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To: The Honorable Angus L. K. McKelvey, Chair
and Members of the House Committee on Consumer Protection and Commerce

Date: Tuesday, February 14, 2017
Time: 2:00 P.M.
Place: Conference Room 329, State Capitol

From: Maria E. Zielinski, Director
Department of Taxation

Re: H.B. 1574, H.D. 1, Relating to Energy Rates

The Department of Taxation (Department) appreciates the intent of H.B. 1574, H.D. 1, and provides the following comments for your consideration.

H.B. 1574, H.D. 1, requires the Public Utilities Commission to establish a tiered rate schedule based on consumption for rates charged by electric utilities, and to establish a discounted rate that will apply to low-income ratepayers. The Commission is required to make rules detailing how the Department will verify income. The measure additionally amends section 231-16, Hawaii Revised Statutes (HRS), to allow the Department to share return information with the Public Utilities Commission, and amends section 235-116, HRS, to make disclosure of tax return information by employees of the Commission unlawful. The measure is effective July 1, 2017.

First, the Department notes that taxpayers that do not meet the income tax filing threshold are not required to file a tax return. This group includes taxpayers who have little or no income, as well as taxpayers who have income that is exempt, such as pension or social security income. Therefore, the Department will not be able to verify income for all ratepayers.

Removal of the requirement that the Department verify income levels will not prevent the Public Utilities Commission, however, from receiving the income information or developing its own verification procedures directly from ratepayers.

In fact, removing the requirement that income be verified by the Department would allow the Commission flexibility in determining whether ratepayers who do not file a tax return can qualify for the discounted rate. Taxpayers are free to share their own tax information with the

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Public Utilities Commission, including the reasons which allow them to not file a tax return, in order to apply for a discounted rate, and would not require a change to the confidentiality laws.

Thank you for the opportunity to provide comments.

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

February 14, 2017
2:00 p.m.

MEASURE: H.B. No. 1574, H.D. 1
TITLE: RELATING TO ENERGY RATES

Chair McKelvey and Members of the Committee:

DESCRIPTION:

This measure would require the Public Utilities Commission (“Commission”) to establish a tiered rate schedule “based upon consumption that meaningfully encourages energy savings and energy efficiency with a goal of reducing overall costs for middle- and low-income ratepayers.” This measure would also require the Commission to “allow a discounted rate for electric utilities that shall apply to low-income ratepayers or for any other hardship as determined by the commission.” This measure would also require the Commission to “ensure that utility bills contain the appropriate information and clearly inform ratepayers of their consumption relative to the tiered rate schedule[.]” This measure would also restructure and reallocate the use of the Public Benefits Fee (“PBF”).

POSITION:

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

COMMENTS:

The Commission notes that the current tiered electric service rates are already based upon consumption and were established with the goals of encouraging energy savings, energy efficiency, and reducing overall costs for all classes of ratepayers.

Regarding a discounted electric rate for low-income customers, the Commission notes that low-income electric ratepayers may already be eligible for the Low Income Home Energy Assistance Program (“LIHEAP”), which is a federal program that offers assistance to low-income utility customers and is funded through federal appropriations. The Commission would recommend that, for administrative purposes, any discounted rates for customers experiencing hardship be established through an application put forth by an electric utility, subject to Commission review and approval.

Regarding the restructuring and reallocation of the use of the PBF, the Commission notes that the originally intended use of the PBF was to support the State’s Energy Efficiency Programs so that the State can meet its Energy-Efficiency Portfolio Standard requirement of 4,300 GWh of electricity use reduction statewide by 2030, pursuant to section 269-96, HRS. The diversion of the PBF funds for other purposes may limit the State’s ability to achieve this statutorily required goal and/or require increases to rates charged to customers. The Commission further notes that the Consumer Advocate has recently expressed concern with the current allocation of PBF surcharges. In response to such concerns, the PBF technical advisory group is currently reviewing potential adjustments to the PBF surcharge to ensure the PBF is collected in a fair way going forward. The technical advisory group includes energy efficiency stakeholders such as the electric utilities, DBEDT, the Consumer Advocate, Blue Planet Foundation, and others.

Thank you for the opportunity to testify on this measure.



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JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

THE TWENTY-NINTH LEGISLATURE
REGULAR SESSION OF 2017

THURSDAY, FEBRUARY 14, 2017
2:00 P.M.

