

A Bill for an Act Relating to Applications Seeking General Rate Increases Filed by Public Utilities Having Annual Gross Revenues of Less Than \$2,000,000.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that public utility companies whose annual gross revenues are less than \$2,000,000 may often incur significant costs to file an application for a general rate increase request with the public utilities commission. The costs incurred by the public utility to process a general rate application will, in part or in whole, be passed on to ratepayers through the authorized rates that are charged for the utility service.

The legislature also finds that the costs incurred by public utility companies to process a rate increase request often are higher than necessary due to the failure to include the necessary facts to support the requested rate increase at the time of the application filing. This situation occurs because the utility companies are not required to submit the information in a standard filing format and because utility companies are not required to follow a prescribed standard chart of accounts for recording financial information on the operations for public utilities. In addition, the consumer advocate who is statutorily responsible for representing, protecting, and advancing the interests of all customers of the utility service, is not able to monitor the annual financial performance of the utilities in years between rate case filings because the utility companies whose annual gross revenues are less than \$2,000,000 are not required to file annual financial and statistical information with the consumer advocate.

As a result of the above, the consumer advocate, in carrying out its statutory duties, must seek substantial discovery in order to obtain the basic information that must be provided to complete the review of the public utility's request for general rate increases. The public utility, in turn, must assign staff resources and incur additional costs to respond to the discovery and justify the requested increase. As a corollary, the consumer advocate's staff is also required to expend a significant amount of time to analyze the public utility company's request to protect the interests of ratepayers.

The legislature finds that many public utilities whose annual gross revenues are less than \$2,000,000 do not have employees dedicated to processing the filing of applications before regulatory agencies such as the public utilities commission, nor do these companies have ready access to these types of employees through affiliated companies. As a result these public utilities must often retain the services of consulting experts and legal counsel to provide the assistance needed to process the general rate increase filing. The outside services ultimately increase the costs incurred by the public utility company to do business in the State.

Therefore, the legislature finds that the public utilities having annual gross revenues of less than \$2,000,000 should not be unduly burdened by the rate filing process. On the other hand, in order to protect the consumer interests, the utility companies should be required to provide substantive and reliable evidence to support the requested rate adjustment.

In addition, the legislature finds that certain administrative processes are necessary to assist in expediting the rate making process. These processes should result in the utility companies and the consumer advocate expending less resources to complete the review process for a general rate increase application; the expenditure of less time and resources will benefit the public utility, as well as the utility's customers.

The purposes of this Act are to: (1) mandate the filing of annual financial statement reports by public utility companies with annual gross revenues of less than \$2,000,000 in accordance with a prescribed standard chart of accounts to be approved by the commission; (2) require the development of a standard rate adjustment application form; (3) provide requirements for implementing an expedited filing process, or processes, for receiving public utilities commission authorization to adjust rates for public utility companies having annual gross revenues of less than \$2,000,000; and (4) establish time periods for the completion of the review of the general rate increase applications filed with the standard application form.

SECTION 2. Section 269-16, Hawaii Revised Statutes, is amended by amending subsection (f) to read as follows:

“(f) [Føf] Notwithstanding any law to the contrary, for public utilities having annual gross revenues of less than \$2,000,000, the commission may make and amend its rules and procedures which will provide the commission with sufficient facts necessary to determine the reasonableness of the proposed rates without unduly burdening the utility company and its customers. In the determination of the reasonableness of the proposed rates, the commission shall:

- (1) Require the filing of a standard form application to be developed by the commission. The standard form application for general rate increases shall describe the specific facts that must be submitted to support a determination of the reasonableness of the proposed rates, and require the submission of financial information in conformance with a standard chart of accounts to be approved by the commission, and other commission guidelines to allow expeditious review of a requested general rate increase application;
- (2) Hold a public hearing as prescribed in section 269-12(c) at which the consumers or patrons of the public utility may present testimony to the commission concerning the increase. The public hearing shall be preceded by proper notice, as prescribed in section 269-12; and
- (3) Make every effort to complete its deliberations and issue a proposed decision and order within six months from the date the public utility files a completed application with the commission, provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene. If a proposed decision and order is rendered after the six-month period, the commission shall report in writing the reasons therefor to the legislature within thirty days after rendering the proposed decision and order. Prior to the issuance of the commission’s proposed decision and order, the parties shall not be entitled to a contested case hearing.

If all parties to the proceeding accept the proposed decision and order, the parties shall not be entitled to a contested case hearing, and section 269-15.5 shall not apply. If the commission permits a person to intervene, the six-month period shall not apply and the commission shall make every effort to complete its deliberations and issue its decision within the nine-month period from the date the public utility’s completed application was filed, pursuant to subsections (b), (c), and (d).

If a party does not accept the proposed decision and order, either in whole or in part, that party shall give notice of its objection or nonacceptance within the timeframe prescribed by the commission in the proposed decision and order, setting forth the basis for its objection or nonacceptance; provided that the proposed decision and order shall have no force or effect pending the commission’s final decision. If

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notice is filed, the above six-month period shall not apply and the commission shall make every effort to complete its deliberations and issue its decision within the nine-month period from the date the public utility's completed application was filed as set forth in subsection (d). Any party that does not accept the proposed decision and order under this paragraph shall be entitled to a contested case hearing; provided that the parties to the proceeding may waive the contested case hearing.

Public utilities subject to this subsection shall follow the standard chart of accounts to be approved by the commission for financial reporting purposes. The public utilities shall file a certified copy of the annual financial statements in addition to an updated chart of accounts used to maintain their financial records with the commission and consumer advocate within ninety days from the end of each calendar or fiscal year, as applicable, unless this timeframe is extended by the commission. The owner, officer, general partner, or authorized agent of the utility shall certify that the reports were prepared in accordance with the standard chart of accounts."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

(Approved July 6, 2004.)