

# SB 451

## Proposed SD1

Measure Title: RELATING TO THE PUBLIC UTILITIES COMMISSION.

Report Title: Public Utilities Commission; Air Carriers

Description: Specifies that the public utilities commission is an autonomous agency of the state to be assigned, for administrative purposes only, to the department of commerce and consumer affairs. Increases the compensation of the chair and commissioners of the public utilities commission. Clarifies the public utilities commission's authority concerned standard administrative practices, including operational expenditures and the hiring of personnel. Enables the chair of the public utilities commission to appoint and employ an executive officer to assist with managing the operations of the commission. Specifies that the executive director of the division of consumer advocacy shall be the consumer advocate in hearings before the public utilities commission. Appropriates funds for the hiring of an executive officer within the public utilities commission. (Proposed SD1).

Companion:

Package: None

Current Referral: CPN/WAM

Introducer(s): SOLOMON, Dela Cruz, English, Kahele, Shimabukuro



NEIL ABERCROMBIE  
GOVERNOR

EXECUTIVE CHAMBERS  
HONOLULU

Testimony in **SUPPORT** of SB451 PROPOSED SD1  
Relating to the Public Utilities Commission

Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair  
Senator Brian T. Taniguchi, Vice Chair

Committee on Ways and Means  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair

February 26, 2014  
10:10 am Room 211

Chair Baker, Chair Ige, Vice Chair Taniguchi, Vice Chair Kidani, and members of the Commerce and Consumer Protection and Ways and Means Committees:

The Office of the Governor submits **written** testimony in **support** of Senate Bill 451 Proposed SD1, Relating to the Public Utilities Commission. This measure transfers the administrative oversight of the Public Utilities Commission from the Department of Budget and Finance to the Department of Commerce and Consumer Affairs.

The Office of the Governor recognizes that the Public Utilities Commission is an important regulatory body that impacts the lives of residents and visitors alike, affects our businesses and communities, and plays an important role in our economic future. The Commission's crucial role in deciding dockets and addressing the future of regulated utilities, especially as it relates to guiding statewide energy policy, highlights the need for this body be provided with adequate support. Accordingly, the Office of the Governor acknowledges that the current government structure must be reassessed to ensure that the Commission is provided with the environment and support necessary for it to operate in an efficient manner that best benefits the people of the State of Hawaii.

Thank you for the opportunity to submit testimony.

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

FEBRUARY 26, 2014  
10:10 a.m.

**MEASURE:** S.B. No. 451, Proposed S.D. 1  
**TITLE:** Relating to the Public Utilities Commission

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

**DESCRIPTION:**

S.B. No. 451, Proposed S.D. 1 would amend a number of statutory provisions relating to the administrative and functional aspects of the Public Utilities Commission ("Commission") and the Consumer Advocate. These statutory amendments include:

1. Moving the Commission as an attached agency under the Department of Budget and Finance ("DBF") to the Department of Commerce and Consumer Affairs ("DCCA") for administrative purposes;
2. Adjusting the current salary levels for each of the Commissioners;
3. Clarifying the autonomous nature of the Commission, as well as the authority of the Chairperson of the Commission concerning the hiring of personnel and operational expenditures;
4. Creating the position of executive officer for the Commission ("Executive Officer") within Section 269-3, Hawaii Revised Statutes ("HRS"); and
5. Removing the role of Consumer Advocate from the DCCA Director's list of responsibilities, and re-designating the Executive Director of the Division of Consumer Advocacy within DCCA ("CA Executive Director") as the Consumer Advocate.

In addition, this measure includes a number of provisions to allow for an orderly and timely administrative transfer of the Commission from DBF to DCCA beginning July 1, 2014 and becoming fully effective by July 1, 2015.

**POSITION:**

The Commission supports this measure to improve the administrative functioning of the Commission. The Commission would like to offer the following comments for the Committee's consideration.

