EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

December 13, 2002

The Honorable Robert Bunda, President
and Members of the Senate
Twenty-Second State Legislature
State Capitol, Room 003
Honolulu, Hawaii 96813

Dear Mr. President and Members of the Senate:

For your information and consideration, I am transmitting herewith two (2) copies of the Public Utilities Commission's Annual Report for fiscal year ending June 30, 2002 pursuant to Section 269-5, Hawaii Revised Statutes.

Pursuant to Act 231, Session Laws of Hawaii 2001, I am also informing you that the report may be viewed electronically at www.hawaii.gov/budget/LegReports/reportslist.htm.

Sincerely,

LINDA LINGLE

Enclosures

EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

December 13, 2002

The Honorable Calvin K.Y. Say, Speaker
and Members of the House
Twenty-Second State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear Mr. Speaker and Members of the House:

For your information and consideration, I am transmitting herewith two (2) copies of the Public Utilities Commission's Annual Report for fiscal year ending June 30, 2002 pursuant to Section 269-5, Hawaii Revised Statutes.

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Sincerely,

LINDA LINGLE

Enclosures

PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

ANNUAL REPORT

FISCAL YEAR 2001-02

December 2002

PUBLIC UTILITIES COMMISSION

The Hawaii Public Utilities Commission (Commission) is responsible for regulating all chartered, franchised, certificated, and registered public utility 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, Hawaii Revised Statutes (HRS), is the basis for utility regulation in Hawaii. The Commission's authority to regulate various classifications of motor carriers of passengers and property is derived from the Hawaii Motor Carrier Law (Chapter 271, HRS) 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 (Chapter 271G, HRS). Chapter 6-61, "Rules of Practice and Procedure Before the Public Utilities Commission," of the Hawaii Administrative Rules (HAR) sets forth general procedural requirements for intervention and participation in proceedings before the Commission. Other HARs and general orders of the Commission set forth the standards, rules, and other procedures governing electric, gas, telecommunications, private water and sewage, and motor and water carrier transportation services.

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. They each serve six-year terms on a staggered basis.

Objective and Activities The primary objective that 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:

- Prescribes rates, tariffs, charges, and fees, and determines the allowable rate of earnings in establishing rates.
- Prescribes the methods, service, and annual rates of depreciation for utility properties.
- Acts on applications for certification and for the extension or abandonment of services.
- 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.
- Issues orders and guidelines concerning the general management and operations of chartered, franchised, or certificated utility businesses.
- Adopts rules and regulations governing the operations, standards of services and facilities, and fiscal management of utilities, including procedures and practices of the Commission.

Administration and Offices The Commission is placed, for administrative purposes, under the State Department of Budget and Finance. The Commission has a staff of 32 employees, including three commissioners, an administrative director, attorneys, engineers, auditors, 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: (808) 586-2020
Fax: (808) 586-2066

KAUAI: PUC Kauai District Office
3060 Eiwa Street, #302-C
Lihue, HI 96766
Phone: (808) 274-3232
Fax: (808) 274-3233

MAUI: PUC Maui District Office
State Office Building #1
54 S. High Street, #218
Wailuku, HI 96793
Phone: (808) 984-8182
Fax: (808) 984-8183

HAWAII: PUC Hawaii District Office
688 Kinoole Street, #106-A
Hilo, HI 96720
Phone: (808) 974-4533
Fax: (808) 974-4534

The Commission's e-mail address is Hawaii.PUC@hawaii.gov and website is www.state.hi.us/budget.

COMMISSIONERS DURING THE FISCAL YEAR 2001-02

Dennis R. Yamada, Chairman

Dennis Yamada was appointed to the Commission by Governor John Walhee in July 1994. He was named Chairman of the Commission in August 1998 and served in that capacity until July 4, 2002. Yamada resigned from the Commission on July 31, 2002.

Prior to his appointment, Yamada was engaged in private law practice since 1968. 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.

