

**ANNUAL REPORT**

**FISCAL YEAR 1999-00**

Public Utilities Commission  
State of Hawaii

December 2000

## PUBLIC UTILITIES COMMISSION

The Hawaii Public Utilities Commission is responsible for regulating all chartered, franchised and certificated public service companies that provide electricity, gas, telephone, telecommunication, private water and sewage, and motor and water carrier transportation services in the State. The Commission has quasi-judicial authority to establish and enforce administrative rules and regulations, and set policies and standards.

**History** The Commission was established by Act 89, Session Laws of Hawaii (SLH) 1913, as a part-time, three-member body with broad regulatory oversight and investigative authority over all public utility companies doing business in the Territory of Hawaii. This act, amended over the years and codified in chapter 269 of the Hawaii Revised Statutes (HRS), is the basis for utility regulation in Hawaii. The Commission's authority to regulate various classes of motor carriers of passengers and property is derived from the Hawaii Motor Carrier Law (HRS c. 271) enacted in 1961. Responsibility for all commercial water transportation carriers of persons and property within the State is derived from the Hawaii Water Carrier Act of 1974 (HRS c. 271G).

Today, the Commission is a full-time body comprised of three commissioners. The commissioners are appointed by the Governor, with the consent of the State senate, to serve six year terms on a staggered basis.

**Objective and Activities** The primary objective which guides the Commission in carrying out its regulatory functions is to ensure that customers of the regulated companies receive adequate and efficient services at reasonable and fair rates, while providing a fair return to the regulated companies. In order to accomplish this objective, the Commission performs the following activities:

- . Adopts rules and regulations governing the operations, standards of services and facilities, and fiscal management of utilities, including procedures and practices of the Commission.
- . Prescribes rates, tariffs, charges and fees, and determines the allowable rate of earnings in establishing rates.
- . Issues orders and guidelines concerning the general management and operations of chartered, franchised or certificated utility businesses.
- . Acts on applications for certification and for the extension or abandonment of services.
- . Prescribes the methods, service, and annual rates of depreciation for utility properties.
- . Acts on requests for the acquisition, sale, disposition or other exchange of utility properties, including mergers and consolidations.
- . Acts on requests for the issuance and disposition of securities and other evidences of long-term indebtedness.

**Administration and Offices** The Commission is placed, for administrative purposes, under the State Department of Budget and Finance. The Commission has a staff of 34 employees, including three commissioners, an administrative director, lawyers, engineers, accountants, researchers, investigators, a chief clerk, clerical staff and neighbor island representatives for Maui, Kauai and Hawaii.

The Commission has four offices located throughout the State:

OAHU: Public Utilities Commission  
Kekuanaoa Building  
465 South King Street, #103  
Honolulu, HI 96813  
Phone: 586-2020

KAUAI: PUC Kauai District Office  
3060 Eiwa Street, #302-C  
Lihue, HI 96766  
Phone: 274-3232

MAUI: PUC Maui District Office  
State Office Building #1  
54 High Street, #218  
Wailuku, HI 96793  
Phone: 984-8182

HAWAII: PUC Hawaii District Office  
688 Kinoole Street, #106-A  
Hilo, HI 96720  
Phone: 974-4533

**COMMISSIONERS DURING THE FISCAL YEAR  
1999-00**

**Dennis Yamada, Chairman**

Dennis Yamada was appointed to the Commission by Governor Waihee in July 1994. He was named Chairman of the Commission in August 1998.

Yamada was engaged in private law practice prior to his appointment. He is a former member of the State House of Representatives and the University of Hawaii Board of Regents. He has also served as Deputy Corporation Counsel for the City and County of Honolulu.

Yamada received a bachelor of business administration degree from Drake University and a juris doctor degree from Drake University School of Law. His term expires June 2004.

**Rae Loui, Commissioner**

Rae Loui was appointed to the Commission by Governor Benjamin Cayetano in January 1998.

Prior to her appointment, Loui served as Deputy to the Chairperson of the Commission on Water Resource Management. Loui has worked in various positions at Pacific Gas and Electric Company and Hawaiian Electric Industries, Inc. Loui also has served as Director of Maui County's Department of Water Supply.

Loui received a bachelor of science degree and a masters degree in civil engineering from Stanford University. She also holds a masters degree in business administration from the University of California at Berkeley. Her term expires June 2002.

**Gregory G. Y. Pai, Ph.D., Commissioner**

Gregory G. Y. Pai was appointed to the Commission by Governor Benjamin Cayetano in August 1998.

Prior to his appointment, Pai served as Chief Economist for First Hawaiian Bank and Director of the Office of State Planning. He also served as Special Assistant to the Governor for Economic Affairs under Governor John Waihee.

Pai received a bachelor of arts degree in architecture from the University of Hawaii and a master of arts degree in architecture from Harvard University. He also holds a doctor of philosophy degree in economics and regional planning from the Massachusetts Institute of Technology. His term expires June 2006.