**COMMENTS:**

The Commission provides comments below on each of the primary substantive provisions of this measure.

*Transferring the Commission to DCCA*

The Commission supports transferring the Commission from DBF to DCCA for administrative purposes.

Although the Consumer Advocate is required by statute<sup>1</sup> to be a party in every proceeding before the Commission, the Commission believes that removing the role of Consumer Advocate from the list of the DCCA Director's responsibilities and clarifying the legislative intent of this proposal can help to minimize potential conflict of interest issues from having the Commission administratively attached to DCCA, the parent agency for the Division of Consumer Advocacy. This measure's other provisions should also help establish the appropriate structure and working relationships for the Commission and the Division of Consumer Advocacy as attached agencies under DCCA. For example, Section 3 [page 5, line 1 to page 6, line 4] and Section 4 [page 6, line 5 to page 8, line 21] clarifies the autonomous nature of the Commission and ensures that no input or influence on regulatory matters should come from DCCA.

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<sup>1</sup>The Consumer Advocate is required under HRS § 269-51 to represent the interests of all consumers in Commission hearings, thus, due process considerations would require that a proper level of separation between the Division of Consumer Advocacy and the Commission must be maintained to avoid any potential for conflicts of interest between these agencies.

Salary Increase for Commissioners

The Commission appreciates the recognition by the Legislature of the need for adequate salaries to compensate for the prerequisite expertise and knowledge needed to serve as a commissioner.

Clarification of the Commission's Authority for Administrative Purposes

The Commission believes that legislative clarification regarding the authority of the Commission's Chairperson to make personnel and operational expenditures decisions is necessary.

The supervision of attached agencies within the State is generally governed by the provisions of HRS § 26-35, which attempts to delineate the administrative responsibilities and the authority of the department head to which the agency is attached. The Commission's enabling statute, HRS Chapter 269, defines the agency head's authority and administrative autonomy. The Commission believes that this measure can help avoid ambiguity regarding the Commission's autonomy and ability to hire personnel and/or make the necessary expenditures to support it in carrying out its various regulatory responsibilities within a legislatively-approved budget.

Creation of an Executive Officer Position

The Commission supports the creation of an Executive Officer position. An Executive Officer with the responsibilities described in this measure would be invaluable in allowing the Chairperson to focus more on the responsibilities of deliberating and making decisions on docketed matters, rather than overseeing the Commission's day-to-day operational matters. Creating this additional management position is appropriate given the increasing size and complexity of the Commission's workload.

The Commission suggests amending this measure's proposed Section 5 [page 9, line 1 to page 10, line 11] as follows to provide further clarity to provisions creating the Executive Officer position:

SECTION 5. Section 269-3, Hawaii Revised Statutes, is  
amended to read as follows:

"§269-3 Employment of assistants. (a) The chairperson of the public utilities commission may appoint and employ professional staff and other assistants for the public utilities commission as the chairperson finds necessary for the performance of the commission's functions and define their powers and duties. Notwithstanding section 26-35(a)(4) to the contrary and subject to applicable personnel laws, the employment, appointment, applicable salary schedules, promotion, transfer, demotion, discharge, and job descriptions of all officers and employees of or under the jurisdiction of the commission shall be determined by the chairperson and may be delegated to the executive officer. The chairperson may appoint and, at pleasure, dismiss ~~[a chief administrator and]~~ attorneys as may be necessary, and who shall be exempt from chapter 76. The chairperson may also appoint other staff with or without regard to chapter 76.

(b) The chairperson of the commission shall appoint, employ, and dismiss, at pleasure, an executive officer who shall be responsible for managing the operations of the commission. The responsibilities of the executive officer shall include management and recruitment of personnel, budget planning and implementation, strategic planning and implementation, contract administration, and implementation of administrative programs and projects. The executive officer shall be exempt from chapter 76.

