



Division of Consumer Advocacy

CONSUMER SPOTLIGHT

Issue #9

April 2009

Public Utility News You Can Use

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Federal Communications Commission (FCC)

445 12th St., SW
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Web Address:
www.fcc.gov/cgb/consumers.html

Federal Energy Regulatory Commission (FERC)

888 First St., NE
Washington, DC 20426
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EXECUTIVE DIRECTOR'S MESSAGE

BY CATHERINE AWAKUNI



Aloha and mahalo for picking up another issue of the Division of Consumer Advocacy's (DCA) newsletter. The people of Hawaii continue to see hard times, with more layoffs and increasing living expenses. Our friends on the "Friendly Isle" are possibly looking at taking another hit with company requests to increase water and wastewater rates, as well as a rate and schedule change request filed by Young Brothers. Read on for a brief summary of the respective cases. We also want to reiterate the importance of hearing directly from you, the consumer, to best appreciate the impacts from any changes. Consumers also receive a heads up on "lifeline" electric rates in this issue of *Consumer Spotlight*. Discussions with HECO are still ongoing and we hope to bring you more specific details in the next issue, or even sooner on our website. In news related to the information superhighway, we reveal efforts both locally and nationally to improve broadband accessibility and performance. If you have any questions, concerns or suggestions about anything you read in our newsletter or any DCA-related issues please do not hesitate to contact us.

SUPERFERRY SHUT DOWN

Environmental advocates scored a victory when the Hawaii Supreme Court ruled that the law allowing the Hawaii Superferry to operate without completing an environmental review was unconstitutional because the law was drafted specifically for the Superferry. Meanwhile, more than 200 employees lost their jobs, farmers and businesses lost a carrier to transport goods, and families lost an alternative way to travel between Oahu and Maui. Although one can easily argue that the Superferry should not have been operating to begin with, it is tough to witness an abrupt shutdown and all those people headed for unemployment after sailing for well over a year.

After encouraging completion of the environmental review process, the Division of Consumer Advocacy (DCA) monitored the environmental debate and deferred further judgment to other experts. The DCA instead focused on ensuring the Superferry charged just and reasonable rates, which they did in order to compete with Hawaii's inter-island air carriers and cargo shippers. While Aloha Air Cargo is still around, and other cargo options remain out there, Young Brothers, Limited, once again has a stronghold on the market for now. Pasha Hawaii is also trying to start up carrier service between Oahu, Maui, Hawaii, and Kauai. The DCA will continue to review Pasha's application and Young Brother's proposed rate increase. You can read about the rate increase request in the previous issue of *Consumer Spotlight*.



LIFELINE



With the downturn in the economy and increasing layoffs there is growing concern about the ability to pay bills on time. While “Lifeline” and “Link-Up” programs are an option to aid landline phone subscribers under financial hardship, no such program exists currently for Hawaii electric service, which is arguably much more vital. The Division of Consumer Advocacy, as well as HECO, recognizes this and plans to file, by the end of April, a lifeline electric rate program for HECO, MECO and HELCO for the Public Utilities Commission to consider. Our office also plans to work with KIUC to develop a similar lifeline program for its members.

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

KIUC RATE INCREASE COMING

On March 3, 2009, Kauai Island Utility Cooperative (KIUC) filed notice with the Public Utilities Commission (PUC) of its intent to seek a general rate increase this year. The notice stated that the utility intends to officially file for the rate increase on or after May 3, 2009. KIUC officials say they are seeking an increase to provide the utility with financial stability during difficult times and to meet various challenges on the horizon.

Prior to announcing its intent to file for a rate increase, KIUC announced a hiring freeze and deferral of salary increases for its non-bargaining employees and managers. KIUC also plans to propose a change to recover only actual fuel and purchased power costs on members' electric bills. This change, according to KIUC, would lessen future energy adjustments when fuel costs are high. Officials say it is still too early to estimate how much of an increase they will seek, and they are currently working to determine the revenues needed for KIUC to remain financially stable, as well as to determine a rate structure that will assist KIUC in shifting its reliance away from fossil fuels. KIUC is committed to continuing to promote conservation and energy efficiency, investing in renewable energy, and fulfilling the objectives and goals along with the rest of the State under the Hawaii Clean Energy Initiative. Officials want to relay that they are working for the benefit of members to not only ensure a financially stable electric energy future for Kauai, but also to build a cleaner, more affordable energy future. Members will be kept informed throughout the rate case process and can expect to be notified of and invited to public meetings.