## **ANNUAL REPORT FOR THE FISCAL YEAR**

**1999-00**

This report presents an overview of the activities of the Public Utilities Commission during the period of July 1, 1999 through June 30, 2000. The report is organized in five parts:

**Part I** summarizes the significant regulatory proceedings of the Commission.

**Part II** describes enforcement activities and includes statistics on consumer complaints.

**Part III** contains new rules adopted by the Commission.

**Part IV** includes Commission-related legislation enacted by the 2000 Hawaii State Legislature.

**Part V** presents statistics on the number of dockets opened and completed during the fiscal year.

### **I.**

#### **SUMMARY OF REGULATORY PROCEEDINGS**

The Commission is responsible for regulating 280 utility companies, 3 water carriers, and 994 passenger and property carriers in the State of Hawaii. This fiscal year, the Commission opened 438 dockets, and issued 750 decisions and orders related to the regulated utilities and transportation carriers. The Commission also approved over \$61 million in utility capital improvements.

Key proceedings in the regulation of rates include HELCO's application for a \$15.5 million general rate increase. Evidentiary hearings will be held next fiscal year.

Commission activities in the area of telecommunications focused on expediting competition in the local industry marketplace. In this fiscal year, the Commission certificated 54 new telecommunications companies providing various intrastate telecommunications services. In its ongoing communications infrastructure docket, the Commission issued an order granting a generic proceeding to review non-recurring charges (NRCs) and collocation studies, competing cost studies, and other issues. The Commission required interested parties to file an application to open a generic docket to address E-911 issues.

During this fiscal year, the Commission approved the merger of GTE Corporation (GTE) and Bell Atlantic Corporation (Bell Atlantic). In its water carrier proceedings, the Commission approved the acquisition of Young Brothers Limited (Young Brothers) by Saltchuk Resources, Inc. (Saltchuk).

The following sections highlight the significant proceedings of the Commission.

## **ELECTRICITY**

The Commission regulates four electric utility companies engaged in the production, purchase, transmission, distribution, and sale of electric energy in the State: Hawaiian Electric Company, Inc. (HECO) on the island of Oahu; Maui Electric Company, Ltd. (MECO) serving the islands of Maui, Lanai, and Molokai; Hawaii Electric Light Company, Inc. (HELCO) on the island of Hawaii; and Kauai Electric Division of Citizens Utilities Company (KE), a subsidiary of Connecticut-based Citizens, serving the island of Kauai. MECO and HELCO are wholly owned subsidiaries of HECO, which is in turn a wholly owned subsidiary of Hawaiian Electric Industries, Inc. (HEI).

HECO, MECO, HELCO, and KE proceedings include the following:

**Rate Proceedings** The Commission's general rate increase proceeding on an application filed by HELCO is described below.

**HELCO Seeks Rate Increase** In October 1999, HELCO applied for a \$15.5 million general rate increase. The company proposed to implement the increase in four steps: (1) Interim Step, (2) Encogen Phase 1 Step, (3) Encogen Phase 2 Step, and (4) General Step. Encogen Phase 1 and 2 steps are to be implemented when HELCO begins purchasing energy and capacity from Hamakua Energy Partners, L.P., formerly known as Encogen Hawaii, L.P. (Encogen). Evidentiary hearings are scheduled to begin next fiscal year.

**Integrated Resource Planning (IRP) Activities** The Commission's IRP guidelines, adopted in May 1992, require each energy utility to develop a long-range, twenty-year IRP and a medium-range, five-year program implementation schedule (action plan). The utility must submit to the Commission a triennial review of its IRP, and an annual update of its action plan. Subject to Commission review and approval, the utility is authorized to earn demand-side management (DSM) shareholder incentives and to recover IRP program costs and DSM net lost revenues.

Below is a summary of the status of electric utility IRPs and action plans as of June 30, 2000.

HECO's first IRP and action plan were approved in March 1995. HECO's revised IRP was filed in January 1998. Position statements from the parties were filed in July 1999.

MECO's first IRP and action plan were approved in May 1996. In MECO's next integrated resource planning cycle, the company filed its revised IRP in May 2000.

HELCO's first IRP and action plan were approved in May 1996. The company's revised IRP was filed in September 1998.

KE's first IRP was approved in July 1995. KE filed its revised IRP in April 1997. In August 2000, KE filed its annual update report of the IRP.

**HECO Power Outage Investigation** In April 1991, the Commission ordered an investigation of the Oahu island-wide power outage that occurred on April 9, 1991. The Commission approved HECO's retention of Power Technologies, Inc. (PTI), a power engineering consulting firm, to investigate the outage and recommend improvements. HECO filed status reports from 1996 to 1999 on its progress in implementing PTI's recommendations. HECO reported that, as of May 11, 1999, it has implemented approximately 81 per cent of PTI's recommendations. In July 1999, the Commission accepted and approved PTI's report on the 1991 Oahu island-wide outage and ordered HECO to continue to provide status reports on the final implementation of PTI's recommendations.

**Power Purchase Agreements (PPAs)** The Commission held the following proceedings relating to PPAs between the electric companies and independent power producers.