~~[(b)]~~ (c) Notwithstanding section 91-13, the commission may consult with its assistants appointed under authority of this section in any contested case or agency hearing concerning any issue of facts. Neither the commission nor any of its assistants

shall in such proceeding consult with any other person or party except upon notice and an opportunity for all parties to participate, save to the extent required for the disposition of ex parte matters authorized by law."

Emphasis added where clarifying amendments are suggested.

*Designating the Executive Director as the Consumer Advocate*

For all practical purposes, the CA Executive Director is now delegated the role of Consumer Advocate in Commission proceedings, acting on behalf of the DCCA Director. This is a logical delegation of responsibilities by the DCCA director, given the specialized expertise and knowledge required to represent consumers in matters of utilities regulation, as well as the administrative demands to manage the operations of the Division of Consumer Advocacy with its support staff of attorneys, engineers, researchers, and additional professional and support staff. This measure's proposed amendments to HRS § 269-51 and associated sections are an adoption of what is and has been common practice.

Furthermore, designating the CA Executive Director as the Consumer Advocate creates an organizational structure and "firewall" in relation to the Commission's connection to the DCCA Director that would allow both the Commission and the Division of Consumer Advocacy to be administratively attached to DCCA without creating conflict of interest issues.

Again, the Commission supports both the objectives and the various provisions of this measure, and the Commission is happy to work with the Legislature and the affected state departments in making such a transition.

Thank you for the opportunity to testify on this measure.

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEES ON COMMERCE AND CONSUMER  
PROTECTION AND WAYS AND MEANS  
ON  
SENATE BILL NO. 451, PROPOSED S.D. 1

February 26, 2014

RELATING TO THE PUBLIC UTILITIES COMMISSION

Senate Bill No. 451, Proposed S.D. 1, specifies that the public utilities commission is an autonomous agency of the state to be assigned, for administrative purposes only, to the department of commerce and consumer affairs. The bill also increases the compensation of the chair and commissioners of the public utilities commission. Clarifies the public utilities commission's authority concerning standard administrative practices, including operational expenditures and the hiring of personnel. Enables the chair of the public utilities commission to appoint and employ an executive officer to assist with managing the operations of the commission. Specifies that the executive director of the division of consumer advocacy shall be the consumer advocate in hearings before the public utilities commission. Appropriates funds for the hiring of an executive officer within the public utilities commission.

The Department of Budget and Finance (B&F) supports this measure. Attaching agencies to departments for administrative purposes is more than a matter of assigning paper-pushing duties. Where an agency is attached – even if for administrative purposes - reflects upon the strategic nature and purpose of that agency within the entire organization. Also, it must be recognized that administering departments have varying capabilities and functional philosophies that are, first and foremost, driven by that department's primary function within the state organization. Having the Public Utilities Commission (PUC) situated in B&F although statutorily stated for administrative



purposes – means that the PUC is subject to some level of administrative direction largely driven by matters and issues that are foremost related to financial management of the state, departments, or operations of B&F.

The PUC regulates all franchised or certificated public service companies operating in the State and prescribes rates, tariffs, charges and fees; determines the allowable rate of earnings in establishing rates; issues guidelines concerning the general management of franchised or certificated utility businesses; and acts on requests for the acquisition, sale, disposition or other exchange of utility properties, including mergers and consolidations. As such, the PUC's statutory responsibility requires a unique organizational structure and specialized staff. In order for PUC to effectuate these various duties, B&F supports having the PUC be administratively attached to a department whose own operational functions are more closely align with the operational mission and strategic focus of the PUC. The department supports reassignment of the PUC in the interest of supporting the PUC's own strategic direction. Departments such as the Department of Commerce and Consumer Affairs or the Department of Business, Economic Development & Tourism do present strong attributes that could be better suited for the strategic evolution of the PUC. Either of these departments, could result in a more synergistic approach towards utility regulation and the development of energy policy in particular. Thank you for the opportunity to testify.