Wayne H. Kimura, Commissioner

Wayne Kimura was appointed to the Commission by Governor Benjamin J. Cayetano in December 2001 to fill the vacancy left by former Commissioner David Morihara.

Prior to his appointment, Kimura served as State Comptroller in the Department of Accounting and General Services. He also served as Deputy Director of Finance in the Department of Budget and Finance. He worked as planning and policy analyst in the Office of Planning. He also worked as researcher or budget analyst in the Office of the Lieutenant Governor, Department of Budget and Finance, Department of Social Services and Housing, State Senate, State House of Representatives, and the 1978 Constitutional Convention.

Kimura holds a degree in psychology from the University of Southern California. His term expires June 2008. Kimura succeeded Chairman Yamada as Chair, effective July 5, 2002.

Janet E. Kawelo, Commissioner

Janet Kawelo was appointed to the Commission by Governor Benjamin J. Cayetano in January 2002 to fill the vacancy left by former Commissioner Gregory Pai.

Prior to her appointment, Kawelo served as Deputy Director of the Department of Land and Natural Resources. She also served as special assistant and research supervisor in the Office of the Governor, researcher in the Office of the Lieutenant Governor, and research officer in economic research at First Hawaiian Bank.

Kawelo holds a degree in bacteriology from the University of California at Berkeley and a professional diploma in elementary education from the University of Hawaii. Her term expires June 2006.

ANNUAL REPORT FOR THE FISCAL YEAR 2001-02

This report presents an overview of the activities of the Public Utilities Commission during the period of July 1, 2001 through June 30, 2002. 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 includes Commission-related legislation enacted by the 2002 Hawaii State Legislature.

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

Part V describes the appropriations, allotments, revenues, and expenditures of the Commission.

I.

SUMMARY OF REGULATORY PROCEEDINGS

The Commission is responsible for regulating 251 utility companies (4 electric, 1 gas, 215 telecommunications, and 31 water and sewer companies), 3 water carriers, 527 passenger carriers and 373 property carriers in the State of Hawaii. This fiscal year, the Commission opened 420 new dockets relating to those regulated utilities and transportation companies, completed and disposed of 410 dockets from its total case load and issued 764 decisions and orders relating to new dockets and to those carried over from prior years. The Commission also approved applications totaling more than $20 million in utility capital improvements.

Key proceedings in the regulation of rates resulted in the approval of rate increases for Citizens Communications Company, dba The Gas Company (TGC). The Commission, balancing the interests of TGC and its ratepayers, approved interim and final rate increases of $5.5 million. The Commission also approved rate increases for two sewage utility companies, Keauhou Community Services, Inc. and Waikoloa Sanitary Sewer Company, Inc., dba West Hawaii Sewer Company.

Commission activities in the area of telecommunications focused on facilitating competition in the local industry marketplace. In November 2001, the Commission addressed the Phase II issues relating to recovery of the operations support systems and national open market center costs, operator services and directory assistance services, and changeover charges. In a generic proceeding instituted in January 2000, the Commission also continued to address Phase III issues which includes non-recurring charges and collocation tariffs. In other telecommunications proceedings, the Commission granted Verizon Hawaii Inc.'s (Verizon Hawaii) request to reclassify intraLATA, within the Local Access and Transport Area, or inter-island toll service from a partially competitive service to a fully competitive service, subject to further order of the Commission.

In its water carrier proceedings, the Commission approved the parties' stipulation establishing a new methodology for setting rates based on a zone of reasonableness which allows Young Brothers, Limited (Young Brothers) to increase rates by an annual maximum of 5.5 per cent and decrease rates by an annual maximum of 10 per cent.

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), serving the island of Oahu; Maui Electric Company, Ltd. (MECO), serving the islands of Maui, Lanai, and Molokai; Hawaii Electric Light Company, Inc. (HELCO), serving the island of Hawaii; and Kauai Electric Division (KE) of Citizens Communications Company (Citizens), 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).