**HELCO and Encogen** In July 1999, the Commission approved the PPA, as amended, between HELCO and Encogen. Encogen will design, construct, own, operate, and maintain a 60 megawatt (MW) dual trained combustion cycle qualifying cogeneration facility at Haina, Hawaii. Encogen's facility will be constructed in two phases. The PPA is scheduled to terminate on the 30<sup>th</sup> anniversary of the phase 2 in-service date. HELCO is allowed to recover from its ratepayers, through its energy cost adjustment clause (ECAC), the fuel component of the energy payments to be made to Encogen, to the extent that such payments are not recovered in HELCO's base rates. The Commission also approved the interconnection agreement between HELCO and Encogen.

**HELCO and Hilo Coast Power Company (HCPC)** In December 1999, the Commission approved the second amended and restated PPA, as amended, between HELCO and HCPC, formerly known as Hilo Coast Processing Company. The existing PPA expired at the end of 1999. The second amended PPA provides for the continued provision to HELCO of 22 MW of firm capacity from HCPC. HELCO is allowed to recover from its ratepayers, through its ECAC, the purchased energy costs (and related revenue taxes) that it incurs under the second amended PPA, to the extent that such payments are not recovered in HELCO's base rates.

**HECO and Kalaeloa Partners, L.P. (Kalaeloa)** In March 2000, the Commission approved an amendment to HECO's PPA with Kalaeloa. The

agreement was amended to reflect the transfer of the general partnership interest in Kalaeloa from ABB Hawaiian Cogeneration Inc. to PSEG Kalaeloa, Inc. HECO purchases electrical energy and firm generation capacity from Kalaeloa under a 1988 PPA, as amended.

**KE and Kekaha Sugar Company, Limited (Kekaha Sugar)** In June 2000, the Commission approved the replacement PPA between KE and Kekaha Sugar. The replacement PPA will supersede the initial PPA, dated April 22, 1981. The replacement PPA adjusts the energy rate KE pays for energy delivered by Kekaha Sugar, increases the rate that Kekaha Sugar must pay for energy, and adjusts the charges for emergency capacity and energy purchased by KE. The Commission also approved KE's request to include, in its energy rate adjustment clause, the purchased energy costs it incurs under its replacement PPA.

**MECO Terminalling Agreement Approved** In August 1999, MECO received Commission approval of the Shell Oil Company (Shell) terminalling agreement contract. The agreement provides for MECO's use of Shell's receiving, storage, and distribution facilities for diesel. It succeeds the 1989 agreement and has a seven-year term. MECO is allowed to include in its ECAC the costs of handling, storage, and related taxes incurred under the agreement, to the extent that these costs are not recovered in MECO's base rates.

**HECO and HELCO Authorized to Participate in Bond Issue** In September 1999, HECO and HELCO were granted approval to participate in the sale by the State Department of Budget and Finance (B&F) of special purpose revenue bonds. The Commission authorized HECO and HELCO to borrow from B&F or its trustee up to \$75,000,000 and \$25,000,000, respectively, for capital improvement projects certified by the Commission to be for the local furnishing of electric energy.

**MECO Fuel Contract Amendment Approved** In March 2000, the Commission approved MECO's first amendment to its fuel supply contract with Lanai Oil Company, Inc. The original term of the first amendment expires on December 31, 2001 and is extended for a term of two years. MECO is allowed to include in its ECAC the costs of diesel fuel and related taxes incurred under the existing contract, as amended, to the extent that such costs are not recovered in MECO's base rates.

**Acquisition of KE by Co-op Proposed** In April 2000, Citizens Utilities Company (CUC) and the Kauai Island Utility Co-op (KIUC) filed an application for approval of the sale of certain KE assets to KIUC and other matters relating to the sale of the assets. The parties to the docket include the Consumer Advocate, County of Kauai, and Department of Defense.

**Capital Expenditures Approved** In fiscal year 1999-00, the Commission approved expenditures totaling over \$25 million for electric utility capital improvements.

HECO was authorized to expend \$19.3 million for its capital improvements. Expenditures include \$4.1 million for the Downtown network secondary cable replacement project, \$3.2 million for the Downtown network primary reconfiguration project, \$1.8 million for the installation of the Waiau power plant demineralizer, \$1.7 million for the Hale Moku Housing 46kV underground conversion project, \$1.7 million for the installation of the Manana infrastructure improvements, \$1.6 million for the Downtown network secondary lateral cable replacements project, \$1.2 million for the construction of a new substation and overhead/underground lines for the Hawaiian Cement import terminal facility, \$1.1 million for the conversion of overhead facilities to underground within the Kakaako Redevelopment District, \$1.0 million for the US Filter water reclamation facility project, \$1.0 million for the purchase of a spare 138-46kV 48/80 MVA transformer, and \$0.9 million for the School Street 4kV conversion project.

MECO was authorized to expend \$1.5 million for the Honoapiilani Highway widening project.

HELCO was authorized to expend \$4.3 million for transmission system modifications.

KE was authorized to expend \$0.7 million for the purchase and installation of a new transformer and removal of an existing transformer.

## **GAS**

Citizens Utilities Company, dba The Gas Company (TGC) is a duly franchised public utility providing gas service throughout the State of Hawaii. TGC's operations consist of the purchase, production, transmission, and distribution through gas pipelines, and sale for residential, commercial, and industrial uses of synthetic natural gas (SNG) and liquid propane gas.

