Division of Consumer Advocacy

Consumer Spotlight

Issue #14

Public Utility News You Can Use

October 2011

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E-mail: Hawaii.PUC@hawaii.gov
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445 12th St. , SW
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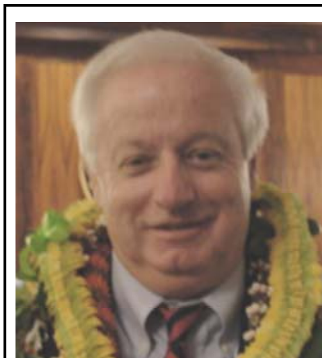
www.fcc.gov/consumers

Federal Energy Regulatory Commission (FERC)
888 First St., NE
Washington, DC 20426
Toll-Free: 1-866-208-3372
E-mail: customer@ferc.gov
Web Address: www.ferc.gov

Executive Director's Message
By Jeffrey Ono

It is almost nine months since I left my former law practice to join the Division of Consumer Advocacy (DCA) as executive director, and I could not be happier with my decision. While the work the DCA tackles on a daily basis is different from my previous litigation practice, the experienced and dedicated staff at DCA quickly brought me up to speed. As the State moves forward under Governor Neil Abercrombie's "A New Day" and clean energy goals, I will continue to look out for the consumers' best interests. In my short time thus far as executive director, I have attended various meetings and public hearings across the State. It has been a pleasure meeting you, Hawaii's consumers, and learning about all of your issues and concerns. It is an honor and privilege to protect and represent consumer interests before the Public Utilities Commission and Federal Communications Commission, as I am a ratepayer just like you. I look forward to continuing to work for and learning from all of you. Please do not hesitate to contact our office with any questions or concerns.

PUC Bids Aloha to one Commisioner and Welcomes Another



Michael Champley

The Public Utilities Commission (PUC) continues to undergo a change in faces. Governor Neil Abercrombie appointed Michael Champley as a commissioner to the PUC in September. Mr. Champley has more than 40 years of experience in the energy industry. He served as a Maui-based energy consultant prior to his appointment, focusing on clean energy resource integration in Hawaii. Prior to that, Mr. Champley served as a senior executive with DTE Energy. Mr. Champley's appointment is subject to Senate confirmation, but he already began serving on the PUC on an interim basis. He steps in not long after former PUC Chair and Commissioner Carlito Caliboso resigned in August. Mr. Caliboso has since joined the private law firm of Yamamoto & Settle as a partner. Mr. Champley joins PUC Chair Hermina Morita, a former Kauai Representative who Governor Abercrombie appointed as chair earlier this year, and Commissioner John Cole, who holds the most experience at the PUC after Mr. Caliboso's departure, serving since his appointment in 2006. Other notable additions to the PUC earlier this year include PUC Chief Counsel Catherine Awakuni, a former DCA executive director, and Chief Researcher Joshua Strickler, former Facilitator of Renewable Energy Projects at the Department of Business, Economic Development & Tourism (DBEDT).

Carlito Caliboso

LOCAL BIOFUEL

On September 12, Hawaiian Electric Company announced a contract agreement with Hawaii BioEnergy, LLC to produce 10 million gallons of biofuel per year to be used at its Kahe power plant. The crops will be grown and processed into biofuel on Kauai, where it will then be shipped to Oahu. The company states that the 20-year contract offers stable pricing not linked to the volatile price of imported fossil fuels. The contract is subject to approval by the Public Utilities Commission (PUC). The Division of Consumer Advocacy will also get the opportunity to review the contract and offer input to the PUC. As of this writing, Hawaiian Electric has yet to submit an application to the PUC to approve the contract.

Electric Companies:

Hawaiian Electric Co. (HECO)
Phone: (808) 548-7311
www.heco.com

Hawaii Electric Light Co. (HELCO)
Hilo: (808) 969-6999
Kona: (808) 329-3584
Waimea: (808) 885-4605
www.heco.com/portal/site/helco/

Maui Electric Co. (MECO)
Phone: (808) 871-9777
Molokai & Lanai: 1-877-871-8461
www.mauielectric.com

