

DIVISION OF CONSUMER ADVOCACY (DCA)

website: www.state.hi.us/dcca/dca

e-mail address: consumeradvocate@dcca.state.hi.us

OVERVIEW

The Division of Consumer Advocacy (Consumer Advocate or DCA) represents the interests of consumers of utility, and transportation services before regulatory agencies, primarily the Hawaii Public Utilities Commission (PUC), and also the Federal Communications Commission (FCC), and the Federal Surface Transportation Board. DCA reviews requests for rate/tariff changes, capital improvement projects, integrated resource plans, issues regarding competition in the telecommunications and electric industries, certificates to operate, and other applications filed with regulatory bodies by utility and transportation companies. In representing the consumer before the PUC, the DCA must analyze financial and statistical data, prior docketed material, industry standards, and the information provided by the utility and transportation companies to support their applications. After analyzing the information, DCA must submit written statement of position or testimony explaining the analyst's analysis, findings, and recommendations to the PUC. Oral testimony by DCA analysts, subject to utility company cross examination, is required if an evidentiary hearing before the Commission is required to resolve differences between the utility and DCA.

Composition

The DCA consists of 23 employees, ranging from administrator, secretary, utilities/transportation officer, utilities/transportation specialist, IRP and telecommunications specialists, economist, statisticians, tariff analyst, auditors, engineers, attorneys and clerical support. DCA is located on the third floor of the King Kalakaua Building, 335 Merchant Street. Mailing address is P.O. Box 541, Honolulu, HI 96809; phone number: 586-2800; internet address: www.state.hi.us/dcca/dca.

DCA is comprised of the Financial Analysis Branch, the Economics and Pricing Branch, the Engineering Branch, and a Legal Branch.

The *Financial Analysis Branch* examines and analyzes the financial accounts, records and transactions of public utility and transportation companies under differing financial and operational assumptions. This data is utilized in developing projections of companies' operating expenses and rate base for rate-setting purposes. The Branch evaluates the allocation of common costs by analyzing the allocation methodologies to detect discriminatory allocation practices of expenses common to both the regulated and non-regulated operations. The Branch reviews current accounting pronouncements to ensure the compliance in the financial information presented by the regulated companies.

The *Economics and Pricing Branch* reviews and analyzes economic conditions and trends, investor requirements and returns, and other aspects relating to the capital structure of regulated public utilities and transportation companies. In addition, the Branch evaluates and develops recommendations relating to rate schedules, effects of rates, sales levels and other pertinent considerations in establishing rates.

The *Engineering Branch* analyzes and makes recommendations on such technical matters as production capacity and efficiency, depreciation allowances, maintenance cost factors, safety engineering standards, plans for capital improvements, purchased power agreements, and quality of service standards.

The *Legal Branch* provides legal representation before the regulatory agencies. The branch also provides general clerical support by updating and maintaining the Division's docket and general office files, and the electronic data base files, formatting draft documents prepared by the technical staff and attorneys for filing with regulatory agencies and utility companies, maintaining the office library, etc..

DCA has four staff positions—the Public Utilities/Transportation specialist, Integrated Resource Planning (IRP) specialist, Telecommunications specialist and the Education specialist. The Public Utilities/Transportation specialist assists the Public Utilities/Transportation Officer in managing the overall work pertaining to matters filed before the regulatory agencies such as the PUC and FCC. The IRP specialist focuses on filings pertaining to the electric companies and has primary responsibility for reviewing the integrated resource plans and related demand side management programs applications. The telecommunications specialist focuses on filings pertaining to the telecommunications industry.

DCA has recently hired an Education specialist who will be responsible for educating consumers about their rights, monitoring consumer complaints filed with the regulatory agencies, and attending public hearings and neighborhood board meetings to gain public input about specific issues affecting consumers such as the undergrounding of utility power lines and maintain the Division's web page content.

ACCOMPLISHMENTS

In 2003, the Division's reviewed the application filed by Citizens Utilities Company, The Gas Company Division and K-1 USA Ventures Inc. and Hawaii Gas Company LLC. to sell certain assets of The Gas Company to K-1 USA Ventures Inc. and to retain the existing rates for regulated utility gas service in the state of Hawaii. In addition, to the above application, several rate applications involving small water and wastewater companies were reviewed. Although the dollar impacts were small, considerable staff resources were required since these utility companies had not sought a rate adjustment in over ten years.

The Division was also involved in a generic proceeding opened by the Public Utilities Commission to examine the issues surrounding whether it is consistent with public interest to exempt commercial mobile radio service providers, which include wireless telecommunication providers, their services, or both from any provision of Hawaii Revised Statute (HRS) chapter 269 in accordance with HRS § 269-16.9 and Hawaii Administrative Rule § 6-80-135. This is an important proceeding in that the primary issue to be addressed is whether existing regulation is unnecessary, in light of the existing market conditions.

The Division also examined the existing rate structure by which Young Brothers, Ltd. charges customers for the transport of goods between islands in the State. The need to determine the reasonableness of the existing rate structure will serve as the basis for changes in the rates charged for the transport of various individual commodities, in accordance with the pilot zone of reasonableness rate adjustment program. The pilot program and the study of the existing rate structure would enable Young Brothers to operate in today's environment where the company faces competition for certain select services that it provides.

Finally, since 1995, the Division has also been involved in what is known as “Docket No. 7702—the communications infrastructure proceeding.” The early stages of this proceeding set the framework for competition in the telecommunications industry. Continuing phases of this docket are still being litigated. There are approximately 200 telecommunications providers with certificates to operate in the State. Each of these providers must file their tariffs and a description of their services with the Public Utilities Commission and the Consumer Advocate. Any requests for changes to their rates and service offerings would have to be approved by the Commission. For the first ten months of 2003, the Consumer Advocate reviewed over 150 tariff filings by various telecommunications carriers.

In addition, the Consumer Advocate continues to be involved in the integrated resource planning process of each of the energy utilities. It was hoped, and continues to be our goal, that consumers realize savings through careful planning and analysis of the actual need for costly generation plants and effective demand-side management programs.⁶

In addition to the above proceedings, the Consumer Advocate reviewed 100 motor carrier tariff change requests from January to October and about 180 non-rate applications, such as applications for capital improvement projects, purchase power agreements, and certificates of public convenience and necessity.

The CRF financial summary relating to DCA for FY 02-03 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,024,352	\$325,336	\$1,349,689	\$2,571,366

CONCLUSION

The Consumer Advocate will continue to prioritize its caseload to target projects and consumer issues that have the greatest impact on the ratepayers of utility, communication and transportation services in Hawaii. In addition, however, the program is now in a position to take a more proactive approach to specific consumer issues and expects to gain greater public participation in decisions that are made that affect their utility and transportation services.

⁶ The Hawaii Public Utilities Commission recently opened Docket No. 03-0253 to begin the 3rd IRP process for Hawaiian Electric Company, Inc.