NEIL ABERCROMBIE  
GOVERNOR

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PRESENTATION OF  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

TO THE SENATE COMMITTEES ON  
COMMERCE AND CONSUMER PROTECTION  
AND WAYS AND MEANS

TWENTY-SEVENTH STATE LEGISLATURE  
REGULAR SESSION, 2014

WEDNESDAY, FEBRUARY 26, 2014  
10:10 A.M.

TESTIMONY ON SENATE BILL NO. 451, PROPOSED S.D. 1  
RELATING TO THE PUBLIC UTILITIES COMMISSION

TO THE HONORABLE ROSALYN H. BAKER  
AND DAVID Y. IGE, CHAIRS,  
AND TO THE HONORABLE BRIAN T. TANIGUCHI  
AND MICHELLE N. KIDANI, VICE CHAIRS,  
AND MEMBERS OF THE COMMITTEES:

The Department of Commerce and Consumer Affairs ("Department") appreciates the opportunity to testify on Senate Bill No. 451, Proposed S.D. 1 ("Proposed Senate Draft 1") Relating to the Public Utilities Commission ("Commission"). My name is Keali'i Lopez, Director of the Department. The Department offers the following testimony in support of the bill with requested amendments.

Proposed Senate Draft 1 specifies that the Commission is an autonomous agency of the state, transfers and assigns the Commission from the department of budget and finance to the Department, for administrative purposes only; increases the compensation of the Commission chair and commissioners; clarifies the Commission's authority concerning standard administrative practices, including operational expenditures and the hiring of personnel; enables the Commission chair to appoint and employ an executive officer to assist with managing the Commission's operations; specifies that the executive director of the division of consumer advocacy ("DCA") shall be the consumer advocate in hearings before the Commission; and appropriates funds for the Commission to hire an executive officer.

The Department supports the assignment of the Commission to the Department for administrative purposes, as proposed in Sections 3 and 4. The Department has experience working with a variety of boards, commissions and programs and can provide similar support to the Commission to further its mission. To that end, the Department suggests that the language establishing the PUC as an autonomous agency may be unnecessary, given the administrative support that DCCA can provide.

Regarding Sections 7 and 8 of the bill, the Department supports the appointment of an executive director of the DCA as the consumer advocate in hearings before the Commission, and placing the supervision and control of the

Testimony on Senate Bill No. 451, Proposed S.D. 1

February 26, 2014

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DCA under the executive director instead of the director of commerce and consumer affairs.

The Department notes that Proposed Senate Draft 1 does not address whether the Commission's special fund will be responsible for its pro rata share of the administrative expenses under Section 36-30, Hawaii Revised Statutes ("HRS"). To clarify that the administrative assessments will be included as part of the Commission's expenditures, the Department requests the following clarifying amendment to Section 269-33, HRS:

**§269-33 Public utilities commission special fund.** (a) There is established in the state treasury a public utilities commission special fund to be administered by the public utilities commission. The proceeds of the fund shall be used by the public utilities commission and the division of consumer advocacy of the department of commerce and consumer affairs for all expenses incurred in the administration of chapters 269, 271, 271G, 269E, and 486J, and costs incurred by supporting offices, branches, divisions, and departments; provided that the expenditures of the public utilities commission shall be in accordance with legislative appropriations.

Thank you for this opportunity to testify in support of Senate Bill No. 451, Proposed Senate Draft 1. I will be happy to answer any questions that the members of the Committee may have.



NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

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DIRECTOR

JO ANN UCHIDA TAKEUCHI  
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TO THE SENATE COMMITTEES ON  
COMMERCE AND CONSUMER PROTECTION  
AND WAYS AND MEANS

THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2014

WEDNESDAY, FEBRUARY 26, 2014  
10:10 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 AND DAVID Y. IGE, CHAIRS,  
AND MEMBERS OF THE COMMITTEES

SENATE BILL NO. 451, PROPOSED SD1 –  
RELATING TO THE PUBLIC UTILITIES COMMISSION

DESCRIPTION:

This measure proposes to specify that the Public Utilities Commission (Commission) is an autonomous agency of the state to be assigned, for administrative purposes only, to the Department of Commerce and Consumer Affairs (DCCA); clarify the Commission's authority concerned standard administrative practices, including operational expenditures and the hiring of personnel; enables the Commission Chair to appoint and employ an executive officer to assist with managing the operations of the Commission; specifies that the executive director of the Division of Consumer Advocacy

Senate Bill No. 451, Proposed SD1  
Senate Committee on Commerce and Consumer Protection  
Senate Committee on Ways and Means  
Tuesday, February 26, 2014, 10:10 a.m.  
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shall be the consumer advocate in hearings before the Commission; and appropriates funds for the hiring of the executive officer within the Commission.

POSITION:

The Division of Consumer Advocacy supports this measure.

COMMENTS:

Historically, the Commission has faced issues with respect to sufficient resources, both in terms of funds for operational requirements and the hiring and retention of personnel. This measure will facilitate the Commission's ability to efficiently address issues regarding operational expenditures and the hiring and retention of agency personnel. Given the requirements associated with various ongoing initiatives, such as renewable energy, energy efficiency, and liquefied natural gas, having a Commission that is able to access the necessary resources and hire the necessary personnel to analyze and support these initiatives is important.

The Commission currently falls under the Department of Budget and Finance (B&F) for administrative purposes. The mission of B&F is as follows:

"The Department of Budget and Finance, headed by the Director of Finance, administers the State budget, develops near- and long-term financial plans and strategies for the State, and provides programs for the improvement of management and financial management of State agencies."

The mission of DCCA is much more closely aligned with the mission of the Commission's goal "to ensure that regulated companies efficiently and safely provide their customers with adequate and reliable services at just and reasonable rates, while providing regulated companies with a fair opportunity to earn a reasonable rate of return." DCCA's goal is "to promote a strong and healthy business environment while protecting the community from unfair and deceptive business practices."

Placing the Commission under DCCA for administrative purposes will assist the Commission in obtaining sufficient resources to fulfill the Commission's ever expanding role in utility policy-making and regulation.

**SB451**

Submitted on: 2/25/2014

Testimony for CPN/WAM on Feb 26, 2014 10:10AM in Conference Room 211

Submitted By	Organization	Testifier Position	Present at Hearing
Doug McLeod	Mayor's Office County of Maui	Support	No

Comments: Please note our support is for SB451SD1 not the original bill. This bill would strengthen the PUC at a time when they are handling critical issues for our community. By national standards the Hawaii PUC remains underfunded. This bill could help limit "poaching" of PUC staff by the utility or others by allowing the PUC to move closer to private sector salaries for certain key positions.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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**Directors**

Jody Allione  
Silver Ridge

Joe Boivin  
Hawaii Gas

Kelly King  
Pacific Biodiesel

Warren S. Bollmeier II  
WSB-Hawaii

**TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE  
HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE  
SENATE COMMITTEES ON COMMERCE AND CONSUMER  
PROTECTION, AND WAYS AND MEANS**

**SB 451 PROPOSED SD1, RELATING TO THE PUBLIC UTILITY  
COMMISSION**

February 26, 2014

Chairs Baker and Ige, Vice-Chairs Taniguchi and Kidani, and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance ("HREA"). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically- sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of SB 451 SD1 are to: (i) specify that the public utilities commission is an autonomous agency of the state to be transferred from the department of budget and finance and assigned, for administrative purposes only, to the department of commerce and consumer affairs; (ii) increase the compensation of the chair and commissioners of the public utilities commission; (iii) clarify the public utilities commission's authority concerning standard administrative practices, including operational expenditures and the hiring of personnel; (iv) enable the chair of the public utilities commission to appoint and employ an executive officer to assist with managing the operations of the commission, (v) specify that the executive director of the division of consumer advocacy shall be the consumer advocate in hearings before the public utilities commission; and (v) appropriate funds for the hiring of an executive officer within the public utilities commission.