HECO OUTAGE REPORT

Hawaiian Electric Company (HECO) believes it is clear of any wrongdoing for the Oahu lightning storm outage and restoration on December 26, 2008. At the end of March, HECO filed reports with the PUC detailing the company's investigation. HECO contracted POWER Engineers (POWER) of Hailey, Idaho, to conduct the overall investigation. In addition, HECO contracted the Electric Power Research Institute Inc. (EPRI) of Palo Alto, California, to do a lightning performance study on the main portion of Hawaiian Electric's system that showed signs of being struck by lightning. POWER concluded that Hawaiian Electric could not have reasonably been able "to prevent the power outage from initially occurring or from it becoming island-wide under the circumstances." The HECO transmission system experienced five separate short-circuits directly attributed to lightning strikes, including one rare short circuit over all three phases of the Kahe-Waiiau transmission line. This occurrence set in motion a series of automatic protective relays and actions to protect the electric system generation and transmission facilities, ultimately resulting in the island-wide shutdown of the Oahu electric system. EPRI noted that most states have a higher frequency of lightning strikes than Hawaii, and the lightning performance of the Kahe-Waiiau line is consistent with the design targets of other utilities across the country. POWER and EPRI also made recommendations to HECO to reduce the likelihood of a recurrence of a similar power outage, and should one occur in the future, minimize the duration of an outage. The Division of Consumer Advocacy will be performing its own independent investigation after reviewing HECO's reports. We will also seek expert consultants, separate from those HECO used, similar to what was conducted in the investigation of the October 2006 power outage. Electronic copies of HECO's reports are now online on their website. You may also visit their Ward Avenue or Richards Street customer service desks, or the Hawaii State Library to view a hard copy of the reports.

YOUNG BROTHERS

Young Brothers, Limited (YB) is proposing to eliminate the current special route between Maui and Molokai in order to improve efficiency and shave \$1 million off a rate increase for Molokai and Lanai customers. YB's proposed scheduled route changes and rate increase request generated a lot of comments from customers and consumers to the Division of Consumer Advocacy (DCA). We welcome your feedback because the best way to gauge the extent of any detrimental effects is through each of you. Initially, however, some misinformation about what changes are being proposed circulated among consumers. Hopefully the facts detailed at the public hearings cleared up any confusion. YB is not planning to eliminate any barges between Honolulu and Molokai or Lanai. The company's proposal still includes two per week to Molokai and one to Lanai. They also propose to spread out the Kaunakakai barge days to Mondays and Thursdays based on community input that the current schedule is too close together. We understand that the direct route between Maui and Molokai will impact those that transport livestock because of care costs associated with the extra overnight stop in Honolulu. We also understand concerns over the freshness of goods from Maui. It would help to hear from you how much perishable goods are shipped from Maui compared to Oahu. A major dilemma here is weighing cost versus keeping a direct route between Maui and Molokai. Theoretically, curbing rate increases, in this case an estimated \$1 million, would reduce increases passed down to the retail price of general goods. It is important to understand that the DCA represents consumers as a whole and advocates for the general consumer's interests. While our office continues to review the issue, in order to properly represent your interests we need to hear from you. The Public Utilities Commission (PUC) ultimately rules on the proposed rate increases and route changes. You are encouraged to send the PUC your comments. Their contact information is listed on the front page.

MORE MOLOKAI RATE HIKES

Less than a year ago, central and west Molokai residents faced the threat of losing water and wastewater services following the shut down of Molokai Ranch. The Public Utilities Commission authorized a temporary rate increase, followed with an extension, in order to allow the utility companies to continue operations. On March 2, 2009, Molokai Public Utilities, Inc. and Waiola O Molokai, Inc. both filed for a rate increase, asking for more than what is currently approved by the PUC. The companies stated in the past that the low rates residents were accustomed to paying were subsidized by Molokai Ranch. The utility companies assert that without Molokai Ranch to offset the losses for charging less than the actual cost of service, they need to raise rates. The Division of Consumer Advocacy realizes that yet another sizeable increase could be a "rate shock" to customers, and that they might not be able to afford another living expense increase, especially in today's current economy. At the same time, the company is allowable by law to earn a fair rate of return. If the company cannot make back the cost of operations, we may return to the same situation as last year with the threat of losing vital water and wastewater service to central and west Molokai. The DCA does not simply take the company's word and instead undergoes a detailed review of their financial records to ensure the rate increase and amount is justified. In fact, the DCA filed a Statement of Position requesting the utilities submit audited financial statements with their applications rather than unaudited statements as they requested. The PUC agreed, dismissing the rate increase applications, without prejudice. The application may be re-filed when the company presents audited statements. A tough task lies ahead finding a balance between keeping the utility company in business, and keeping the cost affordable for consumers. In order to best represent consumers, we need to hear from you. Please write us and the PUC, and attend the public hearings on Molokai once they are scheduled.

