



## Written Comments

### **HB1504 RELATING TO ENERGY**

Comments by the Legislative Reference Bureau  
Charlotte A. Carter-Yamauchi, Acting Director

Presented to the House Committee on Energy and Environmental Protection

Thursday, February 5, 2015, 8:30 a.m.  
Conference Room 325

Chair Lee and Members of the Committee:

Good morning Chair Lee and members of the Committee, my name is Charlotte Carter-Yamauchi and I am the Acting Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on H.B. No. 1504, Relating to Energy.

The general purpose of this bill is to require the Bureau to analyze different public utility models followed in the United States and compare them with the utility model followed in Hawaii. The bill also appropriates funds to conduct the study and mandates that the Bureau submit its findings to the Legislature by November 30, 2015.

The specific purpose of the bill is to require the Bureau to:

- (1) Identify different public utility models utilized across the United States:
- (2) Assess the public utility models identified and, utilizing the following criteria, compare them with Hawaii's current for-profit utility model:
  - (A) Operating and rate costs to taxpayers or ratepayers;
  - (B) Incentives to achieve renewable energy goals; and
  - (C) Resistance to changing business models to adapt to the growth and decline in cost of distributed energy technology,

and make projections of those models' application in or throughout Hawaii, based on their metrics; and

- (3) Identify former for-profit utilities that have converted to a different business model, including public ownership, cooperative ownership, or other models, and assess their conversion processes.

While the Legislative Reference Bureau takes no position on this measure, we have significant concern about our ability to adequately complete the study as presently envisioned in the measure. We submit the following comments for your consideration.

First, based on the scope of the study as currently drafted, we estimate that such a wide-ranging study may take up to two years to complete. Although we assume that the intent of the measure is to limit the review to only energy utilities, such a limitation is not expressly stated. As such, the study's scope could foreseeably encompass all types of public utilities. In addition, since the Bureau does not possess any inherent expertise in public utility organizational and financial management, we believe that it will be necessary to contract the services of an entity, if any exists, that possesses the requisite expertise in this subject matter area. Consequently, the request for proposals and procurement processes would have to be utilized, which would add to the time that it would take to complete the study.

Second, as the measure is drafted, the references to "different public utility models" and to "different business models" of utilities appear to be used interchangeably. Thus, it is confusing whether the focus of the study is on the various "public utility models" that exist in other jurisdictions, the changing business models of some existing public utilities, or utility business models that regulatory entities responsible for oversight over the utilities are exploring or adopting. For example, the Hawaii PUC's Exhibit A: Commission's Inclinations on the Future of Hawaii's Electric Utilities; Aligning the Utility Business Model with Customer Interests and Public Policy Goals.

Third, data with respect to certain requested aspects of the study may not be available to review or lend itself to reliable conclusions, regardless of how much time is provided. For example, the bill requests the Bureau to identify former for-profit utilities that have converted to "different business models, including public ownership, cooperative ownership, or other models, and assess their conversion processes." It is unknown to us if adequate information is currently available to be able to determine how many such utilities have converted to another business model and if any sample we amass would be adequate to statistically validate any finding. Furthermore, the bill also directs the Bureau to use, as an assessment criterion, a public utility's resistance to changing business models to adapt to the growth and decline in cost of distributed energy technology, to compare Hawaii's current for-profit utility model with other public utility models. We are not aware of any method to empirically assess a "public utility's resistance to changing business models to adapt to the growth and decline in cost of distributed energy technology." Consequently, these provisions may serve to complicate and delay the completion of the report.

We would appreciate the opportunity to work with the Committee to craft a draft that would focus the study to ensure it provides useful information for the Legislature yet is manageable to the Bureau. At the very least, however, we believe that the limited resources of the Bureau would be utilized more effectively on the Legislature's behalf if the measure is amended in the following manner:

- (1) Narrowing the scope of public utilities to be reviewed by clarifying that the study concerns only energy utilities, and if possible, the specific organizational or corporate structure of the public utilities (or actual public utility companies) to be studied;
- (2) Lengthening the timeframe in which to conduct the review to, at very least, twenty days prior to the convening of the 2016 Regular Session; and
- (3) Providing the Bureau with an exemption from the procurement requirements of Chapter 103D, Hawaii Revised Statutes, to facilitate the expeditious contracting of any necessary professional services to meet the short timeframe.

These amendments will allow us to manage our workload more effectively and minimize interference with our ability to provide research and drafting services for all legislators.

Thank you again for this opportunity to provide written comments.



**DEPARTMENT OF BUSINESS,  
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Statement of  
**LUIS P. SALAVERIA**  
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Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

Thursday, February 5, 2015  
8:30 a.m.  
State Capitol, Conference Room 325

in consideration of  
**HB 1504**  
**RELATING TO ENERGY.**

Chair Lee, Vice Chair Lowen, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) respectfully offers comments on HB 1504 which directs the Legislative Reference Bureau to conduct a study to compare the pros and cons of Hawaii's current for-profit utility models with a public utility model.

Given that the PUC will be reviewing whether or not the acquisition of HECO by NextEra will be in the public interest, any report effectively looking at alternatives to such a merger should be coordinated with the PUC process.

Thank you for the opportunity to offer these comments regarding HB 1504.

EEPttestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Wednesday, February 04, 2015 8:35 AM  
To: EEPtestimony  
Cc: wrokinslow@gmail.com  
Subject: Submitted testimony for HB1504 on Feb 5, 2015 08:30AM

**HB1504**

Submitted on: 2/4/2015

Testimony for EEP on Feb 5, 2015 08:30AM in Conference Room 325

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
R. Kinslow	Individual	Support	No

Comments: Support allocation of funds to compare utility models so that we can make an informed choice in Hawaii.

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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