Kauai Island Utility Cooperative (KIUC)
Phone: (808) 246-4300
www.kiuc.coop

FINANCING GOING GREEN

Hawaii residents lacking the money to put solar panels on their rooftops or take other measures to "go green" might soon be afforded an opportunity through an "on-bill financing" program. On August 15, the Public Utilities Commission (PUC) opened an investigation to examine the implementation of a program that would allow residential customers to pay for purchases with the cost savings through their monthly electric bill. The measure actually stems from House Bill 1520, from the 2011 legislative session, which Governor Neil Abercrombie signed into law as Act 204 on July 8. As Hawaii moves to accomplish its initiative of 70% clean energy by 2030, with 40% from renewable generation and 30% from energy efficiency, officials realize the difficulty Hawaii residents face, especially during a slumping economy, of paying for solar panels and new energy saving appliances. This program would eliminate the up-front cost of such a purchase, and allow adopters to use the cost savings to help pay off their purchase through their monthly electric bill, making clean energy alternatives more accessible. The program should also appeal to renters, as typically those individuals would be reluctant to make such purchases with no guarantee of seeing any cost benefit. The scope of the PUC investigation includes the costs and benefits associated with the establishment and administration of the program, funding for renewable energy systems or energy efficient devices acquired through the program, penalties for nonpayment, cost-recovery for the electric utilities, and other issues the PUC deems appropriate. Blue Planet Foundation agreed to fund the study that will assist the PUC in determining whether the on-bill financing program is a viable way of providing a means to those who lack the resources to invest in renewable energy or energy efficiency.

Docket No. 2011-0186

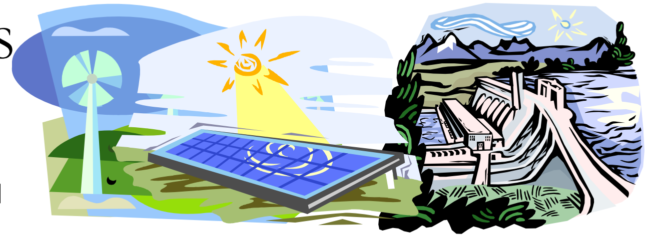
INTERIM RATE INCREASE

On July 22, 2011, the PUC issued an Interim Decision and Order for the Hawaiian Electric Company (HECO) 2011 rate case, approving an increase of about $53 million, or approximately 3.1 percent, over revenues at the previously effective rate. With the increase, HECO estimates the typical Oahu customer using 600 kilowatt-hours a month can expect to pay about $3.31 more on their electric bill. The PUC's order adopts, in most part, a settlement between HECO, the Division of Consumer Advocacy, and the Department of Defense. The agreement is less than half of HECO's original rate increase request of $113.5 million, or 6.6 percent, filed in July 2010. The company claims that the investments are needed to modernize the electric system to improve service and integrate more clean energy. HECO says it made a concerted effort to control costs, increase efficiency, and reduce spending, including re-bidding and re-negotiating contracts with vendors, implementing electronic payment systems, and increasing centralization of processes. However, said Hawaiian Electric Executive Vice President Robbie Alm, "Currently, more than half of a customer's electric bill goes to pay for fuel oil. As we strengthen our grid and add more renewable energy, our customers will see lower and more stable electric bills than if we continue to rely so heavily on fossil fuels."

Docket No. 2010-0080

Check out the PUC's FAQ responses on electric rates and oil prices: http://puc.hawaii.gov/industries/Energy/effective-rate-summary/

Bidding for Renewables



Hawaiian Electric Company (HECO) will seek new bids for part of its large-scale renewable energy project, following a ruling by the PUC. In addition, the location and technology used may change from its original plan. Under the Interisland Wind project, officials planned to deliver 400 megawatts of renewable energy from wind farms on Molokai and Lanai to Oahu via undersea cable. HECO lined up Castle & Cooke to develop half of the project, on Lanai, and counted on First Wind, LLC to develop the other half, on Molokai. However, First Wind failed to meet a proposal deadline in March. Castle & Cooke offered to step in and tap into a new developer, Molokai Renewables LLC, to take over the 200 megawatt Molokai portion of the project. In July, the PUC ruled that such actions and changes to the original plans went beyond the scope of the original approval, and ordered HECO to seek new competitive bids for the Molokai portion of the project. HECO filed a motion for reconsideration 12 days later, arguing, among other things, that restarting the bidding process would waste years of studies and investment by HECO, Castle & Cooke, and other stakeholders, and cause delays to the large-scale project expected to help the State meet its clean energy goals. On August 24, 2011, the PUC denied HECO's request for reconsideration and stated that "it is premature to claim that any Molokai-related project expenditures and efforts are lost."

The project is now also open to other reasonable locations, not just Molokai, and is not restricted to wind and may include other renewable technologies.

