

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

TO THE
HOUSE COMMITTEE ON
WATER, LAND, AND HAWAIIAN AFFAIRS

January 31, 2020
9:00 a.m.

Chair Yamane and Members of the Committee:

MEASURE: H.B. No. 2600

TITLE: RELATING TO WATER RATES.

DESCRIPTION: Transfers water ratemaking authority from the county boards of water supply to the Public Utilities Commission.

POSITION:

The Public Utilities Commission offers the following comments for consideration.

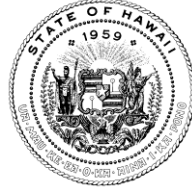
COMMENTS:

This measure would allow the Commission to regulate rates and charges for water service in Hawaii and require all county boards of water supply to obtain approval of the Commission prior to implementing any rate adjustments. Furthermore, this measure would allow the Commission to collect or enforce collection of rates and charges for water service, including requiring disconnection of delinquent consumers, filing civil actions, and adjusting and settling complaints, claims, and accounts of consumers or the public.

The Commission currently regulates water and wastewater service for thirty-nine (39) small, private companies but does not oversee the county boards of water supply. By comparison, the annual revenues of these private companies total about 1/5 of the counties' systems. The Commission is presently not equipped to assume regulation, oversight, rate collection, and other duties for county water systems and other water systems as specified in Section 1 of this bill.

H.B. No. 2600
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Thank you for the opportunity to testify on this measure.



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
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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
House Committee on Water, Land, and Hawaiian Affairs
Friday, January 31, 2020
9:00 a.m.
State Capitol, Conference Room 325**

**On the following measure:
H.B. 2600, RELATING TO WATER RATES**

Chair Yamane 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 offers comments on this bill.

The purpose of this bill is to transfer water ratemaking authority from the county boards of water supply to the Public Utilities Commission (Commission).

While the Commission regulates privately owned water and wastewater systems, the Department has concerns with the proposal to assign oversight and operational responsibilities of county water systems to the Commission. First, the Commission does not have sufficient resources to perform the responsibilities associated with overseeing and operating the county water systems, and this may affect the Commission's abilities to perform its other duties and responsibilities. Second, pursuant to Hawaii Revised Statutes section 269-51, the Department is a party in interest to all proceedings before the Commission. Thus, the Department is concerned about the

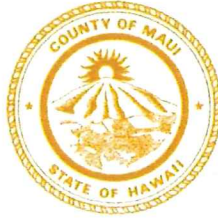
likely impact on the Department's resources and ability to fulfill its existing duties and responsibilities.

Thank you for the opportunity to testify on this bill.

MICHAEL P. VICTORINO
Mayor

JEFFREY T. PEARSON, P.E.
Director

HELENE KAU
Deputy Director



DEPARTMENT OF WATER SUPPLY
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793

January 29, 2020

**Testimony of the County of Maui Department of Water Supply
In Consideration of H.B. 2600 relating to Water Rates**

**Before the Committee on
WATER, LAND AND HAWAIIAN AFFAIRS
Friday, January 31, 2020
9:00 AM
State Capitol, Conference Room 325**

The County of Maui Department of Water Supply (MDWS) opposes the intent of the proposed Bill H.B. No. 2600 to require the Public Utilities Commission (PUC) to fix and adjust rates and charges for the furnishing of water by the Department of Water Supply, County of Maui. Currently, the Charter of the County of Maui authorizes the MDWS, its mayor and county council to determine the water rates and charges for furnishing water.

The County of Maui is the most experienced and qualified and should continue to set the rates and charges for water delivered by the MDWS to our separate Public Water Systems. With the PUC now regulating more than 1,800 entities statewide, they would have little time and expertise to do a detailed job of rate setting. The MDWS has a huge advantage over the PUC concerning the age, condition, and needed repairs and maintenance of the Maui Department of Water Supply infrastructure. This advantage is critical for setting the proper rates and charges necessary to fund maintenance and improvements to the water infrastructure.

In summary, the MDWS has successfully performed the task for decades. Transferring rate-setting authority and associated financial management responsibilities to the PUC will likely harm the community due to improperly funded drinking water infrastructure and maintenance. These outcomes are both unacceptable and avoidable given our excellent management history.

Thank you for your consideration of our testimony in opposition to HB2600.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeffrey T. Pearson".

