

STAND. COM. REP. NO. 2215

Honolulu, Hawaii

FEB 12 2014

RE: S.B. No. 2809
S.D. 1

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2809 entitled:

"A BILL FOR AN ACT RELATING TO UTILITIES REGULATION,"

begs leave to report as follows:

The purpose and intent of this measure is to amend Hawaii's utility ratemaking laws to allow utilities to earn a fair return on utility property that is used and useful.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism; Public Utilities Commission; and Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs. Your Committee received testimony in opposition to this measure from the Hawaiian Electric Company, Inc.

Your Committee finds that existing statute allows public utilities to earn a fair return on public utility property that is "used or useful" for public utility ratemaking purposes. However, the "used and useful" principle is widely accepted as the regulatory industry standard for determining fair value in ratemaking. Hawaii courts, including the Hawaii Supreme Court, also use "used and useful" when deciding cases or disputes involving Hawaii's utility ratemaking laws. This measure conforms Hawaii statutes with practices followed by the Public Utilities Commission and state courts when ruling on dockets and cases involving application of Hawaii's utility ratemaking laws.



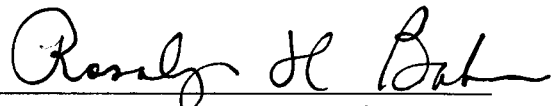
Your Committee has heard the concerns raised in testimony that changing the statutory language from "used or useful" to "used and useful" may create uncertainty about how to treat and manage certain utility property. Your Committee notes that the intent of this measure is to provide guidance to the Public Utilities Commission and create consistency with best regulatory practices throughout the country. Therefore, it is appropriate to add a purpose section to this measure to better explain its intent.

Accordingly, your Committee has amended this measure by:

- (1) Inserting a purpose section clarifying that this measure aligns statutory language regarding utility ratemaking with widely accepted utility ratemaking principles and ratemaking practices already applied in Hawaii and is prospective in nature and clarifying that specific application of this measure should be left to the discretion of the Public Utilities Commission; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2809, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2809, S.D. 1, and be referred to the Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,

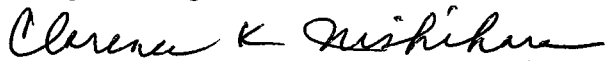


ROSALYN H. BAKER, Chair



The Senate
 Twenty-Seventh Legislature
 State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2809	CPN, WAM	2/4/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
TANIGUCHI, Brian T. (VC)				✓
NISHIHARA, Clarence K.	✓			
WAKAI, Glenn	✓			
SLOM, Sam	✓			
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes