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LAWRENCE M. REIFURTH  
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TO THE HOUSE COMMITTEES ON  
CONSUMER PROTECTION & COMMERCE  
AND  
LABOR & PUBLIC EMPLOYMENT

TWENTY-FOURTH LEGISLATURE  
Regular Session of 2008

Monday, March 24, 2008  
2:30 p.m.

**TESTIMONY ON HOUSE CONCURRENT RESOLUTION NO. 254/HOUSE  
RESOLUTION NO. 215 – REQUESTING A STUDY RELATING TO PROFESSIONAL  
EMPLOYER ORGANIZATIONS.**

TO THE HONORABLE ROBERT HERKES AND ALEX SONSON, CHAIRS, AND  
MEMBERS OF THE COMMITTEES:

My name is J.P. Schmidt, State Insurance Commissioner (“Commissioner”),  
testifying on behalf of the Department of Commerce and Consumer Affairs  
(“Department”).

The Department is willing to participate on the working group to study the  
possible creation of a statutory and regulatory framework for professional employer  
organizations operating in Hawaii.

We thank the Committee for this opportunity to testify.

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Hawai'i's Employment Expert



altres.com

March 21, 2008

Representative Robert N. Herkes, Chairman  
House Committee on Consumer Protection and Commerce  
Conference Room 325  
State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Re: Support for HCR 254 and HR 215  
Requesting a Study Relating to Professional Employer Organizations

Dear Representative Herkes:

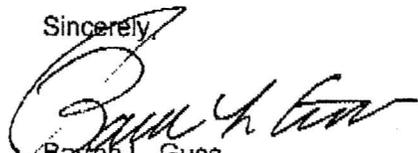
My name is Barron Guss and I am the President and CEO of ALTRES, Inc., a 38-year old Hawaii-based employment services firm. I stand before you today in support of HCR 254 and HR 215.

Since 1980, we have been providing Professional Employer Organization (PEO) services to the businesses of Hawaii. Our client base ranges from small, home-based businesses to restaurants and hotels in Waikiki. Though these businesses are diverse, they all share one common thread – they are faced with the ever-increasing complexities of employment administration and compliance. Through the use of our PEO services, these businesses can reduce labor costs and focus on their customers while providing their employees and their families comprehensive and affordable employee benefits. State and Federal governments also enjoy the benefits of a PEO relationship as they enjoy single-source reporting and revenue collection.

HCR 254 and HR 215 will create a solid beginning for the creation of statutes regarding PEOs operating in the Hawaii. Thirty-two states have already enacted such laws to date, and I feel it is time that Hawaii follow suit in a proactive and progressive manner.

I respectfully urge you to carefully consider these resolutions and to vote in support of them. If you have any questions, please do not hesitate to contact me. Thank you for your consideration.

Sincerely,



Barron L. Guss  
President and CEO

BLG:lo

**Testimony of ERIK KVAM**  
**Chief Executive Officer of Zero Emissions Leasing LLC**  
**2800 Woodlawn Drive, Suite 131, Honolulu, Hawaii 96822**  
**tel: 808-371-1475 e-mail: [ekvam@zeroemissions.us](mailto:ekvam@zeroemissions.us)**

**In SUPPORT of H.R. NO. 254 URGING THE PUBLIC UTILITIES  
COMMISSION TO RULE THAT ALL SCHEDULE Q CONTRACTS SHOULD  
RECEIVE THE FULL AVOIDED COST PRICING AS WRITTEN IN THE  
EXISTING SCHEDULE Q ELECTRICITY RATE SCHEDULE FOR EACH  
UTILITY**

**Before the  
HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE**

**March 24, 2008 2:30 pm**

Good afternoon, Chair Herkes, Vice-Chair McKelvey and members of the Committee.

My name is Erik Kvam. I am the CEO of a Hawaii solar power project developer called Zero Emissions Leasing LLC (“Zero Emissions”).

I support the intent of HR 254, but believe it does not go far enough in preserving the avoided cost rate incentive, which is Hawaii’s only rate-based incentive for development of renewable energy systems that sell electricity to the utilities.

Hawaii now has two regimes, based mainly on the generating size of a renewable energy system, for pricing the renewable energy that a renewable energy system sells to the utility:

Avoided Cost Pricing for Systems < 5 MW on Oahu, < 2 MW on Maui and Hawaii and < 500 kW on Kauai. Under Hawaii’s avoided cost statute, as interpreted by the PUC in the competitive bidding docket, renewable energy from a system < 5 MW on Oahu, < 2 MW on Maui and Hawaii and < 500 kW on Kauai is valued at the utility’s avoided cost of producing the same amount of energy. In its recent decision in the avoided cost docket, the PUC decided, after 16 years of deliberation, that the utility’s avoided cost is essentially equal to the utility’s cost of fuel to produce the same amount of energy, and does not include saved environmental costs or saved capital costs of the utility. Under Schedule Q as approved by the PUC, the avoided cost rate for renewable energy from systems < 100 kW (that are not eligible for NEM) is enhanced by certain factors for on-peak and off-peak power production.