Jeffrey T. Pearson, P.E.
Director of Water Supply



DEPARTMENT OF WATER SUPPLY • COUNTY OF HAWAII

345 KEKŪANAŌ'A STREET, SUITE 20 • HILO, HAWAII 96720

TELEPHONE (808) 961-8050 • FAX (808) 961-8657

January 29, 2020

Chairman Ryan I. Yamane
Committee on Water, Land, & Hawaiian Affairs
Hawai'i State Capitol, Room 420
Honolulu, HI 96813

Dear Honorable Chairman Yamane:

Subject: House Bill 2600 – Relating to Water Rates

The Department of Water Supply (DWS), County of Hawai'i, respectfully submits the following testimony in strong opposition to House Bill 2600.

House Bill 2600 proposes to remove the duly appointed County of Hawai'i Water Board of its statutory authority to set water rates, as well as billing/collection and associated processes. These responsibilities, which the nine-member Water Board has used effectively to administer the delivery of safe drinking water since its creation in 1949, would be shifted to the State's three-member Public Utilities Commission (PUC). Given its responsibilities to regulate more than 1,800 entities statewide, we fear the PUC would have less expertise and time for County of Hawai'i water issues than our Water Board.

The Water Board is comprised of Hawai'i Island residents and charged with a very specific mission of providing an adequate and continuous supply of safe drinking water in a financially responsible manner.

We have been successful in accomplishing this mission since our creation in 1949. Essential to this mission is the ability to correlate the requirements to operate and maintain the drinking water facilities of Hawai'i County in compliance with State and Federal drinking water requirements, while setting rates, conduct billing and collection, manage delinquencies, and perform other associated responsibilities.

DWS' water use rates are standardized, creating parity throughout the 23 separate water systems that serve Hawai'i County communities. Allowing the PUC to set variable rates based on location could create financial inequities, likely resulting in public complaints, allegations of unfairness and possibly even legal challenge.

In summary, transferring rate-setting authority and associated financial management responsibilities to the PUC will likely harm the community due to improperly funded drinking water infrastructure and

... Water, Our Most Precious Resource ... Ka Wai A Kāne ...

The Department of Water Supply is an Equal Opportunity provider and employer.

Chairman Ryan I. Yamane
Committee on Water, Land, & Hawaiian Affairs
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maintenance. These outcomes are both unacceptable and avoidable given our excellent management history dating back more than seventy years.

Thank you for your time and consideration of DWS' testimony in opposition to HB2600. Should you have any questions, please do not hesitate to contact us at (808) 961-8050.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Keith K. Okamoto', written in a cursive style.

Keith K. Okamoto, P.E.
Manager-Chief Engineer

KKO:dmj

BOARD OF WATER SUPPLY

CITY AND COUNTY OF HONOLULU
630 SOUTH BERETANIA STREET
HONOLULU, HI 96843
www.boardofwatersupply.com



January 31, 2020

KIRK CALDWELL, MAYOR

BRYAN P. ANDAYA, Chair
KAPUA SPROAT, Vice Chair
KAY C. MATSUI
RAY C. SOON
MAX J. SWORD

ROSS S. SASAMURA, Ex-Officio
JADE T. BUTAY, Ex-Officio

ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

ELLEN E. KITAMURA, P.E.
Deputy Manager and Chief Engineer *ek*

The Honorable Ryan I. Yamane, Chair
and Members
Committee on Water, Land & Hawaiian Affairs
House of Representatives
Hawaii State Capitol, Room 325
Honolulu, Hawaii 96813

Dear Chair Yamane and Members:

Subject: House Bill 2600 Relating to Water Rates

The Honolulu Board of Water Supply (BWS), City and County of Honolulu, in unison with all the Hawaii's county water departments, strongly opposes House Bill (HB) 2600, which transfers the BWS Board's authority to fix and adjust water rates and charges to the Public Utilities Commission (PUC), State of Hawaii for rate approval.

For over ninety (90) years, BWS has operated successfully as a semi-autonomous City department that is responsible for Oahu's critically important municipal (i.e., City-owned) drinking water supply systems island-wide. It is governed by a 7-member Board that is appointed by the Mayor and affirmed by the City Council. It includes two ex-officio members, the Chief Engineer of the Department of Facility Maintenance, City and County of Honolulu, and the Director of the Department of Transportation, State of Hawaii. All appointed members serve voluntarily with no compensation. Ex-officio members also have full voting authority. The State of Hawaii is represented on the Board through its Director of Transportation ex-officio member.

