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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Commerce and Consumer Protection
Friday, February 3, 2023
9:30 a.m.
Conference Room 229**

**On the following measure:
S.B. 1328, RELATING TO THE PUBLIC UTILITIES COMMISSION
SPECIAL FUND CARRYOVER BALANCE**

Chair Keohokalole and Members of the Committee:

My name is Dean Nishina, and I am the Acting 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, and we respectfully ask the Committee to pass this administration bill.

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

TO THE
SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION

February 3, 2023
9:30 a.m.

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

MEASURE: S.B. No. 1328

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 (“Commission” or “PUC”) supports this measure and offers the following comments for consideration.

COMMENTS:

The Commission supports this administration bill that would increase the “carryover balance” of funds for the Public Utilities Commission Special Fund at the start of each fiscal year.

The Public Utilities Commission Special Fund is the primary source of funding for the Public Utilities Commission, an attached agency to the Department of Commerce and Consumer Affairs (DCCA), and DCCA’s Division of Consumer Advocacy (DCA). Currently, 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 at the start of each fiscal year until the first major public utility fee is collected in late July, with funds available in early- to mid-August. This timing of availability of funds has created great concern for the Commission, as it is likely that \$1,000,000 will no longer be sufficient to meet the agency’s operational

expenses, which include statutory obligations under HRS §§ 269-33 and 36-27, the Commission's payroll and contract encumbrances.

The current \$1,000,000 carryover balance was established by statute in 1994 – nearly 30 years ago. Since then, it has never been increased, even though the Commission has grown significantly in size, in terms of both responsibilities and operational costs. In FY 1994, the Commission's approved operating budget was \$5,866,502. By comparison, in FY 2024, the budget has grown to \$18,737,324, representing a 219% increase since the carryover balance was established. Therefore, the percentage of carryover balance to the amount of the current operating budget has dramatically decreased.

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 spending limits. The additional \$2 million increase to the carryover balance will not require an additional request for a ceiling increase and/or any additional appropriations from the Legislature. Thus, the issue this measure seeks to resolve is one of timing to improve our fiscal management and operations. 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, including any unforeseen expenditures, at the start of the fiscal year. This will allow the Commission to more effectively and efficiently fulfill its statutory duties.

Thank you for the opportunity to testify on this measure.



**Hawaiian
Electric**

**TESTIMONY BEFORE THE SENATE COMMITTEE ON
COMMERCE AND CONSUMER PROTECTION**

SB 1328

Relating to the Public Utilities Commission Special Fund Carryover Balance

Friday, February 3, 2023

9:30 am

State Capitol, Conference Room 229 & Videoconference

James Abraham
Associate General Counsel, Legal Department
Hawaiian Electric

Chair Keohokalole, Vice Chair Fukunaga, and Members of the Committee:

My name is James Abraham and I am testifying on behalf of Hawaiian Electric in support of SB 1328.

The Public Utilities Commission (PUC) has a significant role in the State achieving its ambitious renewable energy and decarbonization goals. Each year, public utilities operating in the State, including Hawaiian Electric, pay a public utility fee as a portion of gross income to fund the PUC Special Fund. Under current law, all funds in excess of the \$1,000,000 “carryover balance” at the end of each fiscal year are transferred to the State General Fund. The purpose of SB 1328 is to allow the PUC to retain a greater portion of the fees it collects from public utilities to fulfill its financial obligations until the subsequent public utility fee deposit in August. Hawaiian Electric supports this bill because it provides additional flexibility for the PUC and enables the PUC to meet its operational expenses in furtherance of its significant duties helping the State achieve its ambitious energy goals.

Accordingly, Hawaiian Electric supports SB 1328. Thank you for this opportunity to testify.



Email: communications@ulupono.com

SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION
Friday, February 3, 2023 — 9:30 a.m.

Ulupono Initiative supports SB 1328, Relating to the Public Utilities Commission Special Fund Carryover Balance.

Dear Chair Keohokalole and Members of the Committee:

My name is Micah Munekata, and I am the Director of Government Affairs at Ulupono Initiative. We are a Hawai'i-focused impact investment firm that strives to improve the quality of life throughout the islands by helping our communities become more resilient and self-sufficient through locally produced food, renewable energy and clean transportation choices, and better management of freshwater resources.

Ulupono supports SB 1328, which 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.

Ulupono supports the State of Hawai'i's renewable energy goals and believes that allowing the Public Utilities Commission to maintain consistent resources through its special fund will enable efficient processing and administration efforts to develop renewable projects across Hawai'i. The current Commission has taken upon itself a very ambitious workload of dockets that are critical to the success of several energy initiatives: Performance-Based Regulation (PBR); Integrated Grid Planning (IGP); the ongoing, largest-ever procurement of renewable energy resources (RFP3); examination of a microgrid tariff; advanced rate design; the Climate Adaptation Transmission and Distribution Resilience Program; and, through Community-Based Renewable Energy (CBRE), increased access to solar photovoltaic for those who have historically been unable to obtain it. Furthermore, the Commission has adopted aggressive timelines to move these dockets through as expeditiously as possible to realize the benefits of affordable, renewable energy for current and future generations of Hawai'i.

We strongly support the State providing appropriate resource levels for the Public Utilities Commission to match Hawai'i's bold renewable energy goals.

Thank you for the opportunity to testify.

Respectfully,

Micah Munekata
Director of Government Affairs

Investing in a Sustainable Hawai'i