Proceedings involving TGC include the following:

**TGC Authorized to Participate in Bond Issue** In May 2000, the Commission authorized TGC to participate with B&F in one or more special purpose revenue bond financings up to a total of \$19,600,000 as authorized by the 1999 State Legislature. TGC is allowed to borrow from B&F or its trustees up to the total proceeds from the sale of the special purpose revenue bonds.

**Capital Expenditures Approved** In fiscal year 1999-00, the Commission approved expenditures totaling \$22.4 million for gas utility capital improvements. TGC was authorized to expend \$12.4 million for the purchase of the SNG facility at Campbell

Industrial Park, \$5.0 million for renewal of bare pipelines under the Regional Renewal (RR) program, and \$5.0 million for Phase II of the RR program.

## **TELECOMMUNICATIONS**

The Commission oversees the cellular, paging, mobile telephone, and interisland data transmission services of telecommunications providers in addition to the services of GTE Hawaiian Telephone Company Incorporated (GTE Hawaiian Tel), the State's largest provider of intrastate services.

Key activities in telecommunications are highlighted below.

**GTE Hawaiian Tel Rate Proceeding Closed** In September 1999, the Commission ordered that Phase II of GTE Hawaiian Tel's rate proceeding be closed. As part of Phase II of the rate proceeding, GTE Hawaiian Tel filed its rate rebalancing proposal. The proposal is comprised of the rate design by which GTE Hawaiian Tel proposes to recover the \$361 million revenue requirement approved by the Commission in January 1997. However, the Commission found that GTE Hawaiian Tel's rebalanced rates based on 1995 test year estimates do not reflect current conditions. Accordingly, the Commission required GTE Hawaiian Tel to file a new rate application.

**Development of the State's Communications Infrastructure** Activities in the Commission's ongoing communications infrastructure docket, Docket No. 7702, opened in May 1993, have focused on the development of the infrastructure necessary to support the introduction, deployment, and use of advanced communications technologies and services in the State of Hawaii. Last fiscal year, the Commission addressed issues relating to unbundled network elements, wholesale prices, non-recurring charges, pricing, and other issues. GTE Hawaiian Tel filed recalculated prices, costs, and other data.

In January 2000, the Commission granted the joint motion filed by the non-GTE parties requesting a generic proceeding and ordered that it include the review of GTE Hawaiian Tel's non-recurring charges (NRCs) and collocation studies and AT&T Communications of Hawaii, Inc.'s (AT&T) competing cost studies. In April 2000, the Commission approved the request of the parties in the generic proceeding in Docket No. 7702 to limit the proceeding to seven parties including GTE Hawaiian Tel; the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy; the Department of Defense and federal executive agencies; AT&T; Sprint Communications Company L.P.; Time Warner Telecom of Hawaii, L.P., dba Oceanic Communications; and GST Telecom Hawaii, Inc. (GST). The Commission also approved the docket parties' proposed procedural format to address E-911 issues and required interested parties to file an application to open a generic docket to address those issues.

The evidentiary hearing is scheduled for next fiscal year to address the issues in the generic proceeding.

**Carrier Certification and Merger Applications** The Commission certificated 54 new telecommunications companies this fiscal year, including 4 providers of local exchange, wireless, mobile radio, and pay telephone services; 41 resellers of various intrastate cellular, calling card, and interexchange (long-distance) telecommunications services; and 9 providers/resellers of telecommunications services.

During the fiscal year, the Commission approved applications for acquisitions and mergers involving certificated telecommunications companies that provide intrastate, paging, commercial mobile radio, and resold services. Eleven applications were approved including the application for the proposed merger of GTE and Bell Atlantic.

In October 1998, GTE and Bell Atlantic filed an application requesting approval to transfer control of GTE to Bell Atlantic. The Commission approved the proposed merger of GTE with and into Bell Atlantic in November 1999. GTE Hawaiian Tel will remain a subsidiary of GTE, which in turn will be a subsidiary of Bell Atlantic. The Commission ordered GTE Hawaiian Tel to report all merger related expenses, savings, and revenue enhancements attributable to regulated services in Hawaii.

**Interconnection Agreements Approved** The Federal Telecommunications Act of 1996 and Section 6-80-53, HAR authorized parties to petition the Commission to arbitrate any unresolved issues in negotiating an agreement with GTE Hawaiian Tel for access, interconnection, unbundling, or network termination.

During the fiscal year, the Commission approved the following interconnection agreements between telecommunications service providers and GTE Hawaiian Tel.

**Topp Comm, Inc. (Topp)** In September 1999, the Commission approved a negotiated resale agreement submitted by GTE Hawaiian Tel and Topp. Topp was ordered not to provide any telecommunications services in the State until it has either obtained Commission authorization or registered with the Commission.

**Honolulu Cellular Telephone Company (HCTC) and AT&T Wireless Services of Hawaii (AT&T Wireless)** In January 2000, the Commission approved the negotiated interconnection agreement submitted by GTE Hawaiian Tel, HCTC, and AT&T Wireless. HCTC and AT&T Wireless are certificated providers of commercial mobile radio services for the Honolulu metropolitan service area and the rural service area of Maui, respectively.