This model of governance was created by the Territorial Legislature who concluded that the Honolulu's drinking water supply systems were critically important to the health and welfare of the community and it needed to be governed by a Board whose single focus was to ensure that these systems were operated, maintained and improved to serve the needs of the community. It was also established to be financially self-sustaining depending primarily on revenue from water rates and charges, and not dependent on tax revenue. This single-focused Board has the authority to conduct long-range planning, approve the operating and capital improvement budgets, set policies for the department, and to adopt water rates and charges to provide adequate revenue to meet these needs. Removing this authority from the Board and transferring it to the State of Hawaii's PUC would negate the single focus and the attention on this critical infrastructure which our community depends upon for their health and welfare.

The Honorable Ryan I. Yamane, Chair
and Members
January 31, 2020
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Transferring regulatory oversight for water rates and charges to the PUC would negatively affect the bond rating for the BWS and burden the community with unnecessary additional cost for borrowing to finance improvements to the drinking water supply systems. It is clear that credit rating agencies pay close attention to a municipal (i.e., City-owned) water utility's authority to implement timely rate increases to fund its capital improvement program. They call this "Rate-Setting Autonomy." Fitch Ratings, a bond rating company defines this as:

"Rate-Setting Autonomy: An overwhelming majority of Fitch's rated water and sewer utility systems possess the ability to autonomously determine their rates for service, free from the oversight of state utility regulatory commissions. With such powerful pricing flexibility at hand, the governing body's actual use of its rate-making authority strongly influences revenue, profitability, operating liquidity and overall credit quality." Emphasis added, Source: Fitch Ratings, U.S. Water and Sewer Rating Criteria, dated Nov. 29, 2018.

As an example, the loss of rate-setting autonomy causes a lower credit rating for the BWS and adds 0.25 % in interest cost to the sale of \$100 million in revenue bonds (term of 30-years, interest cost of 2.52% at the current rating of AA+) which would add \$4.8 million additional interest cost that our community would have to bear.

Over the next 30 years, the BWS will need to invest over \$5 billion in improvements to Oahu's municipal water supply system. We estimate that about \$2.5 billion will be financed through revenue bonds. Loss of rate-setting autonomy can have serious financial impacts that would be borne by the community we serve. Every day we supply precious drinking water to nearly 1 million people here on Oahu.

Our water rates are developed using best practices utilizing the rigorous methodology outlined in the American Water Works Association's "M-1 Manual: Principals of Water Rates, Fees, and Charges." The BWS holds public hearings, conducts extensive community outreach and engagement prior to the adoption of new water rates and charges.

Every BWS Board meeting is publicly noticed and open to the public and is compliant with the Sunshine Law. The BWS is also operating with greater transparency in our long-range planning and decision making. A stakeholder advisory group consisting of over two dozen community representatives and leaders from across Oahu have been providing valuable recommendations and feedback to the Board for over 5 years.

The BWS is working well as a municipal water utility, providing safe, dependable, and affordable water to our community. Residents have a high level of trust in the BWS,

The Honorable Ryan I. Yamane, Chair
and Members
January 31, 2020
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ranking it as the second most trusted source to provide information about fresh and clean water issues; only scientists are a more trusted source.

For the foregoing reasons, the BWS strongly opposes HB 2600. Thank you for your consideration of our testimony.

Very truly yours,



ERNEST Y. W. LAU, P.E.
Manager and Chief Engineer

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
Tasha Kama

Councilmembers
Riki Hokama
Kelly Takaya King
Michael J. Molina
Tamara Paltin
Shane M. Sinenci
Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

January 29, 2020

TO: The Honorable Ryan I. Yamane, Chair
House Committee on Water, Land, and Hawaiian Affairs

FROM: Alice L. Lee
Council Chair

SUBJECT: **HEARING OF JANUARY 31, 2020; TESTIMONY IN OPPOSITION TO HB 2600, RELATING TO WATER RATES**

Thank you for the opportunity to testify in **opposition** to this important measure. The purpose of this measure is to transfer water ratemaking authority from the counties to the State Public Utilities Commission.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

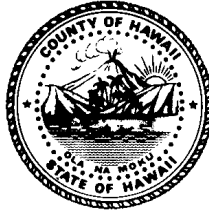
I oppose this measure for the following reasons:

1. This measure would significantly limit county authority and discretion when setting water rates. The financing of water supply is an inherently local issue.
2. Currently, each county charter establishes the process and authority for water rates. There is no basis for transferring this power to an unelected, three-member, Oahu-based entity with no accountability to residents throughout the State.

For the foregoing reasons, I **oppose** this measure.