TESTIMONY OF DEAN NISHINA, EXECUTIVE DIRECTOR, DIVISION OF
CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER
AFFAIRS, TO THE HONORABLE ANGUS L.K. McKELVEY, CHAIR,
AND MEMBERS OF THE COMMITTEE

HOUSE BILL NO. 1574, H.D. 1 - RELATING TO ENERGY RATES

DESCRIPTION:

This measure proposes to require the Public Utilities Commission (“PUC” or “Commission”) to establish a tiered rate structure for customers of electric utilities. This measure requires the Commission to establish discounted rates for low-income customers of electric utilities, directs the public benefits fee to be appropriately tiered, and allows the fee to be used to benefit energy efficiency advancement for low- and middle-income ratepayers and for emergency energy workforce retraining and transition programs.

POSITION:

The Division of Consumer Advocacy (“Consumer Advocate”) supports the intent of this measure but offers the following comments.

COMMENTS:

The Consumer Advocate supports the intent to encourage consumer behavior to adopt energy efficiency measures and to reduce the burden of the electricity bill on low-income customers. However, the Consumer Advocate contends that certain parts of the proposed measure may be unnecessary, may result in unintended consequences, and/or may not be in the overall consumers’ interests.

The proposal to require the establishment of a tiered rate schedule to be charged by electric utility companies is unnecessary. Each of the electric utilities already have inclining block tiered rates that have been long established to promote conservation by customers.¹ Furthermore, requiring that tiered rates be incorporated might have unintended consequences of impeding efforts to re-design rates to encourage cost-effective integration of renewable energy. Thus, the Consumer Advocate suggests incorporating language along the lines of, "...the public utilities commission may incorporate tiered electricity rate schedules based upon consumption if it is found to meaningfully encourage energy savings and energy efficiency with a goal of reducing overall costs for middle- and low-income ratepayers." The Consumer Advocate also recommends that the language for HRS § 269-____(b) be modified to make clear that the discounted rate is available to low-income ratepayers. For instance, "...commission shall allow electric utilities to make available a discounted rate for low-income ratepayers or for any other hardship as determined by the commission."

The Consumer Advocate supports the intent to modify the collection of the public benefits fee in order to reduce the impact on low and moderate income customers. The Consumer Advocate contends, however, that as proposed, the measure may not generate the intended results. As currently collected, the public benefits fee is a kWh surcharge. Thus, customers who have been able to install photovoltaic systems and have subsequently offset most or all of their energy consumption essentially avoid paying a portion or full share of the public benefits fee. Even if the public benefits fee is modified to be tiered, customers who have partially or completely offset their energy usage will still pay less than a fair share and low and moderate income customers who have not been able to take advantage of distributed energy resources will still pay a disproportionate share of the fee.

The Consumer Advocate defers to the Department of Taxation and the Commission as it relates to the issues that may surround the transfer of tax return information to the Commission. The Consumer Advocate offers, however, that there may be alternative means of verifying eligibility for discounted services in lieu of relying upon the transfer of income tax information.

Finally, the Consumer Advocate appreciates the intent to make clear the legislature's policy as it relates to the objectives of or priorities for the public benefits fund. The Consumer Advocate has consistently advocated that the public benefits fund administrator should ensure that hard to reach consumers, which includes low-income customers, should be emphasized in the annual energy efficiency program. However, the proposed use of the public benefits fund for emergency workforce retraining and for the adoption of clean energy technologies bears further consideration. As already acknowledged in the proposed language, workforce training efforts should not be funded by the public benefits fee. As written, this could require the public benefits fund

¹ It should be noted that the inclining block rates can cause issues for multi-generational families since these larger households tend to use more energy than the average household; thus, due to the households' higher electricity usage, their bill may often reflect usage charged at higher rate.

administrator to make available ratepayer funds towards non-utility workforce training. This would essentially be a form of taxation that should not be recovered through electricity rates. Additionally, the proposed allocation of the fees toward the advancement and adoption of clean energy technologies raises concerns that this would reduce the amount of funds available for energy efficiency and would thus impair the State's ability to comply with the energy efficiency portfolio standards requirements set forth in HRS § 269-96.

Thank you for this opportunity to testify.