**Comm South Companies, Inc. (Comm South)** In February 2000, the Commission approved the interconnection agreement submitted by GTE Hawaiian Tel and Comm South. The agreement addresses resale services provided by Comm South. Comm South is a certificated reseller of intrastate interexchange telecommunications services in the State.

**Highspeed.Com of Hawaii L.L.C. (Highspeed.Com)** In March 2000, the Commission approved Highspeed.Com=s proposal to adopt the Commission-approved interconnection agreement between AT&T and GTE Hawaiian Tel (AT&T-GTE agreement). In June 2000, the Commission approved a negotiated supplemental interconnection agreement between the two companies which reflects the new collocation rules issued by the Federal Communications Commission (FCC). Highspeed.Com is a certificated provider of facilities-based and resold local exchange telecommunications services in the State.

**GST** In June 2000, the Commission approved the negotiated second amendment to the 1997 interconnection agreement, as amended by the pole and conduit agreements, submitted by GTE Hawaiian Tel and GST. The second amendment replaces the existing performance measurements with GTE=s nationwide performance measurements.

**DSLnet Communications, L.L.C. (DSLnet)** In June 2000, the Commission approved DSLnet=s adoption of the AT&T-GTE agreement. The interconnection, resale, and unbundling agreement submitted by GTE Hawaiian Tel and DSLnet was approved. Under a petition consolidated by the Commission, the companies were granted approval of the negotiated supplemental agreement reflecting new collocation rules issued by the FCC.

**Financing for Sandwich Isles Communications, Inc. (SIC) Approved** In July 1999, the Commission approved SIC=s issuance of a Rural Telephone Bank (RTB) mortgage note, Rural Utilities Service (RUS) mortgage note, and a supplemental mortgage. SIC has obtained a total of \$41,581,700 in loans from the RUS and the RTB, both agencies of the U. S. Department of Agriculture. The proceeds of the loan will be used to fund the construction of telecommunications infrastructure on new properties administered by the Department of Hawaiian Home Lands on the islands of Hawaii, Maui, Molokai, and Kauai.

**Tariff Changes** During the fiscal year, the Commission approved the following tariff changes for GTE Hawaiian Tel.

**Rural Line Service** In February 2000, the Commission approved tariff amendments proposed by GTE Hawaiian Tel to discontinue multi-party service in rural, non-base rate areas (rural line service) and convert all remaining rural service lines in the State to individual line (single-party) service. In 1995, the Commission approved GTE Hawaiian Tel=s rural

service plan to install facilities that would enable customers with rural line service to convert to single-party service. Upon completion of the construction of the facilities in 1997, customers in base rate areas converted or subscribed to single-party service. GTE Hawaiian Tel began offering only single-party service to new customers in non-base rate areas. With the elimination of rural line service, GTE Hawaiian Tel will complete the process of providing single-party service to all of its intrastate customers.

**Collocation Service** In March 2000, the Commission approved the operation of GTE Hawaiian Tel's proposed tariff to establish collocation service on an interim basis, subject to true-up, pending final review and disposition in the generic proceeding in Docket No. 7702. The tariff provides for rates, terms, and conditions that are not provided in GTE Hawaiian Tel's FCC interconnection services tariff but are required by the FCC. The tariff enables competitive local exchange carriers (CLECs) to lease space in the company's premises in order to collocate their equipment used for interconnection or access to unbundled network elements.

**National Directory Assistance (NDA) Service** In March 2000, the Commission approved GTE Hawaiian Tel's proposal to establish an NDA service but limited it to only the implementation of its national (interstate) directory assistance. GTE Hawaiian Tel proposed to charge \$.95 for each 411 access for national (interstate) directory assistance. The NDA allows customers to dial 411 and receive both interisland and national (interstate) listings from GTE Corporation's national directory assistance data base.

**Non-Published Notifier Service (NPN)** In May 2000, the Commission approved tariff amendments proposed by GTE Hawaiian Tel to grandfather its NPN service and then to discontinue its NPN service. NPN service allows a caller to contact GTE Hawaiian Tel's directory assistance (DA) operator to relay a call-back message to a non-published customer who subscribes to NPN service.

**GTE Hawaiian Tel License Agreement Approved** In May 2000, the Commission approved GTE Hawaiian Tel's application to enter into a license agreement with Western PCS II Corporation (Western PCS) for a portion of the ground space at the Mauna Loa Radio Station site. The ground space will be used for Western PCS's facilities, including an antenna and other related cellular equipment.

**Capital Expenditures Approved** During the fiscal year, GTE Hawaiian Tel received approval to commit over \$12 million for capital improvements. Expenditures include \$3.0 million for the Kamuela switch consolidation project, \$2.8 million for the installation of the Rockwell Spectrum system, \$1.8 million for the Honolulu DMS-100 switch with enhanced network, \$1.4 million for the DMS-200 access tandem trunk addition project, \$1.3 million for the Wakea Avenue steel pole relocation project, \$1.2 million for the Honolulu DMS-100 trunk addition project,

\$0.9 million for the Puuloa Road improvement project, and \$0.5 million for the E911 scaleable automatic location with selective routing addition project.

