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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Ways and Means
Tuesday, February 25, 2020
12:40 p.m.
State Capitol, Conference Room 211**

**On the following measure:
S.B. 2884, RELATING TO THE PUBLIC UTILITIES COMMISSION
SPECIAL FUND CARRYOVER BALANCE**

WRITTEN TESTIMONY ONLY

Chair Dela Cruz and Members of the Committee:

My name is Dean Nishina, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department supports this administration bill.

The purpose of this bill is to increase the balance that may be retained in the Public Utilities Commission (PUC or Commission) Special Fund at the end of each fiscal year from \$1,000,000 to \$3,000,000.

The Department supports this bill because it would help ensure that the Commission and Department have sufficient funds at the beginning of the fiscal year to meet their operational needs. The current "carryover balance" in the PUC Special Fund of only \$1,000,000 has not kept pace with the Commission's and Department's expanding workload and related expenses. To address the complex issues associated

with Hawaii's clean energy transition and other ongoing matters before the Commission, the necessary funds for consultant contracts and other similar expenses have been growing. As the Commission and Department are not always able to align the encumbrance of funds for consultant contracts and other expenditures with when funds are made available, having insufficient funds could delay the Commission's and Department's ability to pursue the State's objectives in a timely fashion.

Under Hawaii Revised Statutes (HRS) section 269-30, funds collected from public utilities by way of the Public Utility Fee are deposited in the PUC Special Fund in July and December. Currently, the Director of Finance deposits those funds at the end of each of those months. Under HRS section 269-33(d), all funds in excess of \$1,000,000 as of June 30 each year lapse to the credit of the General Fund. This creates an annual financial "pinch point" each July and could affect the operating funds of the Consumer Advocate, who depends on the Commission's quarterly disbursements. The current "carryover balance" limit was codified into statute in the 1990s. The updated balance in this bill would be a welcome relief for the affected agencies.

The Department would also like to note that this bill would not change the total deposits collected under the Public Utility Fee or legislative appropriations for either the Commission or the Consumer Advocate. Accordingly, long-term net funds lapsing to the General Fund should also be unaffected.

Thank you for the opportunity to testify on this administration bill.

TESTIMONY OF
JAMES P. GRIFFIN, Ph.D.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
SENATE COMMITTEE ON
WAYS AND MEANS

February 25, 2020
12:40 p.m.

Chair Dela Cruz and Members of the Committee:

MEASURE: S.B. No. 2884

TITLE: RELATING TO THE PUBLIC UTILITIES COMMISSION SPECIAL FUND
CARRYOVER BALANCE.

DESCRIPTION: Increases the balance that may be retained in the Public Utilities Commission Special Fund at the end of each fiscal year from \$1,000,000 to \$3,000,000.

POSITION:

The Public Utilities Commission supports this measure and offers the following comments for consideration.

COMMENTS:

The Public Utilities Commission Special Fund is the primary source of funding for the Department of Commerce and Consumer Affairs' Public Utilities Commission (PUC) and Division of Consumer Advocacy (DCA) programs. All funds in excess of the \$1,000,000 "carryover balance" at the end of each fiscal year are transferred to the general fund. This carryover balance is the Commission's only means to fulfill its financial obligations until the first major public utility fee is collected in late July, with funds available in early to mid-August.

The current \$1,000,000 carryover balance was established by statute in 1994. Since then, it has never been modified, even though the Commission has grown significantly in size, in terms of both responsibilities and operational costs. This has created a timing issue, as \$1,000,000 is no longer sufficient to meet the Commission's start-of-year expenses,

which include statutory obligations under HRS §§ 269-33 and 36-27, the PUC's payroll, and other operational expenses that tend to occur at the beginning of the fiscal year, such as the encumbering of annual contracts.

When the current carryover balance was established in FY 1994, the Commission's approved operating budget was \$5,866,502. By comparison, in FY 2021, it has grown to \$19,242,757, representing a 228% increase since the carryover balance was established.

This measure does not change the Commission's budget or the legislative appropriation to the PUC Special Fund; it simply ensures the Commission has enough cash on hand at the start of the fiscal year to pay its expenses within the currently approved limits. Thus, the issue this measure seeks to resolve is one of timing. All expenditures from the PUC Special Fund will still be subject to the budget process and appropriations approved by the Legislature.

Correcting this timing issue will grant the Commission the flexibility needed to meet its financial obligations at the start of the fiscal year. This will allow the Commission to more effectively and efficiently fulfill its statutory duties without increasing its ceiling or requiring additional appropriations from the Legislature.

Thank you for the opportunity to testify on this measure.



Email: communications@ulupono.com

SENATE COMMITTEE ON WAYS & MEANS
Tuesday, February 25, 2020 — 12:40 p.m. — Room 211

Ulupono Initiative supports SB 2884, Relating to the Public Utilities Commission Special Fund Carryover Balance.

Dear Chair Dela Cruz and Members of the Committee:

My name is Amy Hennessey, and I am the Senior Vice President of Communications & External Affairs at Ulupono Initiative. We are a Hawai'i-based impact investment firm that strives to improve our community's quality of life by creating more locally produced food; increasing affordable clean renewable energy and transportation options; and better managing waste and fresh water resources.

Ulupono supports SB 2884, which increases the balance that may be retained in the Public Utilities Commission (PUC) Special Fund at the end of each fiscal year from \$1,000,000 to \$3,000,000.

Ulupono supports the efforts to increase renewable energy across the State and believes that allowing the PUC to maintain consistent resources through its special fund will enable the efficient processing and administration efforts to develop renewable projects for Hawai'i. The current Commission has taken upon themselves a very heavy workload of dockets that are essential to achieving our energy goals such as: Performance-Based Regulation (PBR), Integrated Grid Planning (IGP), the on-going, largest ever procurement of renewable energy resources (RFP), and the program to give access to solar PV to those who have historically been unable to obtain it through Community-Based Renewable Energy (CBRE). Furthermore, the Commission has adopted aggressive timelines to move these dockets through as expeditiously as possible. The State should provide appropriate resource levels for the PUC to match Hawai'i's ambitious renewable energy goals.

Thank you for this opportunity to testify.

Respectfully,

Amy Hennessey, APR
Senior Vice President, Communications & External Affairs

Investing in a Sustainable Hawai'i