

SCR132

Measure Title: REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE MANAGEMENT AUDIT OF THE PUBLIC UTILITIES COMMISSION.

Report Title: Public Utilities Commission; Auditor; Management Audit

Description:

Companion: [HCR107](#)

Package: None

Current Referral: CPH, WAM

Introducer(s): BAKER, GABBARD, KIDANI, Espero, Ihara, Nishihara, Shimabukuro



SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH
The Honorable Rosalyn H. Baker, Chair
The Honorable Clarence K. Nishihara, Vice Chair

**S.C.R. NO. 132, REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE
MANAGEMENT AUDIT OF THE PUBLIC UTILITIES COMMISSION**

Hearing: Tuesday, March 28, 2017, 10:00 a.m.

The Office of the Auditor has **no position** regarding S.C.R. No. 132, which, among other things, requests the Auditor to conduct a comprehensive management audit of the Public Utilities Commission. **However, we have concerns about our ability to conduct the requested management audit.**

Specifically, the first operative clause of the resolution requests that we evaluate, as part of the audit, the following:

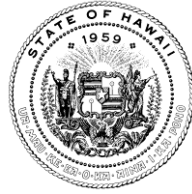
- (1) Appropriateness and applicability of current utility legislation;
- (2) Adequacy of current Public Utilities Commission (“PUC”) policies, rules, procedures, and strategic plan;
- (3) Management of the PUC's ability to provide technical and analytical staff support in case management, enforcement of the Commission's rules, and overall ability to meet the Commission's mission and statutory obligations; and
- (4) Effectiveness of the PUC in dealing with energy and other utility issues.

The second operative clause of the resolution requests that we include the role of the division of consumer advocacy of the department of commerce and consumer affairs in our examination of the regulatory responsibilities under the jurisdiction of the PUC.

The areas that we are to specifically examine are beyond our expertise and, generally, outside the scope of a management audit. We suggest that the state energy office may be the more suitable agency to review the appropriateness of utility regulation and adequacy of PUC policies, rules, and procedures. Similarly, given our understanding of the state energy office’s resources, that agency seems to be better equipped to assess the PUC’s management of its technical and analytical staff and the PUC’s effectiveness in addressing issues involving regulated industries.

If the legislature intends that we conduct the audit, we suggest the legislature amend a bill providing an appropriation of not less than \$150,000 for us to retain a consultant who is versed in regulatory matters to assist us in assessing the PUC’s operations. We also are concerned that we may not be able to produce this report before the 2018 session, given that we must first procure the services of the consultant.

Thank you for considering our testimony related to the audit requested in S.C.R. 132.



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

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**TO THE SENATE COMMITTEE ON COMMERCE, CONSUMER
PROTECTION, AND HEALTH**

**THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017**

**TUESDAY, MARCH 28, 2017
10:00 A.M.**

**TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ROSALYN H. BAKER, CHAIR,
AND MEMBERS OF THE COMMITTEE**

**SENATE CONCURRENT RESOLUTION NO. 132 REQUESTING THE AUDITOR TO
CONDUCT A COMPREHENSIVE MANAGEMENT AUDIT OF
THE PUBLIC UTILITIES COMMISSION**

DESCRIPTION:

This resolution requests the auditor to conduct a comprehensive management audit of the Public Utilities Commission (“PUC” or “Commission”).

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) offers the following comments.

COMMENTS:

The Consumer Advocate notes that, as a result of the Legislature's interest in evaluating the Commission's efficiency and effectiveness, the Legislature is requesting a comprehensive management audit of the Commission, which should include, but not be limited to:

- The appropriateness and applicability of current utility legislation;
- The adequacy of current Commission policies, rules, procedures, and strategic plan;
- The management of the Commission's ability to provide technical and analytical staff support in case management, enforcement of the Commission's rules, and overall ability to meet the Commission's mission and statutory obligations; and
- The effectiveness of the Commission in dealing with energy and other utility issues.

As part of the recommended audit, the Legislature is also asking that the State Auditor ("Auditor") "include the role of the [Consumer Advocate] in the Auditor's examination of the regulatory responsibilities under the jurisdiction of the [Commission]; . . ."

Should this resolution move forward, the Consumer Advocate intends to fully cooperate with the audit, but the Consumer Advocate respectfully requests additional clarification about the scope of the audit with respect to the examination of the Commission's regulatory responsibilities and the Consumer Advocate's role. The Consumer Advocate is concerned that, as currently written, the resolution can be read to suggest that the role of the Consumer Advocate is one of the regulatory responsibilities that is under the jurisdiction under the Commission. While both the Consumer Advocate and Commission are now within the same department, they continue to remain separate agencies with distinct statutory general powers, duties, and obligations. Thus, clarification of the audit scope as it relates to the examination of the Commission's regulatory responsibilities and the Consumer Advocate's role would help the Consumer Advocate understand how to best cooperate with the Auditor. Clarification may also help clarify for the Auditor the intended scope of the Legislature's interest.

Thank you for the opportunity to testify on this matter.

TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH

March 28, 2017
10:00 a.m.

MEASURE: S.C.R. No. 132

TITLE: Requesting the Auditor to Conduct a Comprehensive Management Audit of the Public Utilities Commission.

Chair Baker and Members of the Committee:

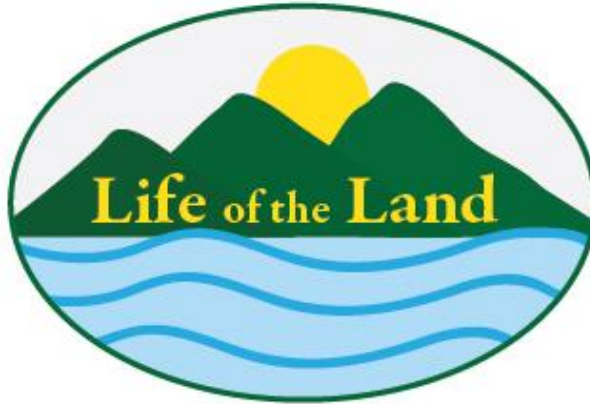
DESCRIPTION:

This measure requests that the Auditor conduct a comprehensive management audit of the Public Utilities Commission ("Commission").

POSITION:

The Commission supports this measure.

Thank you for the opportunity to testify on this measure.



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COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH
Senator Rosalyn H. Baker, Chair
Senator Clarence K. Nishihara, Vice Chair

Wednesday, March 28, 2017
10:00 AM
Conference Room 229

Re: SCR 132 Requesting Audit of Public Utilities Commission

Comments

Aloha Chair Baker, Vice Chair Nishihara, and members of the Committee,

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 47 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

The Public Utilities Commission (PUC) has been audited four times, by the University of Hawai`i in 1961, and by the Legislative Auditor in 1974-76, 1989, and 2004. The audit of 1974-76 preceded the Legislature`s decision to attach the Consumer Advocate and the PUC in different state agencies. Each audit found the PUC to be too reactive, and not proactive enough.

The year 2014 saw great transformation: the PUC issued a series of proactive White Papers which continue to shape the path forward, and the Legislature introduced SB 2948 (Act 108) to overhaul the Commission. The overhaul will be completed in 2018.

The right time to audit the PUC is either before, or after, a transformation, as opposed to, in the middle of the transformation. **Therefore, while Life of the Land fully supports an audit of the PUC, we feel that the audit process should be delayed by two years.**