## **PRIVATE WATER AND SEWAGE UTILITIES**

The Commission regulates 31 privately owned water and sewage treatment utilities that serve suburban, rural, and resort areas throughout the State. The majority of these utilities are located on the neighbor islands.

**Waikoloa Water Company, Inc., dba West Hawaii Water Company (WHWC) Rate Increase Approved** In September 1999, the Commission approved a rate increase of WHWC=s total water consumption charge from \$1.43 per thousand gallons (TG) to \$1.5234 per TG, to produce a total annual revenues increase of \$44,331.

**Hawaii-American Water Company, Inc. (HAWC) Bond Issue Authorized** In July 1999, the Commission authorized HAWC to issue \$9,000,000 in either first mortgage bonds or senior unsecured notes within certain parameters. HAWC, formerly known as East Honolulu Community Services, Inc., is a wholly-owned subsidiary of American Waterworks Company, Inc.

**Kapalua Water Company, Ltd. (KWC) and Kapalua Waste Treatment Company, Ltd. (KWTC) Sale of Stock Approved** In August 1999, the Commission granted the request of KWC and KWTC, wholly-owned subsidiaries of Maui Land & Pineapple (ML&P), to approve Stephen M. Case=s acquisition of approximately 41 per cent of the common voting stock of ML&P.

**CTF Hotel Sewage Treatment Corporation=s (CTF) Transfer of Interests Amended** Last fiscal year, the Commission approved the transfer of the interests of CTF and its affiliates in the Poipu Water Reclamation Facility (Poipu Facility) to Marriott Ownership Resorts, Inc. (MORI). In conjunction with the transfer of the Poipu Facility, MORI was acquiring the Waiohai Resort, the Poipu Beach Hotel, and related employee housing. In October 1999, the Commission granted CTF=s request to amend the Commission=s prior decision by limiting the approval for the transfer of the interests of CTF and Waiohai Resort Partners to MORI pertaining only to the Waiohai Resort.

**Poipu Wastewater Corporation=s (PWC) Transfer of CPCN and Assets Approved** In February 2000, the Commission approved the proposed transfer of PWC=s CPCN and its interests in certain assets of the Poipu Facility to HOH Utilities, LLC. PWC owns an undivided one-third interest in the Poipu Facility as tenants in common.

**Kohala Ranch Water Company=s (Kohala) Assets Transfer Approved** In March 2000, the Commission granted Kohala=s and Robert Acree=s request for approval

to transfer certain assets, including the CPCN, of Kohala to KRWC Corporation (KRWC). The Commission also approved Acree=s ownership of all of KRWC=s stock.

## **TRANSPORTATION CARRIERS**

### **Motor Carriers**

The Commission regulates 624 passenger carriers and 370 property carriers in the State. During this fiscal year, new certificates or permits were issued to 60 passenger carriers and 2 property carriers.

Passenger carriers are classified by authorized vehicle seating capacity. They include tour companies, limousine services, and other transportation providers.

Property carriers are classified by the types of commodities transported and the nature of services performed, namely: general commodities, household goods, commodities in dump trucks, and specific commodities.

By law, taxis, school and city buses, ambulance services, refuse haulers, farming vehicles, and persons transporting personal property are exempt from Commission regulation.

Many of the State's motor carriers belong to either the Western Motor Tariff Bureau, Inc. (WMTB) or the Hawaii State Certified Common Carriers Association (HSCCCA). WMTB and HSCCCA are nonprofit organizations engaged in the research, development, and publication of motor carrier tariffs. The two organizations represent their members in proceedings before the Commission.

Motor carrier proceedings include the following:

**WMTB Seeks Property Carriers Rate Increase** In March 2000, WMTB filed an application to (1) increase statewide intra-island rates for household goods by 8 per cent; (2) increase statewide inter-island rates for household goods by 30 per cent; and (3) increase the minimum weight categories for inter-island rates. In addition, it seeks to increase its division of inter-island freight charges and the minimum weight categories for these charges. The application was pending at the end of the fiscal year.

### **Water Carriers**

The Commission regulates three water carriers: Young Brothers, a provider of interisland cargo service; Sea Link of Hawaii, Inc., a passenger and cargo carrier; and Hone Heke Corporation, a passenger and cargo carrier.

Water carrier proceedings include the following:

**Acquisition of Young Brothers Approved** In October 1999, the Commission approved Hawaiian Tug & Barge Corp.'s (HTB) sale of all of the stock of Young

Brothers to Saltchuk. Young Brothers is a wholly-owned subsidiary of HTB, which in turn is a wholly-owned subsidiary of HEI. Saltchuk is a Washington corporation and a private holding company operating maritime transportation services in other states.

**Young Brothers Kaunakakai Port Sailing Schedule Revised** In August 1999, Young Brothers= Kaunakakai port revised sailing schedule was approved. The revised sailing schedule took effect on September 1, 1999.

**Young Brothers Lanai Sailing Schedule Temporarily Amended** In September 1999, the Commission authorized Young Brothers to temporarily amend its sailing schedule to Kaunakakai, Lanai and the associated cargo receiving and delivery times at the Kaunakakai and Honolulu ports, subject to specific conditions.

