
A BILL FOR AN ACT

RELATING TO PUBLIC UTILITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Utilities provide an important and essential
2 service to the public that ensures quality of life and a
3 functioning economy for the State's citizens and businesses.
4 These companies are regulated entities to which the State
5 granted a franchise that results in the utilities having a
6 monopoly over the provision of service to customers in their
7 service territory. This monopoly power provides a number of
8 benefits to many utility investors including commission-mandated
9 rates that provide a guaranteed opportunity to earn a return on
10 capital investments and a stable customer base that purchases
11 electrical services in predictable amounts. In return, the
12 utilities agree to be regulated by the public utilities
13 commission and to serve all customers that meet the terms and
14 conditions of receiving electrical service.

15 Such regulation is a proxy for competition, providing
16 incentives for utilities to adopt new methods, improve quality,
17 increase efficiency, lower costs, and adapt to meet changing



1 customer demand Utility regulation also serves to prevent
2 excessive profits and unreasonable price discrimination, support
3 social goals such as energy efficiency and service to low-income
4 residents, and ensure public safety and reliability.

5 The role of a public utility commissioner is critical in
6 creating appropriate regulations and applying these regulations
7 consistently and fairly. Commissioners must establish public
8 faith and confidence in the market and the government. The
9 legislature finds public utilities have attempted to influence
10 the regulatory process to serve their own interests. For
11 example, a major news media outlet reported utilities in Florida
12 spent millions of dollars in political contributions while
13 pushing to remove commissioners that voted to deny a thirty per
14 cent rate increase. In California, media reports shed light on
15 one utility that was charged with negotiating deals to support
16 one commissioner in exchange for higher profits on regulated
17 projects.

18 The legislature finds it is necessary to hold utilities and
19 commissioners to high ethical standards to ensure the public is
20 protected against abuse and to foster faith and confidence in
21 the regulatory process.



1 The purpose of this Act is to increase transparency,
2 increase public participation, and provide the public utilities
3 commission with resources to more effectively hold utilities
4 accountable to the public interest by requiring:

- 5 (1) Certain restrictions on post-employment for
6 commissioners and their employees;
- 7 (2) Public input on a proposed merger or consolidation of
8 public utilities; and
- 9 (3) The auditor to conduct a study that compares the
10 salaries of employees at the public utilities
11 commission with employees of comparable positions in
12 the private sector to ensure that the salaries are
13 competitive enough to promote employee retention.

14 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
15 amended by adding a new section to be appropriately designated
16 and to read as follows:

17 "§269- Restrictions on post employment. (a) No former
18 commissioner or employee of the public utilities commission
19 pursuant to sections 269-2 and 269-3, within twenty-four months
20 after termination of the commissioner's or employee's employment

1 shall represent or be employed for a fee or other consideration
2 by a public utility.

3 (b) This section shall not prohibit any agency from
4 contracting with a former commissioner or employee to act on a
5 matter on behalf of the State within the period of limitations
6 stated herein, and shall not prevent such commissioner or
7 employee from appearing before any agency in relation to such
8 employment.

9 (c) This section shall not apply to any person who is
10 employed by the public utilities commission for a period less
11 than one hundred and eighty-one days.

12 (d) For purposes of this section, "represent" means to
13 engage in direct communication on behalf of any public utility
14 with a legislator, legislative employee, state agency or
15 subdivision thereof, or their employees, or any other public
16 utility."

17 SECTION 3. Section 269-19, Hawaii Revised Statutes, is
18 amended by amending subsection (a) to read as follows:

19 "(a) Except as provided in subsection (b), no public
20 utility shall sell, lease, assign, mortgage, or otherwise
21 dispose of or encumber the whole or any part of its road, line,



1 plant, system, or other property necessary or useful in the
2 performance of its duties to the public, or any franchise or
3 permit, or any right thereunder, nor by any means, directly or
4 indirectly, merge or consolidate with any other public utility
5 without first having secured from the public utilities
6 commission an order authorizing it so to do. For applications
7 for a proposed merger or consolidation with another public
8 utility, the public utilities commission shall not issue an
9 order authorizing the merger or consolidation pursuant to this
10 subsection without first having afforded consumers or patrons an
11 opportunity to provide input on the application. The consumer
12 advocate shall be a party to all dockets involved in the
13 proposed merger or consolidation. Every such sale, lease,
14 assignment, mortgage, disposition, encumbrance, merger, or
15 consolidation, made other than in accordance with the order of
16 the commission shall be void."

17 SECTION 4. (a) The auditor shall conduct a study that
18 compares the salaries of employees at the public utilities
19 commission with employees of comparable positions in the private
20 sector.



1 (b) When conducting the study, the auditor shall examine
2 whether the salaries of employees at the public utilities
3 commission are competitive enough with the private sector to
4 promote employee retention.

5 (c) The auditor shall submit the study, including its
6 findings and recommendations, to the legislature no later than
7 November 30, 2015.

8 SECTION 5. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so much
10 thereof as may be necessary for fiscal year 2015-2016 for the
11 auditor to conduct a study that compares the salaries of
12 employees at the public utilities commission with the salaries
13 of employees of comparable positions in the private sector to
14 determine whether commission employee salaries are competitive.

15 The sum appropriated shall be expended by the auditor for
16 the purposes of this Act.



1 SECTION 6. New statutory material is underscored.

2 SECTION 7. This Act shall take effect on July 1, 2015.

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INTRODUCED BY:

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JAN 29 2015



H.B. NO. 1501

Report Title:

Public Utilities; Government Transparency; Salaries

Description:

Provides certain restrictions on post-employment for commissioners and their employees. Requires public input on a proposed merger or consolidation of public utilities. Requires the auditor to conduct a study that compares the salaries of employees at the Public Utilities Commission with employees of comparable positions in the private sector.

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