HREA **strongly supports** this measure as it will allow the Commission to become more efficient and effective in its operation.

Mahalo for this opportunity to testify.





COLLEGE OF SOCIAL SCIENCES

# HAWAII ENERGY POLICY FORUM

UNIVERSITY OF HAWAII AT MĀNOA

## Hawaii Energy Policy Forum

Shirley Schmitt, Hawaii Institute for Public Affairs  
Debbie Alm, Hawaiian Electric Co.  
Lyn Asselbayer, Office of US Congresswoman Tulsi Gabbard  
John Bolvin, Hawai'i Gas  
Charles Bollmeier, Hawaii Renewable Energy Alliance  
Robert Chee, Chevron  
John Denny Coffman, Hawai'i State House of Representatives  
Elizabeth Cole, The Kohala Center  
Christie Cole-Brooks, Hawai'i Solar Energy Assn  
Rajeev Datta, Ulupono Initiative  
Laura Dierenfeld, Queen Lili'uokalani Trust  
Richard Ewan, UH Hawai'i Natural Energy Institute / Fidelity, ThinkTech Hawai'i, Inc.  
Robert Freedman, Haiku Design & Analysis  
Mike Gabbard, Hawai'i State Senate  
Mark Glick, State Energy Office, DBEDT  
Martin Gruenstein, City & County of Honolulu  
John Hahn, Office of Senator Brian Schatz  
Michael Hamnett, Research Corporation of the UH  
Robert Harris, Sierra Club  
William Kaneko, Hawaii Institute for Public Affairs  
John Kelly, Kaua'i Island Utility Cooperative  
Shirley Kimura, Energy Industries Holdings  
Timothy King, Sustainable Biodiesel Alliance  
Representative Chris Lee, Hawai'i State House of Representatives  
Madys Marrone, Building Industry Assn of Hawai'i  
Doug McLeod, Maui County  
Stephen Meder, UH Center for Smart Building and Community Design  
Loren Montez-Hernandez, Office of Senator Mazie Hirono  
Termina Morita, Public Utilities Commission  
Sharon Moriwaki, UH Social Sciences Public Policy Center  
John Nelson, U.S. Defense Energy Support Center  
John O'Connell, U.S. Department of Agriculture, Rural Development  
Trey Ono, Division of Consumer Advocacy, DCCA  
Inteh K. T. Park, Office of Congresswoman Colleen Hanabusa  
Elissa Pavlicek, Hawaii Public Policy Advocates, LLC  
Mark Rocheleau, UH Hawai'i Natural Energy Institute  
Bill Rolston, Hawai'i County  
Terrence Rosegg, Hawaiian Electric Co.  
Ike Saito, SunPower Systems Corp  
Alle Simonpletri, U.S. Pacific Command Energy Office  
Ray Starling, Hawaii Energy  
Lynn Sue, Hawaii Government Employees Assn  
John Sullivan, Kaua'i County  
Nancy Tanaka, Tesoro Hawai'i Corp  
Arla Tome, State Energy Office, DBEDT

Testimony of Sharon Moriwaki  
Co-chair, Hawaii Energy Policy Forum  
Before the  
Senate Committee on Commerce and Consumer Protection  
Senator Rosalyn H. Baker, Chair  
Senator Brian T. Taniguchi, Vice Chair  
Senate Committee on Ways and Means  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair  
Wednesday, February 26, 2014; Conference Room 211

## IN SUPPORT OF SB 451 SD1 – RELATING TO THE PUBLIC UTILITIES COMMISSION

The Hawai'i Energy Policy Forum is an organization, created in 2002, comprised of 46 representatives from Hawai'i's electric utilities, oil and natural gas suppliers, environment and community groups, renewable energy industry, and federal, state and local government, including the neighbor islands. Our vision, mission, and comprehensive "10 Point Action Plan" serves as our guide in advancing Hawai'i's preferred energy goals.