Significant regulatory accomplishments in the electric utility area include the Commission's role in providing mechanisms to facilitate the development and use of distributed resources (which includes renewable resources) in the State when it's feasible and beneficial. During this fiscal year, the Commission's proceedings included approval of the continuation of demand-side management (DSM) programs and approval of the use of electric utility facilities to facilitate the installation of a fuel cell test facility.

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

Proposed Acquisition of KE by Co-operative In March 2002, KE and the Kauai Island Utility Co-operative (KIUC) filed an application seeking the Commission's approval of: (1) the amended and restated purchase and sales agreement dated March 5, 2002; (2) the assignment of KE's legislatively-granted franchise to KIUC; (3) the sale of certain of KE's assets by Citizens to KIUC; and (4) the financing proposed to be obtained by KIUC for the purpose of acquiring KE's assets. The application was pending at the end of the fiscal year, with final approval granted in September 2002.

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, 2002.

> HECO's first IRP and action plan were approved in March 1995. In January 2001, the Commission approved the parties' agreement that HECO's second IRP and action plans are sufficient to meet HECO's responsibilities under IRP guidelines. HECO's first evaluation report of its second IRP and action plans are due October 31, 2002. HECO's third IRP and action plans are due October 31, 2005.
>
> MECO's first IRP and action plan were approved in May 1996. MECO's revised IRP was filed in May 2000. The parties filed position statements in May 2001. This IRP proceeding was pending at the end of fiscal year 2001-02 (FY 2002).
>
> HELCO's first IRP and action plan were approved in May 1996. The company's revised IRP was filed in September 1998. This docket was pending at the end of FY 2002.
>
> 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. This docket was pending at the end of fiscal year FY 2002.

Pursuant to the Commission's IRP guidelines, the electric utilities may implement, on a full-scale basis, DSM programs that have been proven cost effective. During this fiscal year, the Commission, in collaboration with various stakeholders, approved the continuation of DSM programs of HECO, HELCO, and MECO that give customers incentives to reduce energy needs. The Commission may provide the utilities with incentives to encourage greater participation in DSM programs, thereby reducing system loads and delaying the utilities' need for additional generation.

Continuation of HECO DSM Programs Approved In 1996, the Commission approved HECO's first and existing DSM programs for a five-year implementation period. The existing DSM programs include three commercial and industrial (C&I) DSM programs (C&I new construction, C&I customized rebate, and C&I energy efficiency) and two residential DSM programs (residential efficient water heating and residential new construction). These programs were implemented beginning in 1996 through December 2000. In 2000, the Commission approved HECO's request to continue the DSM programs until December 31, 2001.

In the meantime, in 2000, HECO filed applications requesting approval of its proposed new C&I DSM program and its proposed new residential DSM program. In October 2001, in lieu of seeking approval of HECO's applications, the parties filed stipulations due to future uncertainties after the events of September 11, 2001. The stipulations requested approval to temporarily continue HECO's existing DSM programs.

In November 2001, the Commission issued decisions and orders which: (1) approved HECO's requests to temporarily continue its existing DSM programs until HECO's next rate case; (2) allowed HECO to recover lost margins and shareholder incentives accrued through the date that interim rates are established in its next rate case and to recover such lost margins and shareholder incentives through the existing surcharge mechanism; and (3) required HECO, if it exceeds its current authorized rate of return, to refund to ratepayers the amount by which its rate of return on average rate base exceeds the authorized rate of return, together with interest. As part of the parties' stipulation, HECO committed to file its next general rate case within 2 to 3 years from the date of the October 2001 stipulation using a 2003 or 2004 test year. The Commission also required HECO to notify approved solar contractors of the stipulated changes in customer incentives for solar water heaters for the existing residential facilities and the new construction market segments.

In May 2002, the Commission approved HECO's proposed program modifications to its three existing C&I DSM programs necessitated by the establishment of updated building energy efficiency standards by City and County of Honolulu ordinance. The new standards will result in reducing the amount of energy and demand savings attributable to HECO's C&I DSM programs.