Competitive Bidding for Systems > 5 MW on Oahu, > 2 MW on Maui and Hawaii and > 500 kW on Kauai. Under the PUC’s decisions in its competitive bidding docket, the value of renewable energy from a system > 5 MW on Oahu, > 2 MW on Maui and Hawaii and > 500 kW on Kauai is valued at a price set by competitive bidding

among the owners of such systems. The competitively bid price would be likely to be lower than the utility's avoided cost of producing the same amount of power, benefiting the utility and its ratepayers, but wiping out the avoided cost rate incentive, which is Hawaii's only rate-based incentive for development of renewable energy systems that sell electricity to the utilities.

\* \* \* \*

Act 162, passed in June 2006, amended Hawaii's avoided cost statute to require that the PUC remove or significantly reduce any linkage between the avoided cost rate and the price of fossil fuel. In Act 162, the legislature suggested that adjustments in the avoided cost rate be linked to consumer price indices for inflation.

HR 254 expresses a concern that de-linking will scale-back the incentive effect of the avoided cost rate for renewable energy from Schedule Q systems less than 100 kW. That is a valid concern since de-linking is likely to reduce the avoided cost rate paid for renewable energy, and the avoided cost rate is Hawaii's only rate-based incentive for development of renewable energy systems that sell electricity to the utilities. HR addresses that concern by encouraging the PUC to exclude Schedule Q systems (< 100 kW) from the de-linking law in the de-linking docket that the PUC is likely to open soon.

HR 254 also says that "the de-linking law was enacted to encourage competitive bidding for new, large power purchase agreements for renewable energy." If de-linking was intended to encourage competitive bidding for "large" systems (> 5 MW on Oahu, > 2 MW on Maui and Hawaii, > 500 kW on Kauai), and was made unnecessary by the PUC's decision creating a competitive bidding regime for such "large" systems, then the de-linking law no longer serves any purpose and should be repealed immediately.

I support the intent of HR 254, but think it's unwise to wait for PUC action on de-linking that may take another 16 years for completion, when oil is selling for \$100 a barrel and Hawaii is burning oil for 79% of its electricity. The legislature can and should take any of the following actions now to preserve and enhance the avoided cost rate incentive, which is Hawaii's only rate-based incentive for development of renewable energy systems that sell electricity to utilities:

1. Broaden HR 254 to encourage the PUC to exclude all systems from de-linking up to the competitive bidding limits (<5 MW on Oahu, < 2 MW on Maui and Hawaii, < 500 kW on Kauai)
2. Repeal the de-linking law entirely and restore the avoided cost rate incentive up to the competitive bidding limits during this session. This might be done, for example, by amendment to HB2550 (the net energy metering bill) if that bill reaches conference committee.

Thank you for giving me this chance to testify.



National Association  
of Professional Employer Organizations

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March 21, 2008

Representative Robert N. Herkes, Chairman  
Representative Angus L.K. McKelvey, Vice Chairman  
House Committee on Consumer Protection and Commerce

Representative Alex M. Sonson, Chairman  
Representative Bob Nakasone, Vice Chairman  
House Committee on Labor and Public Employment

**Re: Support for HCR 254 and HR 215 Requesting a Study Relating to Professional Employer Organizations**

Dear Chairman Herkes, Vice Chairman McKelvey, Chairman Sonson, Vice Chairman Nakasone and Members of the Committee:

On behalf of the National Association of Professional Employer Organizations, (NAPEO),<sup>1</sup> I am writing to express support for House Concurrent Resolution 254 and House Resolution 215, which I understand will receive a hearing before the House Committee on Consumer Protection and Commerce on March 24, 2008. As a national trade association representing professional employer organizations (PEOs) across the country, NAPEO has urged for stronger standards to regulate the industry and maximum market flexibility in the workers' compensation arena, and we believe these resolutions take an important first step in that regard.

By way of background, Professional Employer Organizations are businesses that partner with existing small businesses to enable them to cost-effectively outsource the management of human resources, employee benefits, payroll and workers' compensation so that PEO clients can focus on their core competencies to maintain and grow their bottom line. By forming an employment relationship with these small businesses and their employees, PEOs are able to offer enhanced access to employee benefits that makes a small business of 10 feel like they are part of a company of 10,000.

These resolutions provide an important foundation in creating a working group to examine the efficacy of creating a statutory framework for PEOs operating in the state based on the statutory and regulatory requirements of over 32 states that have enacted such laws to date. In addition, the resolutions task the working group with an important study of the workers' compensation system

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<sup>1</sup> The National Association of Professional Employer Organizations (NAPEO) is a national trade association of the professional employer organization (PEO) industry, representing a membership that generates more than 90% of the industry's total PEO gross revenues.

relative to PEOs with particular focus on flexible coverage options in the voluntary market and extension of the exclusive remedy protection to both the client and the PEO.

NAPEO believes that these and other requirements in the study resolutions are an important foundation to the continued growth of the PEO industry in Hawaii. We urge you to carefully consider these resolutions and to vote in support of them. If you have any questions about these resolutions or NAPEO's views, please do not hesitate to contact me. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd J. Cohn". The signature is fluid and cursive, with a long horizontal stroke at the end.

Todd J. Cohn  
Assistant Director, State Government Affairs