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County of Hawai'i
Council District 9 -
North and South Kohala



Phone: (808) 961-8564
(808) 887-2069

Email: tim.richards@hawaiiicounty.gov

Chair: Committee on Agriculture,
Water, Energy, & Environmental
Management

Vice Chair: Committee on Finance

HERBERT M. "TIM" RICHARDS, III
HAWAI'I COUNTY COUNCIL
District 9

25 Aupuni Street, Ste. 1402, Hilo, Hawai'i 96720

January 30, 2020

House Committee on Water, Land, and Hawaiian Affairs
Honorable Representative Ryan L. Yamane, Chair
Honorable Representative Chris Todd, Vice Chair
Submission via online testimony

RE: Opposition of HB 2600
Hearing Date/Time: January 31, 2020 at 9:00 a.m.

Dear Representatives:

Thank you for the opportunity to testify. My name is Herbert M. "Tim" Richards, III, DVM. I am a rancher and livestock veterinarian with over 35 years' experience here in Hawai'i. I am currently a sitting County Councilman for the County of Hawai'i, chairing the Committee on Agriculture, Water, Energy and Environmental Management. I support all forms of agriculture and firsthand understand the water concerns statewide.

As with all communities, water is an integral party of its success. The needs of our island communities with regards to water and its rates are best addressed with its own local authority. HB 2600 removes the ability for our local authority to attend to its own unique local challenges. The County of Hawai'i's needs in this matter are best served by our own local water commission. Therefore, I hereby strongly oppose HB 2600.

Please feel free to contact me should you need to discuss my position and knowledge of this matter further.

Sincerely,

HERBERT M. "TIM" RICHARDS, III
Hawai'i County Council, District 9

xc: Aaron S. Y. Chung, Chair – Hawai'i County Council
Keith Okamoto – Manager-Chief Engineer, Dept. of Water Supply



Testimony of
Kurt Akamine, Chairperson
Board of Water Supply, County of Kaua'i
Before the House of Representatives
Committee on Water, Land, & Hawaiian Affairs
Friday, January 31, 2020
9:00 AM
State Capitol, Conference Room
325

January 30, 2020

The Honorable Representative Ryan I. Yamane, Chair
The Honorable Representative Chris Todd, Vice Chair
And Members of the
Committee on Water, Land, & Hawaiian Affairs
State Capitol, Conference Room 420
415 South Beretania Street
Honolulu, Hawaii 96813

RE: HB2600, RELATING TO WATER RATES

The Board of Water Supply, County of Kaua'i respectfully submits the following testimony in strong opposition to House Bill 2600.

House Bill 2600 proposes to remove the duly appointed Board of Water Supply, County of Kaua'i of its statutory authority to set water rates, as well as billing/collection and associated processes. These responsibilities, which the seven-member Water Board has used effectively to administer the delivery of safe drinking water since its creation in 1951, would be shifted to the State's three-member Public Utilities Commission (PUC). Given the responsibility to regulate more than 1,800 entities statewide, the added task of regulating the Board of Water Supply's water rates along with associated issues would place a further strain to the PUC's limited time and resources in accommodating the needs of the people of the County of Kauai.

The Board of Water Supply is comprised of Kaua'i Island residents and charged with a very specific mission to "provide safe, affordable, sufficient, drinking water through wise management of our resources with excellent customer service for the people of Kauai."

We have been successful in accomplishing this mission since our creation in 1951. Essential to this mission is the ability to correlate the requirements to operate and maintain the drinking water facilities of Kaua'i County in compliance with State and Federal drinking water requirements, while setting rates, conduct billing and collection, manage delinquencies, and perform other associated responsibilities.

The Board of Water Supply, County of Kaua'i's water use rates are standardized, creating parity throughout the nine (9) separate water systems that serve the people of Kaua'i County. Allowing the

PUC to set variable rates based on location could create financial inequities, likely resulting in public complaints, allegations of unfairness and possibly even legal challenges.

In summary, transferring rate-setting authority and associated financial management responsibilities to the PUC will likely impact the community with unstable and inadequate funding appropriations for drinking water infrastructure improvements and water system maintenance. These outcomes are both unacceptable and avoidable given our excellent management history dating back nearly seventy years.

Thank you for your time and consideration of the Board of Water Supply's testimony in opposition to HB2600. Should you have any questions, please do not hesitate to contact Michael Hinazumi at (808) 245-5416.

Respectfully,

A handwritten signature in black ink, appearing to read "Kurt Akamine". The signature is fluid and cursive, with the first name "Kurt" being more prominent.

Kurt Akamine
Chairperson, Board of Water Supply
County of Kauai

MHK/mja

HB-2600

Submitted on: 1/29/2020 1:28:14 PM

Testimony for WLH on 1/31/2020 9:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ruston Utu	Individual	Support	No

Comments:

I support this bill.