

TESTIMONY OF
LEODOLOFF R. ASUNCION, JR.
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

TO THE
HOUSE COMMITTEE ON
ENERGY & ENVIRONMENTAL PROTECTION

February 7, 2023
8:45 a.m.

Chair Lowen, Vice Chair Cochran, and Members of the Committee:

MEASURE: H.B. No. 1151

TITLE: RELATING TO THE PUBLIC UTILITIES COMMISSION.

DESCRIPTION: Requires electric utilities and gas utilities to submit proposed capital expenditures for certain projects to the PUC for review and determination whether the project may be included in the utilities' rate base. Requires the PUC to make a determination within ninety days.

POSITION:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

COMMENTS:

The Commission appreciates the intent of this measure to promote administrative efficiency, however, the Commission notes that under the Commission's General Order No. 7, Standards for Electric Utility Service in the State of Hawaii ("G.O. 7")¹, and G.O. No. 9, Standards for Gas Service Calorimetry, Holders & Vessels in the State of Hawaii ("G.O. 9")², electric utilities and gas utilities already are required to submit proposed capital expenditures for certain projects for the Commission to review and determine whether the utilities may include such projects in their rate base. Additionally, both G.O. No. 7 and G.O. No. 9 also state that failure of the Commission to render a decision and order within 90 days of filing by the utility shall allow the utility to include the project in its rate base without the determination by the Commission.

¹ See General Order No. 7, 2.3.g at <https://puc.hawaii.gov/wp-content/uploads/2013/04/General-Order-7.pdf>

² See General Order No. 9a, 2.3.f at <https://puc.hawaii.gov/wp-content/uploads/2013/04/General-Order-9a.pdf>

The Commission also notes that while G.O. 7 originally set the capital expenditures threshold at \$500,000, on May 27, 2004, in Decision and Order No. 21002 in Docket No. 03-0257, the Commission modified paragraph 2.3(g)(2) of G.O. 7 by inserting the phrase "\$2.5 million, excluding customer contributions," in place of "\$500,000".

The Commission believes that codifying portions of G.O. No. 7 and G.O. No. 9 is redundant, however, should the Legislature choose to move forward with the bill, the Commission suggests the following amendments to Section 1 to accurately reflect the Commission's differing G.O. 7 and G.O. 9 thresholds for capital expenditures for electric utilities and gas utilities.

"§269- Electric utility and gas utility capital improvements; review; rate base. (a) (1) An electric utility ~~or gas utility~~ shall submit proposed capital expenditures for any single project related to plant replacement, expansion, or modernization, in excess of ~~\$500,000~~ 2.5 million, excluding customer contributions, or ten per cent of the total plant in service, whichever is less, to the commission for review at least sixty days before the commencement of construction or commitment for expenditure, whichever is earlier.

(2) A gas utility shall submit proposed capital expenditures for any single project related to plant replacement, expansion, or modernization, in excess of \$500,000 or ten per cent of the total plant in service, whichever is less, to the commission for review at least

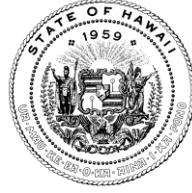
sixty days before the commencement of construction or
commitment for expenditure, whichever is earlier.

(b) If the commission determines, after a hearing on the matter, that any portion of the proposed project provides facilities that are unnecessary or are unreasonably in excess of probable future requirements for electric utility or gas utility purposes, then the electric utility or gas utility shall not include that portion of the project in its rate base. If the electric utility or gas utility subsequently convinces the commission that the property in question ~~are~~ has become necessary or useful for public utility purposes, then the property may be included in the rate base.

(c) If the commission does not render a decision and order within ninety days of filing by the electric utility or gas utility, the electric utility or gas utility may include the capital expenditures for the proposed project in its rate base without the determination required by this section."

The Commission has and continues to review all major capital projects undertaken by electric utilities and gas utilities to determine if those projects are reasonable and in the public interest and will continue to do so.

Thank you for the opportunity to testify on this measure.



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Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Energy & Environmental Protection
Tuesday, February 7, 2023
8:45 a.m.
Conference Room 325**

**On the following measure:
H.B. 1151, RELATING TO THE PUBLIC UTILITIES COMMISSION**

Chair Lowen and Members of the Committee:

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

The purpose of this bill is to require: (1) electric utilities and gas utilities to submit proposed capital expenditures for certain projects to the Public Utilities Commission (Commission) for review and determination whether the project may be included in the utilities' rate base; and (2) the Commission to make a determination within 90 days.

While the Department appreciates the intent of this bill which appears to codify in statutes the Commission's General Orders (G.O.) regarding proposed capital expenditure projects of electric and gas utilities (specifically, G.O. No. 7, 2.3.g(2) for electric utilities and G.O. No. 9, 2.3.f(2) for gas utilities), the Department offer the following comments.

As proposed, all electric and gas utilities will be required to submit proposed capital expenditures for any single project related to plant replacement, expansion, or

modernization, in excess of \$500,000 or 10% of the total plant in service, whichever is less, to the Commission for review at least 60 days before the commencement of construction or commitment for expenditure, whichever is earlier. In 2003, the Commission reviewed whether updates to the dollar threshold were appropriate since the G.O. were adopted in the 1960s. As a result of those reviews, in 2004, the Commission authorized changes for the Hawaiian Electric Companies and Kauai Island Utility Cooperative, where capital expenditure projects exceeding \$2.5 million, excluding customer contributions, would require Commission review. For Hawaii Gas, the monetary threshold of \$500,000 was retained. In approving the change, the Commission considered the growth in the companies' total plant in service, the current cost of projects, and the number of applications that might be filed by the utility companies under the \$500,000 threshold and under other proposed threshold levels.