**Young Brothers Sale of Barge Approved** In September 1999, the Commission approved Young Brothers= application pertaining to the sale of the Maukana barge. The Commission required Young Brothers to amortize the net gain realized from the sale of the barge over a one-year period.

## II.

### ENFORCEMENT ACTIVITIES

The Commission enforces its rules and regulations, standards, and tariffs by monitoring the operating practices and financial transactions of the regulated utilities and transportation carriers. Enforcement activities involve customer complaint resolution, compliance with financial reporting requirements, and motor carrier citations.

### COMPLAINT RESOLUTION

The Commission accepts verbal and written complaints. Verbal complaints are received by telephone, or in person at the Commission's office. There are two kinds of written complaints -- formal and informal, and the requirements of each are stated in the Commission's rules of practice and procedure, Chapter 6-61, HAR.

#### Informal and Verbal Complaints

As shown in the table below, the Commission received a total of 800 informal and verbal complaints in calendar year 1999 against regulated and unregulated utilities and transportation companies. This is an 11 per cent decrease over 1998 complaints. Complaints on Oahu amounted to 473 out of 800 complaints statewide, or 59 per cent of the total complaints.

The majority of complaints (366) involved telecommunications providers. GTE Hawaiian Tel received 166 complaints, mostly relating to service (availability, interruptions, and

practices and procedures) problems, tariffs, and billing practices. The cellular and paging companies received 31 complaints, mainly related to service problems. Most of the 169 complaints filed against other telecommunications providers, including interstate and unregulated communications equipment and service companies, were related to the business practices of long distance carriers.

The electric utilities received 97 complaints, relating to service (interruptions, and damages and claims processing) problems, tariffs, and billing practices. The complaints against the gas utility (23), and water and sewer facilities (9) were primarily over service problems, tariffs, and billing practices. The complaints against water carriers (5) involved insurance damages and claims processing. Most of the 300 complaints filed against motor carriers were related to vehicle markings, classifications and operating without CPCNs.

### Informal and Verbal Complaints Filed in Calendar Year 1999

	Oahu	Hawaii	Maui	Kauai	1999 Total	1998 Total
Telecommunications:						
GTE Hawaiian Tel	86	61	9	10	166	263
Cellular and Paging	11	14	6	0	31	33
Other Providers	<u>82</u>	<u>60</u>	<u>8</u>	<u>19</u>	<u>169</u>	<u>297</u>
Total Telecom	179	135	23	29	366	593
Electricity	32	36	6	23	97	118
Gas	9	13	0	1	23	21
Water/Sewer	0	8	0	1	9	7
Water Carrier	0	4	0	1	5	5
Motor Carrier	<u>253</u>	<u>21</u>	<u>14</u>	<u>12</u>	<u>300</u>	<u>155</u>
Total Other	294	82	20	38	434	306
Total Complaints	473	217	43	67	800	899

## **FINANCIAL REPORTING**

The Commission's general orders require the submittal of financial reports and payment of revenue fees by all regulated utilities and transportation carriers.

During the fiscal year, the Commission issued 64 show cause orders to motor carriers and 15 orders to telecommunications providers who failed to submit financial reports and pay required revenue fees. Interest and penalties collected for the late payment of revenue fees totaled \$39,031. The CPCNs of 29 motor carriers and certificates of authority of 13 telecommunications providers were revoked for lack of compliance with financial reporting requirements.

## **MOTOR CARRIER CITATIONS**

The Commission receives assistance from the State Department of Transportation, through the assignment of a motor vehicle safety officer, to issue civil citations for violations of the Motor Carrier Law, Chapter 271, HRS. The citations impose a civil penalty, typically \$500 or \$1,000 per violation.

For this fiscal year, civil penalties collected through motor carrier citations totaled \$44,460. The Commission issued 171 motor carrier citations on all the islands -- 107 on Oahu, 37 on Hawaii, 19 on Maui, and 8 on Kauai. The number of motor carrier citations shows a significant increase over the previous fiscal year=s citations (53).

### **III.**

## **POLICY-MAKING ACTIVITIES**

Policy-making activities of the Commission include the adoption of administrative rules, standards, and procedures that govern the oversight of the regulated utilities and transportation carriers.

During the fiscal year, the Commission adopted Chapter 6-65, HAR. Chapter 6-65, HAR, adopts the standards and procedures governing water carriers of property and passengers. The new rule provides for (1) the form and content of tariffs of water carriers of property and passengers, and the information and data to be submitted for the establishment of new or revised rates, fares, or charges; and (2) the filing of financial and statistical information by water carriers of property and passengers. Chapter 6-65, HAR, took effect on September 13, 1999.

## IV.

### LEGISLATION

The 2000 Hawaii State Legislature enacted the following measures relating to the Public Utilities Commission:

**Advertising by Motor Carriers** Act 40 amends Section 271-8.5 (a), HRS, by broadening the term "advertise," as it applies to motor carriers of passengers or property, to also include "any and all communications media." This act ensures that any and all types of advertising by motor carriers are prohibited unless these motor carriers hold a valid certificate or permit issued by the Commission under Chapter 271, HRS.