CONTACT YB



Young Brothers is also accepting public comments regarding their proposed sailing schedule changes. You can email or send a letter to their Vice President of Strategic Planning and Government Affairs Roy Catalani at the address below.

Young Brothers, Limited

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Honolulu, HI 96801

Phone:

Main: (808) 543-9311
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East Hawaii: (808) 935-8903
West Hawaii: (808) 882-7244
Kauai: (808) 245-4051
Molokai: (808) 553-5431
Lanai: (808) 565-6626

<http://www.htbyb.com>



Molokai Public Utilities, Inc.

c/o Molokai Properties Limited
745 Fort Street Mall, Suite 600
Honolulu, HI 96813
(808) 531-0158

Waiola O Molokai, Inc.

c/o Molokai Properties Limited
745 Fort Street Mall, Suite 600
Honolulu, HI 96813

BONUSES

Hawaiian Telcom drew criticism from Governor Linda Lingle when the company, under bankruptcy protection, filed to pay out \$6 million in bonuses to more than 1,400 eligible employees in May. The Governor believes a payout that large jeopardizes the phone company's long-term viability. The company says it is just trying to hold up its part of a contractual agreement with employees for meeting performance targets. The amount requested is actually less than the nearly \$8 million officials initially wanted to pay. Hawaiian Telcom CEO Eric Yeaman volunteered to give up his bonus of more than \$600,000 and six other senior vice presidents offered to defer half their bonuses until the company emerges out of bankruptcy.

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

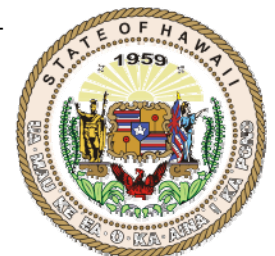
www.plni.net

BOOSTING BROADBAND

We've come a long way since dial-up, but Hawaii, and the U.S. overall, is still behind many other countries in the broadband race. So what's being done about it? \$4.7 billion of the \$787 billion American Recovery & Reinvestment Act of 2009 (ARRA) is earmarked for broadband technology, creating the Broadband Technology Opportunities Program (BTOP) to provide and improve access to broadband service for consumers in unserved and underserved areas across the country. The program intends to provide broadband education, equipment, support, etc. to schools, libraries, medical and healthcare providers, community colleges, and other entities to promote increased use of broadband service by or through these organizations. The program also hopes to provide broadband education, equipment, and access to the disadvantaged population (low-income, unemployed, aged) and public safety agencies. Eligible applicants must be a State or political subdivision thereof, the District of Columbia, a territory or possession of the U.S., an Indian tribe or native Hawaiian organization, a non-profit organization, or other entity, including a broadband service or infrastructure provider, that the Assistant Secretary of Commerce for Communications and Information (Assistant Secretary) finds to be in the public interest. The Assistant Secretary will offer at least one grant per state and Federal shares of projects will not be greater than 80% unless the Assistant Secretary concludes that a petition for a waiver demonstrates financial need. Another \$2.5 billion is being made available for rural areas through broadband loans, loan guarantees, and grants under the Rural Electrification Act of 1936. A provision to receive the grant, loan, or loan guarantee is that 75% of the area served by the project be in a rural area without proper access to high speed broadband service in order to promote rural economic development. Also, projects funded by these grants cannot receive money for broadband under the BTOP.

The State also acknowledges the importance of broadband technology and proposed legislation in both the State House and Senate to establish a Hawaii Communications Commission and promote broadband. Of the many bills introduced in the 2009 session, H.B. 984 is still alive. One of the goals of this bill is to have broadband communications access available to everyone (households, businesses, and organizations) statewide by 2012 with speeds and prices comparable to the top three performing countries in the world. The job of both the broadband commission and broadband commissioner is to come up with a plan to increase broadband affordability, penetration, and competition in Hawaii. Similar to the Federal government's broadband program, the State hopes to aid low income and other disadvantaged groups. Hawaii's plan includes the possibility of making low-cost broadband-capable computers available to eligible recipients. Another goal of these bills is the increased sharing of infrastructure to make implementation faster, reduce providers' costs, ease deployment of broadband, and ease entry into a competitive broadband marketplace. You can search for, read, and track the status of the bills on the web at

www.capitol.hawaii.gov



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