Continuation of HELCO DSM Programs Approved In 1996, the Commission approved HELCO's DSM programs for a five-year implementation period. The programs include the residential efficient water heating, C&I energy efficiency, C&I new construction, and C&I customized rebate DSM programs. In December 2000, the Commission approved HELCO's request to continue its four existing DSM programs until December 31, 2001.

In the meantime, in November 2001, the Commission: (1) approved HELCO's request to temporarily continue its four existing residential and C&I DSM programs until one year after the Commission makes a determination in HECO's next rate case[1]; (2) allowed HELCO to modify its DSM program flexibility provisions with respect to increasing customer incentives; (3) allowed HELCO to only recover lost margins and shareholder incentives accrued through the date that interim rates are established in HECO's next rate case; and (4) required HELCO, if it exceeds its current authorized rate of return, to refund to ratepayers the amount by which its rate of return exceeds the authorized rate of return, together with interest.

Continuation of MECO DSM Programs Approved In 1996, the Commission approved MECO's DSM programs for a five-year implementation period. These programs include the residential efficient water heating, C&I energy efficiency, C&I new construction, and C&I customized rebate DSM programs. The implementation period of these programs ran from 1997 to 2001.

In the meantime, in November 2001, the Commission, in consolidated docket proceedings: (1) approved MECO's request to temporarily continue its four existing residential and C&I DSM programs until one year after the Commission makes a determination in HECO's next rate case[2]; (2) allowed MECO to modify its DSM program flexibility provisions with respect to increasing customer incentives; (3) allowed MECO to only recover lost margins and shareholder incentives accrued through the date that interim rates are established in HECO's next rate case; and (4) required MECO, if it exceeds its current authorized rate of return, to refund to ratepayers the amount by which its rate of return exceeds the authorized rate of return, together with interest.

HECO's Provision of Energy at No Charge for Electric Vehicles Approved In November 2001, the Commission approved HECO's request to provide energy at no charge to six of the rapid charging stations and to the 28 electric vehicles that are part of the State of Hawaii's Electric Vehicle demonstration and evaluation project. The two-year pilot project will include construction and use of approximately twenty rapid charging stations located throughout the island of Oahu for the charging of electric vehicles.

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[1] As part of the parties' stipulation, the date that the Commission disposes HECO's next rate case was used to determine how long HELCO could continue its DSM programs and recover its lost margins and shareholder incentives. HELCO agreed to implement any changes ordered or approved by the Commission in HECO's next rate case with respect to DSM program costs and to cease accrual of lost margins and shareholder incentives within one year from when such costs are incorporated into HECO'S rates.

[2] As part of the parties' stipulation, the date that the Commission disposes HECO's next rate case was used to determine how long MECO could continue its DSM programs and recover its lost margins and shareholder incentives. MECO agreed to implement any changes ordered or approved by the Commission in HECO's next rate case with respect to DSM program costs and to cease accrual of lost margins and shareholder incentives within one year from when such costs are incorporated into HECO's rates.

HELCO and MECO Fuel Transportation Contracts Approved In December 2001, the Commission approved HELCO'S and MECO's inter-island fuel transportation contracts with Hawaiian InterIsland Towing, Inc. (HITI). The initial five-year term of the contracts runs from January 1, 2002 to December 31, 2007, with a maximum of three subsequent five-year extensions after 2007. HELCO and MECO are allowed to include in their energy cost adjustment clauses all of the costs for fuel transportation and related taxes incurred under the contracts with HITI to the extent that the costs are not recovered in HELCO's and MECO's base rates.

HELCO Accident Investigation In February 2002, the Commission ordered an investigation of a fatal accident occurring at the HELCO's Pepeekeo Substation on December 24, 2001. The Commission is investigating: (1) the cause or causes of the accident; (2) whether any of the Commission's statutes or rules were violated; and (3) steps that may be taken to avoid similar accidents in the future. The investigation was pending at the end of FY 2002.