Docket No. 2009-0327

http://www.interislandwind.com

Young Brothers Requests a Rate Increase

Young Brothers, Ltd. (YB) defended its need to increase rates before audiences across the State during a series of public hearings held between July 25 and August 2. YB attributed declining cargo volumes as the driving factor. The DCA recognizes and appreciates that YB's services are critical to Hawaii's consumers, and that the company deserves some rate relief to continue providing reliable service and offering agricultural discounts and less than container load shipping, but not to the extent that they are asking. The application for a rate increase, re-filed in May, seeks an increase of more than 28.6 percent with the allowance of Pasha Hawaii Transport Lines to enter the intrastate water carrier market on a three-year interim basis, or 22.5 percent without Pasha's impact. Pasha began intrastate service in February, but its ship is too large to pull into small harbors, including those on Molokai and Lanai. The PUC requires Young Brothers to make stops at those harbors, which are imperative to residents and businesses of those islands. In order to cut costs, minimize rate increases, and avoid cutting its sailing schedule, YB reduced the hours of operation at the larger ports. In its letter to customers, Young Brothers expressed hope that increased cargo levels and revenue would allow the company to restore gate and operation hours in 2012. The Division of Consumer Advocacy submitted its testimony for the case based on the available information at the time on July 25 and August 26, recommending an increase of only about seven percent. The testimony, excluding confidential information, is available for public viewing through the PUC's online Document Management System (see below).

Docket No. 2010-0171

PUC Docket Numbers corresponding to topics discussed are included for your convenience so that you can read deeper into the subjects. PUC public filings are accessible online via the PUC's Document Management System (DMS). Visit: http://dms.puc.hawaii.gov/dms

HT TV

Hawaiian Telcom (HT) is rolling out its television service in limited areas as it continues to improve its financial situation. The State approved the company's license to provide TV service in late June and HT immediately began converting trial users to paid subscribers. HT remains secretive with the service availability for competitive reasons. The new source of revenue should aid the company as it continues to restructure while dealing with the loss of more than 30 percent of its landline accounts over the last five years, as people likely switch to mobile service entirely.

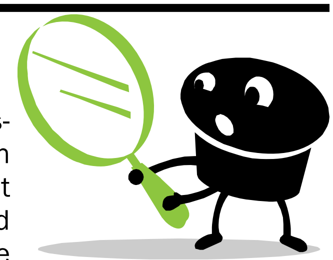
Telecommunication Companies:

Hawaiian Telcom
Phone: (808) 643-3456
www.hawaiiantel.com

Time Warner Telcom
Phone: (808) 441-8500
www.twtelecom.com

Pacific LightNet Communications
Phone: (808) 791-1000
Toll-Free: 1-888-478-1414
www.plni.net

Stop Cramming!



The Federal Communications Commission (FCC) is proposing rules to help consumers identify unauthorized fees on monthly phone bills, also known as "cramming" (see "What is Cramming?" below). While we have not seen widespread cases of cramming in Hawaii, it is a problem for landline customers across the U.S., and is becoming an emerging problem for wireless customers as well. Officials believe the problem is more widespread than documented, largely in part because the deceptive practice often goes undetected when the unauthorized charges are as little as $1.99 a month. One of the rules proposed by the FCC would require landline telephone companies to notify subscribers of the option to block third-party charges. This would be done at the point of sale, on each bill, and on their websites. The FCC is also strengthening its requirement that third-party charges be separated from the telephone company's charges to make them easier to distinguish on bills. In addition, the FCC would require both landline and wireless telephone companies to publish a notice on their bills and websites that customers may file complaints with the FCC and provide their contact information. The FCC is exploring ways to stop cramming completely by allowing consumers to block third-party charges. The FCC reports that most landline phone companies allow consumers to block third-party charges, but may only tell customers about that option after they have complained about an unauthorized charge. Some companies may charge a fee to provide blocking service, so the FCC is also seeking comment on if such a service should be provided for free. It is also looking at possibly eliminating third-party charges on telephone bills altogether. Officials are also seeking comment on whether the same rules that apply to landline telephone companies should also apply to wireless and voice-over-internet-protocol (VoIP) providers. As mentioned above, most consumers may not even know when there are crammed charges on their bills. The FCC warns crammers avoid detection by charging small amounts to each consumer or describing charges to appear to be for services from the phone company, such as voicemail or web services. The FCC reported that a recent survey showed only five percent of consumers who were impacted by a particular cramming company were aware of the monthly charges. With the advancement of technology and convenience using electronic bills and automatic payments, many consumers are failing to look over their monthly bills. Hawaii consumers should be prudent and make it a habit to look over their phone bills regularly for any questionable charges. Contact information for the FCC is on the first page of this newsletter.

What is Cramming?

Cramming is the practice of placing unauthorized, misleading, or deceptive charges on a consumer's telephone bill. Crammers rely on confusing telephone bills in an attempt to trick consumers into paying for services they did not authorize or receive, or that cost more than the consumer was led to believe. Cramming can also occur if a local or long distance company, or another type of service provider, does not clearly or accurately describe all of the relevant charges when marketing a service. Consumers can employ strategies to protect themselves from these unauthorized charges, and have the ability to file a complaint. Visit http://fcc.us/crammingfacts

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