



DAVID Y. IGE
GOVERNOR

JOSH GREEN
LT. GOVERNOR

**STATE OF HAWAII
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 310
P.O. BOX 541
HONOLULU, HAWAII 96809
Phone Number: 586-2850
Fax Number: 586-2856
cca.hawaii.gov

CATHERINE P. AWAKUNI COLÓN
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
DEPUTY DIRECTOR

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce, Consumer Protection, and Health
Thursday, February 6, 2020
9:30 a.m.
State Capitol, Conference Room 229**

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

Chair Baker 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
COMMERCE, CONSUMER PROTECTION, AND HEALTH

February 6, 2020
9:30 a.m.

Chair Baker 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.



LATE

Email: communications@ulupono.com

SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH
Thursday, February 6, 2020 — 9:30 p.m. — Room 229

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

Dear Chair Baker 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

SB-2884

Submitted on: 2/1/2020 3:19:37 PM

Testimony for CPH on 2/6/2020 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Gerard Silva	Individual	Oppose	No

Comments:

To: Chair Baker, Vice Chair Chang, and Members of the Committee on Commerce, Consumer Protection, and Health

From: Randy Iwase, former Public Utilities Commission chairperson

Re: Testimony in Strong Support of SB 2884

Please permit me to take this means to submit testimony in **STRONG SUPPORT** of SB 2884.

Presently, at the end of a fiscal year, all moneys in the Public Utilities Commission Special Fund in excess of \$1,000,000 lapse to the general fund. This bill increases the retention amount to \$3,000,000.

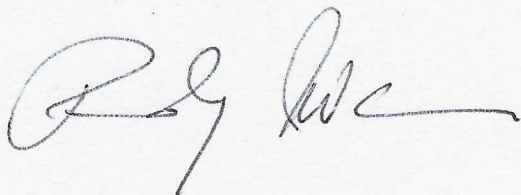
Why is this bill needed?

First, the present cap was statutorily established in 1994, over a quarter of a century ago. Over the last 2 ½ decades, the cost of doing business has increased (and thus, the cost of bills to be paid), staffing has increased, and the PUC workload has dramatically increased both in volume and complexity. More high profile issues, more technically complex dockets, the initiatives to redefine 21st century energy production and distribution all necessitate retaining the services of highly skilled experts to assist the PUC. Both normal operational and consultant service cost must be paid in a timely fashion.

Second, and with regard to timely payments, the Special Fund carryover balance is the PUC's sole means to fulfill its financial obligations until the first major public utility fee deposit in August of the new fiscal year. During my tenure as Chair, I was made aware that the \$1 million carryover was not always sufficient to cover PUC expenses until the August deposit. Consequently, we did, earlier, introduce a similar measure as SB 2884 to address this situation. So thank you for revisiting this issue.

Finally, this measure is NOT a budget appropriation measure. The PUC will still be restricted to spending within legislative budget appropriations. Rather it is about timing - providing the necessary carryover amount to allow the PUC to pay cost and expenses in a timely manner during the early months of the first quarter of the new fiscal year.

Again, mahalo for the opportunity to submit testimony. I respectfully ask for your favorable consideration of SB 2884.

A handwritten signature in black ink, appearing to read "Randy Iwase", is located at the bottom of the page.