COLLEGE OF SOCIAL SCIENCES

HAWAII ENERGY POLICY FORUM
UNIVERSITY OF HAWAI'I AT MĀNOA

LATE

Hawaii Energy Policy Forum

Jeanne Schultz Afuvai, Hawaii Inst. for Public Affairs
Hajime Alabanza, Hawaii Solar Energy Association
John Antonio, US Dept of Agriculture
Karlie Asato, Hawaii Government Employees Assn
David Bissell, Kauai Island Utility Cooperative
Joseph Boivin, Hawaii Gas
Warren Bollmeier, Hawaii Renewable Energy Alliance
Michael Brittain, IBEW, Local Union 1260
Albert Chee, Chevron
Elizabeth Cole, The Kohala Center
Kyle Datta, Ulupono Initiative
Mitch Ewan, UH Hawaii Natural Energy Institute
Jay Fidell, ThinkTech Hawaii
Carl Freedman, Haiku Design & Analysis
Matthias Fripp, REIS at University of Hawaii
Ford Fuchigami, Hawaii Dept of Transportation
Justin Gruenstein, City & County of Honolulu
Dale Hahn, Ofc of US Senator Brian Schatz
Michael Hammett, SSRI at University of Hawaii
Senator Lorraine Inouye, Hawaii State Legislature
Randy Iwase, Public Utilities Commission
Brian Kealoha, Hawaii Energy
Darren Kimura, Energy Industries
Kelly King, Sustainable Biodiesel Alliance
Kal Kobayashi, Maui County Energy Office
Representative Chris Lee, Hawaii State Legislature
Gladys Marrone, Building Industry Assn of Hawaii
Stephen Meder, UH Facilities and Planning
Joshua Michaels, Ofc of US Rep. Colleen Hanabusa
Sharon Moriwaki, UH Public Policy Center
Ron Nelson, US Pacific Command Energy Office
Jeffrey Ono, Division of Consumer Advocacy, DCCA
Stan Osserman, HCATT
Darren Pai, Hawaiian Electric Companies
Melissa Pavlicek, Hawaii Public Policy Advocates
Randy Perreira, Hawaii Government Employees Assn
Fredrick Redell, Maui County Energy Office
Rick Rocheleau, UH Hawaii Natural Energy Institute
Will Rolston, Hawaii County, Research & Development
Peter Rosegg, Hawaiian Electric Companies
Riley Saito, SunPower Systems
Scott Sen, Hawaiian Electric Companies
Joelle Simonpietri, UH Applied Research Lab
Ben Sullivan, Kauai County
Terry Surles, Hawaii State Energy Office, DBEDT
Lance Tanaka, Par Hawaii, Inc.
Maria Tome, Public Utilities Commission
Kirsten Turner, Ofc of US Representative Tulsi Gabbard
Alan Yamamoto, Ofc of US Senator Mazie Hirono

Testimony from the
John Cole, Chair, Regulatory Reform Working Group of the
Hawaii Energy Policy Forum
to the
Senate Committee on Consumer Protection & Commerce

February 14, 2017 at 2:00 pm in Conference Room 329

COMMENTS ON HB 1574, Relating to Energy Rates

Chair McKelvey, Vice-Chair Ichiyama, and Members,

The Hawaii Energy Policy Forum (Forum), created in 2002, is comprised of over 40 representatives from Hawaii's electric utilities, oil and natural gas suppliers, environmental and community groups, renewable energy industry, and federal, state and local government, including representatives from the neighbor islands. Our vision and mission, and comprehensive "10 Point Action Plan" serves as a guide to move Hawaii toward its preferred energy goals and our support for this bill.

The Hawaii Energy Policy Forum offers the following comments on HB1574. While the intent of this measure is laudable, prescribing specific rate designs to the Public Utilities Commission may cause some inadvertent consequences. The PUC already has inverted block tiered rates for residential customers which provides for a type of lifeline rate design. However, tiered rates structure can also hurt the poorest, multi-family, multi-generational households especially given Hawaii's cost of housing and the lack of available affordable housing. Therefore, the consequences of this measure may have unforeseen negative impacts if the PUC is not given flexibility and discretion in rate design. It would be more appropriate for the Legislature to state its policy objectives in statute rather than prescribe a rate design in law.

Thank you for the opportunity to provide comments on this measure.

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, February 13, 2017 4:58 PM
To: CPCtestimony
Cc: leslie@dercouncil.org
Subject: *Submitted testimony for HB1574 on Feb 14, 2017 14:00PM*

HB1574

Submitted on: 2/13/2017
Testimony for CPC on Feb 14, 2017 14:00PM in Conference Room 329

Submitted By	Organization	Testifier Position	Present at Hearing
Leslie Cole-Brooks	DER Council of Hawaii	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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