

TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
ENERGY & ENVIRONMENTAL PROTECTION

March 21, 2017
8:30 a.m.

MEASURE: H.C.R. No. 112, Proposed H.D. 1

TITLE: Requesting the Public Utilities Commission to Establish Performance Based Revenue Mechanisms that Directly Tie an Electric Utility's Revenues to the Utility's Achievement on Performance Metrics.

Chair Lee and Members of the Committee:

DESCRIPTION:

This measure requests that the Public Utilities Commission ("Commission") establish performance incentive and penalty mechanisms that directly tie an electric utility's revenues to the utility's achievement on performance metrics. This measure also requests that the Commission submit a status report on the establishment of the performance incentive and penalty mechanism, and any proposed legislation, to the Legislature not later than twenty days prior to the convening of the Regular Session of 2018.

POSITION:

The Commission offers the following comments for the Committee's consideration.

COMMENTS:

The Commission agrees that electric utility performance should be aligned with meeting the State's energy goals and protecting ratepayers from potentially unnecessary additional costs. This principle was discussed in detail in the *Commission's Inclinations on the Future of Hawaii's Electric Utilities* (See Docket No. 2012-0036, Order No. 32052). which has guided the Commission's regulatory activities over the last several years.

The Commission currently has an open proceeding to re-examine the HECO Companies' Decoupling Mechanism (See Docket No. 2013-0141) and the development of performance incentive mechanisms is one of the issues pending final decision in that docket. The Commission also intends to examine implementation of performance incentive mechanisms in the forthcoming rate case applications from each of the HECO Companies.

Thank you for the opportunity to testify on this measure.



DAVID Y. IGE
GOVERNOR
SHAN S. TSUTSUI
LT. GOVERNOR

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DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

TUESDAY, MARCH 21, 2017
8:30 A.M.

TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE CHRIS LEE, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE CONCURRENT RESOLUTION NO. 112, PROPOSED H.D. 1 REQUESTING
THE PUBLIC UTILITIES COMMISSION TO ESTABLISH PERFORMANCE BASED
REVENUE MECHANISMS THAT DIRECTLY TIE AN ELECTRIC UTILITY'S
REVENUES TO THE UTILITY'S ACHIEVEMENT ON PERFORMANCE METRICS

DESCRIPTION:

This proposed resolution requests the Public Utilities Commission ("PUC" or "Commission") to establish performance based revenue mechanisms that directly tie an electric utility's revenues to the utility's achievement on performance metrics.

POSITION:

The Division of Consumer Advocacy ("Consumer Advocate") offers comments on this resolution.

COMMENTS:

In the proposed HD1 of HCR112, the Commission is requested to establish performance incentive and penalty mechanisms that is intended to realign the prevailing business model with customer interests.

The Consumer Advocate offers that consideration of performance based ratemaking, including consideration of performance incentive and penalty mechanisms, are already being considered in a number of different proceedings, such as Docket Nos. 2013-0141, 2015-0170, and 2016-0328. Thus, the request that the Commission establish performance incentive and penalty mechanisms appears unnecessary as it is already the subject of ongoing proceedings and it should also be noted that the Commission chair indicated in a public legislative informational briefing earlier this year that a Commission decision in Docket No. 2013-0141 may be forthcoming.

The Consumer Advocate also offers that the implementation of performance incentive mechanisms should be done carefully; otherwise, unintended consequences could occur. Possible unintended consequences include, but are not limited to, a utility's inability to successfully raise capital, when such capital access is imperative to fund the necessary infrastructure investments to realize Hawaii's 100% renewable goals or a utility overinvesting in unnecessary renewable energy infrastructure because of an improperly designed performance incentive.

The Consumer Advocate appreciates the legislature's interest in the status of the Commission's consideration of performance incentive and penalty mechanisms and believes that the legislature's request to be informed of the status is reasonable. The Consumer Advocate advises the legislature, however, that the implementation of performance incentive and penalty mechanisms will require adequate time to ensure that unintended consequences are not the result of rushed implementation.

Thank you for this opportunity to testify.



Healthy Climate Communities

Testimony in support of HCR112

HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Hearing Tuesday, March 21, 2017 8:30 a.m.

Aloha Chair Lee, Vice-Chair Lowen and committee members,

Please support HCR112.

This bill ties utility profits to achieving criteria that are important to consumers. This bill will align our financial and environmental interests with the utilities obligation to seek profit for their shareholders.

This concurrent resolution will empower the utility company in our State to focus on their performance in reducing costs, achieving renewable energy goals, and improving customer service.