If this bill moves forward, this would represent a change in the monetary threshold back to \$500,000 for the Hawaiian Electric companies and Kauai Island Utility Cooperative. This will increase the number of capital improvement projects submitted for the Commission's review going forward, increasing the Commission's and Department's workload by having to review projects that will not a significant impact on rates. Furthermore, the increase in applications may affect the Commission's and Department's ability to provide the appropriate level of scrutiny that each proposed capital improvement project requires and will reduce the resources available to timely analyze and process other applications.

Accordingly, the Department recommends that this bill be held in Committee as unnecessary since the Commission already requires electric and gas utilities to file applications seeking approval of capital expenditures exceeding a dollar threshold appropriate to each company. In the alternative, if the Committee desires to move this bill forward, the Department respectfully offers that the monetary thresholds should be modified to recognize the existing thresholds that were established by Commission orders.

Thank you for the opportunity to testify on this bill.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON
ENERGY & ENVIRONMENTAL PROTECTION**

HB 1151

Relating to the Public Utilities Commission

Tuesday, February 7, 2023

8:45 am

State Capitol, Conference Room 325 & Videoconference

James Abraham
Associate General Counsel, Legal Department
Hawaiian Electric

Chair Lowen, Vice Chair Cochran, and Members of the Committee:

My name is James Abraham and I am testifying on behalf of Hawaiian Electric supporting the intent, but with concerns on HB 1151.

This bill seeks to codify into law current language in the Public Utilities Commission's ("PUC") General Order No. 7 ("G.O. 7") and General Order No. 9 ("G.O. 9") regarding the threshold for capital expenditures on projects requiring prior PUC approval. The threshold of "\$500,000 or ten per cent of the total plant in service, whichever is less" was originally set in these orders in 1965. In 2004, the PUC revised the threshold in G.O. 7 (applicable to electric utilities) to raise the threshold to \$2,500,000.

If the threshold were lowered back to \$500,000, it would greatly increase the amount of PUC applications required for Hawaiian Electric's normal course of business. This would increase workloads and resources spent on PUC administrative proceedings for Hawaiian Electric, as well as the PUC and the Division of Consumer Advocacy, for many projects that involve routine system maintenance. For example, in 2021 Hawaiian Electric filed nine (9) G.O. 7 applications with capital expenditures greater than

\$2,500,000. If the threshold was only \$500,000, Hawaiian Electric would have been required to file approximately sixty-eight (68) additional applications in 2021.

If the Legislature has a strong interest in codifying G.O. 7 and G.O. 9, Hawaiian Electric respectfully requests that the \$500,000 threshold be increased to at least the \$2,500,000 level put in place by the PUC in 2004. Indeed, Hawaiian Electric believes that this threshold, which is nearly two decades old, is likely outdated and probably should be increased.

In addition, if this dollar threshold should be set in statute, the Legislature should consider tying the threshold to an inflation index to allow the threshold to gradually increase to match the trends in the broader economy.

Hawaiian Electric appreciates the opportunity to testify on HB 1151. Thank you.



**Testimony to
The Committee on Energy & Environmental Protection**

Tuesday, February 7, 2023

8:45 AM

Conference Room 325 & VIA videoconference

Hawaii State Capitol

HB 1151

Chair Lowen, Vice Chair Cochran, and members of the committee,

Hawaii Gas **offers comments on HB 1151**, which requires electric utilities and gas utilities to submit proposed capital expenditures for certain projects to the PUC for review and determination whether the project may be included in the utilities' rate base; requires the PUC to make a determination within ninety days.

Established in 1904, Hawaii Gas serves over 70,000 customers on all islands through its pipeline and delivery services, all of whom depend on the company for sustainable, reliable, and affordable gas for water heating, cooking, drying, and other commercial and industrial applications. The company employs some 350 professionals, over 75% of whom are members of the Teamsters Union, and provides both regulated utility and unregulated propane operations.

Hawaii Gas distributes a blend of gas that ranges from low-carbon to zero-carbon emissions to negative carbon emissions through approximately 1,100 miles of mostly underground utility pipeline statewide. Our main utility system includes a blend of gas that includes Synthetic Natural Gas (SNG), Renewable Natural Gas (RNG), and Hydrogen. Despite representing less than 1% of the greenhouse gases emitted into Hawaii's atmosphere, we are working diligently to reduce our greenhouse gas emissions by pursuing cost-effective, local, renewable energy projects.

We appreciate the intent of this bill, however this bill is unnecessary because this is completely redundant to the Administrative Rules PUC General Order 9 (Section 2.3.f.2), which states "Proposed capital expenditures for any single project related to plant replacement, expansion, or modernization, in excess of \$500,000 or 10 per cent of the total plant in service, whichever is less, shall be submitted to the Commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier. If the Commission determines, after hearing on the matter, that any portion of the proposed project provides facilities which are unnecessary or are unreasonably in excess of probable future requirements for utility purposes, then the utility shall not include such portion of the project in its rate base. If the utility subsequently convinces the Commission that the property in question has become necessary or useful for public utility purposes, it may then be included in the rate



base. Failure of the Commission to act upon the matter and render a decision and order within 90, days of filing by the utility shall allow the utility to include the project in its rate base without the determination by the Commission required by this rule.”

We ask the committee to defer this bill because this is already required under the Administrative Rules PUC General Order 9 (Section 2.3.f.2.), which has gone through necessary review and this bill adds unnecessary redundancy.

Thank you for the opportunity to testify.