCH 12, 2013
10:00 a.m.

MEASURE: S.C.R. No. 38/S.R. No. 19
TITLE: Requesting the Public Utilities Commission to Establish and Accelerate the Implementation of a Cost Savings Incentive Mechanism as a Financial Incentive to Motivate Electric Utilities to Reduce Energy Costs

Chair Baker and Members of the Committee:

DESCRIPTION:

S.C.R. No. 38 and S.R. No. 19 (collectively "Cost Savings Resolutions") requests the Public Utilities Commission ("Commission") to establish and to accelerate the implementation of a cost savings economic incentive mechanism for the purpose of incentivizing electric utilities to take steps to reduce their energy costs.

POSITION:

The Commission supports the intent of these Cost Savings Resolutions and would like to offer the following comments for the Committee's consideration.

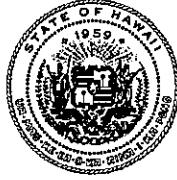
COMMENTS:

The Commission appreciates policy guidance from the Legislature. Economic incentive-based mechanisms can facilitate moving an electric utility toward a desired course of action, and these types of regulatory mechanisms have proven to be successful when designed and implemented properly.

S.B. No. 120, S.D. 1 also encourages the use of a cost savings incentive mechanism, 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, recently 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.



NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET, ROOM 310
P.O. Box 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
www.hawaii.gov/dcca

KEALI'I S. LOPEZ
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE
ON COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SEVENTH LEGISLATURE
REGULAR SESSION OF 2013

TUESDAY, MARCH 12, 2013
10:00 A.M.

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

SENATE CONCURRENT RESOLUTION NO. 38 AND SENATE RESOLUTION NO. 19
REQUESTING THE PUBLIC UTILITIES COMMISSION TO ESTABLISH AND
ACCELERATE THE IMPLEMENTATION OF A COST SAVINGS INCENTIVE
MECHANISM AS A FINANCIAL INCENTIVE TO MOTIVATE
ELECTRIC UTILITIES TO REDUCE ENERGY COSTS

DESCRIPTION:

This resolution requests that the Public Utilities Commission ("PUC") establish and accelerate the implementation of a cost savings incentive mechanism as a financial incentive to motivate electric utilities to reduce energy costs.

POSITION:

The Division of Consumer Advocacy supports Senate Concurrent Resolution No. 38 and Senate Resolution No. 19 and offers the following comments.

Senate Concurrent Resolution No. 38 and Senate Resolution No. 19
Senate Committee on Commerce and Consumer Protection
Tuesday, March 12, 2013, 10 a.m.
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COMMENTS:

These resolutions require the PUC to consider various economic incentives and cost recovery mechanisms for Hawaii's electric utilities as a means of expediting the utilities' reduction in the use of petroleum for electricity generation. The Consumer Advocate appreciates the latitude given to the PUC in being able to review, analyze, and accept or reject any or all of the proposals in this bill. As is required by Chapter 269, the Consumer Advocate will participate in any process or docket that the PUC may use to carry out the directive in S.B. No. 120, S.D. 1.

Thank you for this opportunity to testify.

SCR 38/ SR 19 TESTIMONY

| Submitted By | Organization | Testifier Position | Present at Hearing |
|--------------|--------------|--------------------|--------------------|
| TROY ABRAHAM | Individual | Support | No |