Mahalo,

Dr. Lisa Marten
Executive Director
Healthy Climate Communities
healthyclimate@hawaii.rr.com

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:56 PM
To: EEPtestimony
Cc: moonierjames@gmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
James Moonier	Individual	Support	No

Comments: Dear Chair Lee, Vice Chair Lowen and members of the Committee on Energy and Environmental Protection. Please pass this concurrent resolution so that our utility may work for our State and its residents in good faith, at the same time as it maximizes profits for its shareholders. Let these goals be one and the same. Thank you, James Moonier

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:52 PM
To: EEPtestimony
Cc: vickieinkailua@gmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Vickie Fullard-Leo	Individual	Support	No

Comments: Greetings, I request that you pass HCR112. When the common person wins, so will the megautility. The business model should be changed so that the utility is rewarded for controlling costs, providing good service to its customers and achieving clean energy goals. The more the utility spends, the more profits it earns. Hold the utility company accountable to be pono. Aloha, Vickei L. Fullard-Leo

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:51 PM
To: EEPtestimony
Cc: kittyc8571@gmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Catherine Courtney	Individual	Support	No

Comments: I strongly support and ask you to please pass HCR112. We need to put in place the right incentives to ensure that our electric company helps to achieve clean energy goals without penalizing residents who are using solar energy. Thank you, Kitty Courtney

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:49 PM
To: EEPtestimony
Cc: jlarson@lejardinacademy.org
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Julie Larson Hicks	Individual	Support	No

Comments: Aloha Chari Lee, Vice Chair Lowen and Committee members, I ask you to pass HCR112. Make HECO work for its shareholders, at the same time as it works for the people of Hawaii. Utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service. They should not profit from driving up costs of infrastructure. Mahalo, Julie Larson Hicks

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:46 PM
To: EEPtestimony
Cc: sksb@earthlink.net
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Karen Simmons	Individual	Support	No

Comments: I request that you support and pass HCR112. We don't want our utilities to profit from needlessly driving up costs. We want them to profit when they reduce costs, achieve renewable energy goals, and improve customer service. Thank you. Karen Simmons

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:44 PM
To: EEPtestimony
Cc: cochrah@gmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Heather Cochran	Individual	Support	No

Comments: I, Heather Cochran, ask you to pass HCR112. Utilities have a financial interest in driving up costs for electric grid infrastructure from which they earn an automatic profit, but which ratepayers are forced to pay for. Instead, utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service. Heather Cochran, MA, MEd

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:42 PM
To: EEPtestimony
Cc: donascot67@gmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Scott Sullivan	Individual	Support	No

Comments: I support and strongly urge you to facilitate the passage of HCR112. I am a relatively early adopter of a home photovoltaic system, and thus am somewhat insulated from Hawaiian Electric Company, but still depend on HECO to a certain extent. I am very aware of the need to work with the electric utility companies in order to help insure they can continue to provide their services as needed in a clean, renewable, cost effective, and, within reason, profitable manner. This Bill will align the utility business model with customer interests and public policy goals. Thank you, Scott Sullivan

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:41 PM
To: EEPtestimony
Cc: laniquinns@yahoo.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Julie Quinn	Individual	Support	No

Comments: I strongly support this bill. It will align the utility business model with customer interests and public policy goals. Please pass. Thank you, Julie Quinn

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:39 PM
To: EEPtestimony
Cc: rangood4@hotmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Erickson	Individual	Support	No

Comments: Dear Chair Lee and EEP Committee members, There are many success stories of utilities providing great service and profitable margins at the same time. Please use one of these perhaps as a mentor program and support HCR112. Thank you, Randy Erickson

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:35 PM
To: EEPtestimony
Cc: annmarten@hawaii.rr.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Ann Marten	Individual	Support	No

Comments: Please realign the interests of the utility to match the interests of the people of Hawaii. Pass this concurrent resolution. Mahalo, Ann Marten

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:33 PM
To: EEPtestimony
Cc: bbreis@me.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Brijit Reis	Individual	Support	No

Comments: Dear Chair Lee, Vice Chair Lowen and members of EEP, I support HCR112. Utilities have a financial interest in driving up costs for electric grid infrastructure from which they earn an automatic profit, but which ratepayers are forced to pay for. Instead, utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service. Thank you, Dr. Brijit Reis

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 4:30 PM
To: EEPtestimony
Cc: ronirooks@gmail.com
Subject: Submitted testimony for HCR112 on Mar 21, 2017 08:30AM

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Veronica J Rooks	Individual	Support	No

Comments: I request that you support and pass HCR112. Utilities have a financial interest in driving up costs for electric grid infrastructure from which they earn an automatic profit, but which ratepayers are forced to pay for. Instead, utilities should earn a profit based on their performance in reducing costs, achieving renewable energy goals, and improving customer service. Thank you. Dr. Roni Rooks

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From: mailinglist@capitol.hawaii.gov
Sent: Saturday, March 18, 2017 3:04 PM
To: EEPtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HCR112 on Mar 21, 2017 08:30AM*

HCR112

Submitted on: 3/18/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Oppose	No

Comments:

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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, March 20, 2017 10:39 PM
To: EEPtestimony
Cc: begoniabarry@gmail.com
Subject: *Submitted testimony for HCR112 on Mar 21, 2017 08:30AM*

HCR112

Submitted on: 3/20/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Barry	Individual	Support	No

Comments:

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LATE

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, March 21, 2017 8:24 AM
To: EEPtestimony
Cc: begoniabarry@gmail.com
Subject: *Submitted testimony for HCR112 on Mar 21, 2017 08:30AM*

HCR112

Submitted on: 3/21/2017

Testimony for EEP on Mar 21, 2017 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Barry	Individual	Support	No

Comments:

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