**Unlawful Motor Carrier Operations** Act 41 amends Section 271-27 (h), HRS, by making any person in the State, as well as their officers, agents, employees, and representatives, who engages the services of motor carriers of property or passengers subject to civil penalties for failing to comply with the motor carrier laws, rules, requirements, or orders.

**Net Energy Metering Pilot Study** Act 87 establishes a two-year net energy metering pilot study of the feasibility of implementing a net metering program in the State. The Commission is directed to gather data on the Department of Education's use of net metering in its renewable energy demonstration project. The Commission is mandated to submit two reports, an interim and final, to the legislature on the actions taken, status, and recommendations regarding its study twenty days prior to the 2001 and 2002 regular legislative sessions.

**Motions for Reconsideration or Rehearing** Act 167 amends Section 271-32, HRS, by requiring the Commission to render decisions on motions for reconsideration or rehearing within 45 days of the filing of these motions. The Act also allows the Commission discretion to set aside the automatic stay of its decision resulting from the filing of these motions.

**Consumer Complaints** Act 217 amends Section 269-55, HRS, to clarify the receiving and handling of consumer complaints concerning public utilities. This amendment provides that the consumer advocate shall counsel utility customers in the handling of consumer complaints before the Commission. It requires the Commission to provide a central clearing house of information by collecting and compiling all consumer complaints and inquiries concerning public utilities.

**Alternative Dispute Resolution** Act 263 adds a new section under Chapter 269, HRS, allowing the Commission to require the parties in matters before the Commission to participate in non-binding arbitration, mediation, or other alternative dispute resolution processes prior to a hearing.

**Legal Counsel for Consumer Advocate** Act 272 amends Section 269-53, HRS, to enable the Director of the Department of Commerce and Consumer Affairs to appoint or retain attorneys to provide legal services for the Division of Consumer Advocacy. For fiscal year 2000-01, Act 272 provides an appropriation of \$137,089 from the Public Utilities Commission Special Fund for two staff attorneys.

V.

**DOCKET STATISTICS**

During fiscal year 1999-00, the Commission opened a total of 438 dockets. Of the 438 dockets, 269 or approximately 61 per cent were completed by June 30, 2000.

At the end of the fiscal period, 285 dockets were pending, including 116 dockets filed prior to fiscal year 1999-00.

**Dockets Filed and Completed During FY 1999-00  
and Dockets Pending at June 30, 2000**

	<u>Dockets Filed in Fiscal Year 99-00</u>						<u>Pending Dockets Filed Prior to FY 99-00</u>	<u>Total Dockets Pending at FY End</u>
	<u>Opened</u>	<u>Completed</u>		<u>Pending</u>				
<u>Utilities</u>								
Electric	32	12	20	29	49			
Gas	2	2	0	2	2			
Telecommunications	130	89	41	19	60			
Private Water/Sewage Companies	<u>10</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>11</u>			
Subtotal	174	108	66	56	122			
<u>Transportation</u>								
Motor Carriers	260	158	102	60	162			
Water Carriers	<u>4</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>1</u>			
Subtotal	264	161	103	60	163			
Total	438	269	169	116	285			

## GLOSSARY OF TERMS

**Central Office** - a telephone company facility where subscriber lines are joined to switching equipment for interconnecting other customer lines and trunks, locally and long distance.

**Certificate of Public Convenience and Necessity (CPCN)**, a certificate or permit issued by the Public Utilities Commission authorizing the operation of a utility or transportation carrier.

**Cogeneration** - the combined production of electric power and useful thermal energy, such as heat or steam.

**Demand-Side Management (DSM)**, refers to reducing a consumer's demand for and use of energy through various programs, including conservation, load management, and efficiency resource programs.

**Externalities** - indirect costs and benefits, including (in IRP) the cost and beneficial impacts on the environment, people's lifestyle and culture, and the State's economy.

**Federal Communications Commission (FCC)** - the federal agency primarily responsible for regulating interstate communications.

**Fiber Optic** - the technology consisting of thin filaments of glass through which light beams are used to transmit data from one point to another.

**General Rate Increase** - an increase in the general level of rates or charges for all classes of customers.

**Integrated Resource Planning (IRP)** - a process by which utilities and regulatory commissions assess the cost of, and choose among, various resource options.

**Interconnection** - the interface of the network of one telecommunications carrier with that of another telecommunications carrier.

**Interstate** - between and among other states, U.S. territories, and the District of Columbia.

**Intrastate** - within the state; interisland.

**Number Portability** - the ability of a telephone service customer to retain, at the same location, an existing telephone number when changing service provider.

**Small Power Production Facility** - under the Public Utility Regulatory Policies Act, an electricity producer whose primary energy source is biomass, waste, renewable (wind, solar energy and water), or geothermal energy, or any combination thereof equal to more than 75% of the total energy input, with production capacity no greater than 80 megawatts.

**Tariff** - the entire body of approved rules and regulations, rates, charges and definitions of a regulated utility.

**Universal service** - the offering and providing of basic services to all customers at affordable, just, and reasonable rates.

Note: Definitions provided are limited to general usage in this report and are not necessarily legal definitions used in statutes, rules or regulations governing the Commission's activities.