Temporary Modifications to General Order No. 6 (G.O. No. 6) Approved In February 2002, the Commission approved a request by HECO, HELCO, and MECO for temporary modifications to certain sections of G.O. No. 6, *Rules for Overhead Electric Line Construction*, subject to permanent modifications or further order by the Commission. The temporary modifications will allow the installation of antennas and related equipment on HECO poles and other structures pursuant to the Telecommunications Act of 1996. HECO, HELCO, and MECO are required to notify the Commission prior to installing antenna equipment above power supply lines on any pole or utility structure by filing a license agreement or letter of notification.

HECO and MECO License Agreements Approved The Commission approved three applications regarding site license agreements.

> In March 2002, the Commission approved HECO's application for the license and related master agreement with VoiceStream PCS II Corporation (VoiceStream) for the Malae Radio Station. The license and master agreement will enable VoiceStream to install, operate, and maintain telecommunications equipment and related facilities at the site.
>
> In March 2002, the Commission approved MECO's application for the license and master agreement with SprintCom, Inc. (SprintCom) for the Pukalani substation. The license and master agreement will enable SprintCom to install, operate, and maintain telecommunications equipment and related facilities at the site.
>
> In June 2002, the Commission approved HECO's application for a license to the Hawaii Natural Energy Institute of the University of Hawaii at Manoa (HNEI). The license will allow HNEI to use warehouse space at HECO's Ward Avenue facilities for the installation and operation of a fuel cell test facility.

Capital Expenditures Approved In FY 2002, the Commission approved expenditures totaling over $14 million for electric utility capital improvements.

HECO was authorized to expend $9.0 million for its capital improvements. Expenditures include $2.3 million for the Kahe 5 boiler control system project, $2.3 million for the installation of the Kahe 6 boiler control system upgrade project, $1.3 million for the Kamehameha Highway resurfacing project, $1.0 million for the acquisition and upgrades of the Waialua Sugar Company distribution system, $0.9 million for the installation of the Iwilei 25kV Nimitz circuit, $0.6 million for the Kuahua Sub 46 – 12kV transformer purchase, and $0.6 million for the Emma substation 4kV conversion project.

HELCO was authorized to expend $3.8 million for the Hokuli'a Phase I installation of an underground distribution system.

MECO was authorized to expend $2.0 million for the Sixth Increment Distribution Rebuild of Kahului.

GAS

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

During this fiscal year, the Commission's key activity of gas utility regulation includes determining if the rate increase for TGC is reasonable and prescribing rates that are just and reasonable. Proceedings involving TGC are described below.

TGC Granted Interim and Final Rate Increases In December 2000, TGC applied for a $8.9 million modified general rate increase for utility gas service on the islands of Oahu, Hawaii, Maui, Kauai, and Molokai, and changes to its rates, rate schedules, and rules.

In an interim decision, effective October 11, 2001, the Commission approved the parties' stipulation (original stipulation) to allow TGC to increase its rates by $5.5 million in additional revenues. In May 2002, the Commission approved the original stipulation, as clarified by a supplemental stipulation and the Commission's order, to allow a final rate increase of $5.5 million in additional revenues.

In April 2002, the parties, TGC and the Consumer Advocate, filed a stipulation regarding a phase 2 of the rate case proceeding. Phase 2 of the proceeding addressed the parties' flex pricing proposal. Under TGC's Introductory Flexible

Pricing Program, new customers are provided the opportunity to obtain utility service at a discounted rate or price as set forth in their individual contracts. All filings related to the program would be considered confidential. The Commission's decision regarding phase 2 of the proceeding was pending at the end of the fiscal year. (In July 2002, the Commission rejected the parties' flex pricing stipulation, without prejudice.)

TGC's IRP Activities In 1996, TGC was ordered to commence its next IRP cycle. In March 1999, TGC filed its revised IRP with the Commission. In November 2001, TGC filed a statement of position. This IRP proceeding was pending at the end of the fiscal year.

Capital Expenditures Approved In fiscal year 2001-02, TGC was authorized to expend $1.7 million for its process control systems conversion project and $0.6 million for the renewal and replacement of a certain section of the distribution main underlying Kalanianaole Highway.

