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## A BILL FOR AN ACT

RELATING TO UTILITIES REGULATION.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. Section 269-16, Hawaii Revised Statutes, is  
2 amended by amending subsection (b) to read as follows:  
3           "(b) No rate, fare, charge, classification, schedule,  
4 rule, or practice, other than one established pursuant to an  
5 automatic rate adjustment clause previously approved by the  
6 commission, shall be established, abandoned, modified, or  
7 departed from by any public utility, except after thirty days'  
8 notice to the commission as prescribed in section 269-12(b), and  
9 prior approval by the commission for any increases in rates,  
10 fares, or charges. The commission, in its discretion and for  
11 good cause shown, may allow any rate, fare, charge,  
12 classification, schedule, rule, or practice to be established,  
13 abandoned, modified, or departed from upon notice less than that  
14 provided for in section 269-12(b). A contested case hearing  
15 shall be held in connection with any increase in rates, and the  
16 hearing shall be preceded by a public hearing as prescribed in  
17 section 269-12(c), at which the consumers or patrons of the  
18 public utility may present testimony to the commission

1 concerning the increase. The commission, upon notice to the  
2 public utility, may:

3 (1) Suspend the operation of all or any part of the  
4 proposed rate, fare, charge, classification, schedule,  
5 rule, or practice or any proposed abandonment or  
6 modification thereof or departure therefrom;

7 (2) After a hearing, by order:

8 (A) Regulate, fix, and change all such rates, fares,  
9 charges, classifications, schedules, rules, and  
10 practices so that the same shall be just and  
11 reasonable;

12 (B) Prohibit rebates and unreasonable discrimination  
13 between localities or between users or consumers  
14 under substantially similar conditions;

15 (C) Regulate the manner in which the property of  
16 every public utility is operated with reference  
17 to the safety and accommodation of the public;

18 (D) Prescribe its form and method of keeping  
19 accounts, books, and records, and its accounting  
20 system;

21 (E) Regulate the return upon its public utility  
22 property;

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- 1 (F) Regulate the incurring of indebtedness relating
- 2 to its public utility business; and
- 3 (G) Regulate its financial transactions; and
- 4 (3) Do all things that are necessary and in the exercise
- 5 of the commission's power and jurisdiction, all of
- 6 which as so ordered, regulated, fixed, and changed are
- 7 just and reasonable, and provide a fair return on the
- 8 property of the utility actually used ~~[or]~~ and useful
- 9 for public utility purposes."

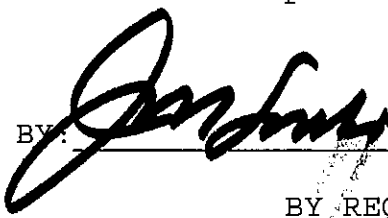
10 SECTION 2. Section 269-134, Hawaii Revised Statutes, is  
 11 amended by amending subsection (c) to read as follows:

12 "(c) Notwithstanding any requirements to the contrary, a  
 13 high-voltage electric transmission cable system may be deemed  
 14 "used ~~[or]~~ and useful for public utility purposes" upon  
 15 commencing commercial operations, subject to the commission's  
 16 determination and approval."

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

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

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INTRODUCED BY:  \_\_\_\_\_  
 BY REQUEST

JAN 21 2014

H.B. NO. 2260

**Report Title:**

Public Utilities Commission; Ratemaking; Used; Useful

**Description:**

Amends portions of Hawaii's utility ratemaking laws so as to allow utilities in the State the opportunity to earn a fair return on utility property that is "used and useful" for public utility purposes.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO UTILITIES  
REGULATION.

PURPOSE: To align statutory utility cost recovery provisions concerning the Public Utilities Commission's ("Commission") ratemaking processes with standard regulatory practice.

MEANS: Amend sections 269-16(b) and 269-134(c), Hawaii Revised Statutes.

JUSTIFICATION: Currently, the Commission is authorized to allow utility companies the opportunity to earn a fair return on utility property that is "used or useful" for public utility purposes. These amendments would authorize the Commission to allow utilities the opportunity to earn a fair return only on utility property that is "used and useful" for public utility purposes. This stricter language would encourage more prudent investment behavior by utilities for cost recovery purposes. The amendment would also align Hawaii's utility ratemaking procedure more closely with what is the typical regulatory standard for cost recovery purposes.

Impact on the public: The impact on the public will be positive. Utilities will be encouraged to make more prudent expenditures that could ultimately lead to reduced utility rates for the public.

Impact on the department and other agencies: Minimal impact is expected on the Commission, the Department of Budget and Finance, or other agencies within the Administration. Only the processes involved in select Commission ratemaking functions may be affected.

New Day Plan Association: This measure supports the principle of swift and appropriate government regulation. The proposed amendment further encourages utilities to make prudent expenditures in the public interest.

GENERAL FUNDS: None.

OTHER FUNDS: None.

PPBS PROGRAM  
DESIGNATION: BUF-901.

OTHER AFFECTED  
AGENCIES: None.

EFFECTIVE DATE: Upon approval.