SB 451 SD1 includes several provisions that would increase the effectiveness and productivity of the Public Utilities Commission (PUC). It clarifies that the PUC is an autonomous agency, moving the administrative attachment of the Commission to the Department of Commerce and Consumer Affairs and providing more direct control of personnel and operational expenditures (while maintaining reasonable controls). These are all provisions that will increase the PUC's effectiveness and productivity by addressing long-standing challenges.

Since its inception, one unanimous concern of the Forum members is the need to revitalize the PUC and the Division of Consumer Advocacy (DCA). Revitalization of these important regulatory agencies is essential to implementing progressive energy policies. In addition to regulating utility expenditures of approximately \$4 billion dollars annually, the PUC and DCA are tasked with developing and implementing many technically complex policy matters that affect every one of Hawai'i's people on a day-to-day basis.

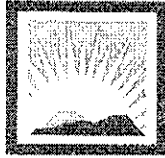
SB 451 SD1 also renames the "Executive Director" of the Division of Consumer Advocacy as the "Consumer Advocate." This is a non-controversial change that makes perfect sense, eliminating a long-standing senseless misnomer.

The Forum recognizes that the change in salaries of the PUC Commissioners is not the most important aspect of this bill, but notes that the increases in salaries is substantially less than previously advocated by the Forum and considered by the Legislature. In the 2006 Legislative session, HB1021 HD2 SD1 recognized the necessary specialized expertise and amount of responsibility of the Commissioners and included provisions to increase the Commissioners' salaries to 100% of the salary of the Director of Commerce and Consumer Affairs. The Forum also notes that, although interest has been expressed in maintaining some balance of Commissioners from Neighboring Islands, there are no provisions for providing expenses to Commissioners for necessary travel and accommodations to Oahu.

SB 451 SD1 would increase the effectiveness and productivity of the PUC by providing a more efficient administrative structure and procedures. **The Forum therefore SUPPORTS SB 451 SD1.**

Thank you for the opportunity to testify.

*This testimony reflects the position of the Forum as a whole and not necessarily of the individual Forum members or their companies or organizations.*



## **Hawaii Solar Energy Association**

*Serving Hawaii Since 1977*

Before the Senate Committee on Commerce and Consumer Protection & the Committee on Ways and Means

Wednesday, February 26, 2014, 10:10 a.m., Room 211

**SB 451 SD 1: RELATING TO THE PUBLIC UTILITIES COMMISSION**

Aloha Chair Baker and Chair Ige, Vice-Chair Taniguchi and Vice-Chair Kidani, and members of the Senate Committee on Commerce and Consumer Protection and the Senate Committee on Ways and Means,

On behalf of the Hawaii Solar Energy Association (HSEA), I would like to testify in support for SB 451 SD 1, which specifies that the public utilities commission is an autonomous agency of the state, increases the compensation of the chair and PUC commissioners, and enables the chair to appoint an executive officer to assist with managing the operations of the commission. HSEA is a non-profit trade organization that has been advocating for solar energy since 1977, with an emphasis on residential distributed generation and commercial for both solar hot water (SHW) and photovoltaics (PV). We currently represent 81 companies, which employ thousands of local workers in the solar industry. With 37 years of advocacy behind us, HSEA's goal is to work for a sustainable energy future for all of Hawaii.

The PUC is currently contending with a number of complicated dockets that require significant time and expertise. These dockets include, but are not limited to, the reexamination of the Decoupling Docket, the reexamination of the Feed-in Tariff, the Integrated Resource Plan, the Reliability Standards Working Group, On-bill Financing and On-bill Repayment, and the soon to be added GEMS program which passed through the legislature last year. Each of these dockets examine a key aspect of energy policy and direction for the state of Hawaii, and many parties from the utility, the energy industry, ratepayers, and environmental groups see these dockets as key frameworks that must be complete in order for the state to move forward with its energy goals.

