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## **Testimony of the Department of Commerce and Consumer Affairs**

**Before the**  
**House Committee on Consumer Protection & Commerce**  
**Wednesday, March 13, 2024**  
**2:05 p.m.**  
**Conference Room 329**

**On the following measure:**  
**S.B. 2511, S.D. 1, RELATING TO THE PUBLIC UTILITIES COMMISSION**

Chair Nakashima and Members of the Committee:

My name is Michael Angelo, and I am the 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 the Public Utilities Commission (Commission) to consider the short-term and long-term retention and creation of jobs in its review of electric utility performance.

The Department appreciates the intent of this bill to retain and increase the use of local labor within the energy sector. Electric utilities in Hawaii are asked to work towards many public policy objectives simultaneously; while appropriate for a public utility, there may be unintended costs and impacts for any new objective. The Department notes how Hawaii Revised Statutes section 269-16.1 currently does not limit the Commission's consideration of performance incentive and penalty mechanisms to the enumerated list in subsection (b) (since it includes the wording "but not limited to . . ."); so in order to

analyze performance incentive and penalty mechanisms for job retention and creation, the Department respectfully recommends a resolution asking the Commission to consider whether a performance incentive mechanism on job retention and creation would be in the public interest, as a part of a holistic review of existing performance incentive and penalty mechanisms in the Commission's ongoing Performance-Based Regulation proceeding, Docket No. 2018-0088.

Further, the Department notes that job creation, both for short-term and long-term jobs, can occur both within the utility companies and external to the utility companies. With this in mind, the Department offers that the Good Jobs Hawaii partnership<sup>1</sup> between a number of community stakeholders including the Hawaii State Energy Office, the University of Hawaii Community Colleges, and the Hawaii Chamber of Commerce may provide additional benefits and resources related to the intent of this bill. Funded in part by a grant from the U.S. Economic Development Administration, Good Jobs Hawaii seeks to identify and meet current and future needs for and of Hawaii's workforce in several critical sectors including clean energy.

Thank you for the opportunity to testify on this bill.

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<sup>1</sup> See <https://uhcc.hawaii.edu/goodjobshawaii/about.php>.

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

TO THE  
HOUSE COMMITTEE ON  
CONSUMER PROTECTION AND COMMERCE

Wednesday, March 13, 2024  
2:05 p.m.

Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

**MEASURE:** S.B. No. 2511 SD1

**TITLE:** RELATING TO THE PUBLIC UTILITIES COMMISSION.

**DESCRIPTION:** Requires the Public Utilities Commission to consider the short-term and long-term retention and creation of local jobs in its review of electric utility performance. Takes effect 7/1/2040. (SD1)

**POSITION:**

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

**COMMENTS:**

The Commission appreciates the intent of this measure requiring it to consider, among other things, the short- and long-term creation of jobs when reviewing performance incentives and penalties for electric utilities.

The Commission agrees the energy sector can and should contribute to economic growth and employment in the State. The Commission recently recommended Hawaiian Electric consider the extent renewable energy projects use and sustain local employment criteria when evaluating project proposals. Programs related to distributed renewable energy generation, community based renewable energy, electrification of transportation, and grid modernization, among others, indirectly grow Hawaii’s economy and provide employment to local workers by expanding the energy sector.

The Commission considers many factors when developing electric utilities’ performance incentive mechanisms (PIMs). In describing PIMs, Commission staff stated, “PIMs

provide financial motivation for utilities to improve performance toward established outcomes, or to discourage underperformance. ... Targets established for PIMs may be tied to state energy goals or other established regulatory priorities and should balance the costs of achieving the target with the potential benefits to ratepayers.”<sup>1</sup>

When designing PIMs, it is important to consider whether the metric being evaluated is under the utility’s control and whether it is influenced by external factors. Because of this, when implementing this measure, the Commission would carefully consider how to craft a PIM that would incentivize the utility to deploy local labor through its use of contracting and selection of vendors, renewable energy project selection, and other programs and practices. In developing such a PIM, the Commission would also aim to consider whether the jobs created are high-quality jobs that pay at or above market wages, are safe and secure, and provide benefits.

Like other PIMs, S.B. 2511 SD1 would require the Commission to fairly evaluate an electric utilities’ performance on an ongoing basis. The Committee should note the inclusion of the term “retention” in this measure could be construed as requiring the Commission to evaluate individual employee retention or turnover. Employment retention over time would be challenging for the Commission to evaluate. The Commission has little insight into individual employee turnover within or external to a utility since companies may maintain a fixed headcount level over a given period while simultaneously changing the composition of the roles and the individuals who fill them. Including “long-term” in the measure’s language would still allow the Commission to evaluate whether jobs are maintained over a sustained period of time.

For these reasons, the Commission offers the following amendment on Page 2 (lines 9-10).

- (8) The short-term and long-term ~~retention~~ and creation of local jobs.

Thank you for the opportunity to testify on this measure.

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<sup>1</sup> See: <https://puc.hawaii.gov/wp-content/uploads/2019/02/2018-0088-PBR-Staff-Proposal.pdf>