However, the PUC has been plagued by administrative hurdles which has left the PUC chronically understaffed, with inadequate work space and infrastructure, and which has prevented the chair from using the funds currently allocated to hire additional staff with the level of expertise that the PUC needs. The work of the PUC is vital to the economic and energy future of the state, and PUC employees should receive compensation that is commensurate with the hard work and expertise that they bring to the table.

SB 451 SD 1 would remove administrative barriers and promote a more efficient and effective PUC.

Thank you for the opportunity to testify  
Leslie Cole-Brooks  
Executive Director  
Hawaii Solar Energy Association



Wednesday, 02/26/2014 at 10:10a.m. in Room 211  
SB451proposed SD1- Relating to Public Utilities Commission

Senate Commerce and Consumer Committee  
Chair Rosalyn H. Baker, Vice Chair Senator Brain T. Taniguchi

Senate Ways and Means Committee  
Chair David Y. Ige, Vice Chair Senator Michelle N. Kidani

TESTIMONY OF OPPOSITION  
Carmille Lim, Executive Director, Common Cause

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Dear Chair Baker, Vice Chair Taniguchi, Chair Ige, Vice Chair Kidani and Committee members:

**Common Cause Hawaii opposes the proposed SB451 SD1 on the basis that this is a gut-and-replace bill.**

As you may know, Common Cause Hawaii strongly opposes the “gut-and-replace” practice, and bills that have been subject to this – including bills whose new language supports our goals for stronger transparency and government accountability. Gut-and-replace, whereby the bill’s original content is removed and replaced with new content unrelated to the bills original intent, undermines the public’s trust in our legislative process.

The original purpose of SB451 was to amend the definition of “public utility”. SB451 would repeal the exclusion of owners or operators of aerial transportation enterprises from the current definition of a public utility.

The proposed SD 1 reassigns the Public Utilities Commission from the department of budget and finance and assigned to the department of commerce and consumer affairs. It additionally also clarifies the public utilities commission's authority concerning standard administrative practices, including operational expenditures and the hiring of personnel.

**We ask that you defer this gut-and-replace measure indefinitely.**

Thank you for the opportunity to testify on the proposed SB451 SD1.



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COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
Senator Rosalyn Baker, Chair  
Senator Brian Taniguchi, Vice Chair

COMMITTEE ON WAYS AND MEANS  
Senator David Ige, Chair  
Senator Michelle Kidani, Vice Chair

Wednesday, February 26, 2014, 1:10 a.m., Senate Conference Room 211  
SB451 SD1 Relating to the Public Utilities Commission

TESTIMONY  
Janet Mason, League of Women Voters of Hawaii

Chairs Baker and Ige, Vice-Chairs Taniguchi and Kidani, and Committee Members:

This is a "Gut and Replace" bill. It has been amended by replacing the original content of a bill from last session with new content unrelated to the intent of SB451. For this reason, **the League of Women Voters of Hawaii opposes SB 451, SD1.**

The original SB451 was simply to repeal the exclusion of owners or operators of aerial transportation enterprises from the definition of a public utility. SB 451 SD 1, on the other hand, is a major reorganization and re-ordering of responsibilities of the Public Utilities Commission—light years away from the original bill.

"Gut and replace" actions undermine public confidence in government because it seems something sneaky is happening in the legislative process. In order for citizens to participate actively in the legislative process, they need to be sure the process is working in a fair and transparent way.

While the material that replaces the original wording may have merit, acting in a less than open manner undermines trust. And just because the versions were drafted in two different sessions doesn't make this any less of a "gut and replace," a strategy that should have long ago been relegated to the dust bin of history.

Since this clearly is a "gut and replace" measure it should be held in Committee. Thank you for the opportunity to present our testimony.