TELECOMMUNICATIONS

The Commission oversees the intrastate cellular, paging, mobile telephone, and other services of telecommunications providers in addition to the services of Verizon Hawaii, formerly known as GTE Hawaiian Telephone Company Incorporated (GTE Hawaiian Tel), the State's largest provider of intrastate services.

During this fiscal year, the Commission's emphasis in the telecommunications area continues to be on encouraging local competition within the parameters of state and federal telecommunications laws. In Docket No. 7702, the ongoing communications infrastructure proceeding, the Commission's rulings were significant as they clarified the framework for competitive entry in this increasingly dynamic industry. For example, the Commission ruled on matters relating to the calculation of charges that Verizon Hawaii may assess competitive local exchange carriers for ordering of wholesale services needed to serve the carriers' customers. By continuing to improve the framework for competition, the Commission furthers the State's efforts to offer customers more choices of telecommunications services at competitive prices. In addition, to assist in the deployment of wireless communications services in the State, the Commission approved several licenses and master agreements to enable wireless providers to install, operate, and maintain telecommunications equipment and related facilities on electric utilities' properties.

Key activities in telecommunications are highlighted below.

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. In Phase I of the

Commission's investigation, Hawaii Administrative Rules (HAR) Chapters 6-80 and 6-81 relating to competition in telecommunications services and the universal service fund, respectively, were adopted in 1996. In January 1999, the Commission addressed many of the Phase II issues including unbundled network elements (UNEs), collocation, and other issues. In January 2000, the Commission granted the request of the non-Verizon Hawaii parties for a generic proceeding (Phase III) to review Verizon Hawaii's cost studies on non-recurring charges (NRCs) and collocation issues.

During last fiscal year, proceedings on Phase II issues continued. In December 2000, the Commission adopted the rates, as set forth in its decision, for UNEs. The Commission also approved the parties' stipulation on many of the Phase III issues regarding NRCs and collocation. The memorandum of understanding between Verizon Hawaii and Time Warner Telecom of Hawaii, L.P., dba Oceanic Communications (Oceanic) containing their agreement on the rates for operator services and directory assistance services (OS/DA) was also approved.

During this fiscal year, the Commission continued to address the unresolved Phase III issues. Verizon Hawaii filed its revised collocation tariff in accordance with the parties' stipulation approved by the Commission in December 2000 and in accordance with Federal Communications Commission (FCC) requirements. The decision regarding the tariff was pending Commission review at the end of the fiscal year. (In July 2002, the Commission approved the collocation tariff filed by Verizon Hawaii, with amendments.)

In November 2001, the Commission ordered that: (1) Verizon Hawaii is not allowed, at this time, to recover any of the operations support systems (OSS) transition, OSS transaction, and national open market center (NOMC) fixed/shared costs; (2) Verizon Hawaii, if it desires to pursue recovery of its OSS and NOMC costs, shall submit a full statement of justification and a detailed accounting of each cost element for such costs; (3) Verizon Hawaii shall file its revised proposed shared collocation arrangement utilizing AT&T's proposal; (4) OS/DA is a UNE; and (5) Verizon Hawaii is not allowed to assess changeover charges. The Commission also addressed various physical collocation tariff issues and established a procedure for Verizon Hawaii to pursue recovery of its OSS and NOMC costs, if it so desires.

In June 2002, the Commission approved Verizon Hawaii's revised shared caged collocation arrangement. The Commission also established a procedure for parties to file comments on Verizon Hawaii's OSS and NOMC cost justifications and revised NRC study.

In February 2001, pursuant to the Commission's order, Verizon Hawaii filed reformulated maximum rates for access and attachment to its poles, ducts, conduits, and rights-of-way. The Commission reviewed the parties' various filings on Verizon Hawaii's proposal, and its decision regarding this issue was pending at the end of the fiscal year. (In July 2002, the Commission ruled on the various rate matters with regard to access and attachment to Verizon Hawaii's poles, ducts, conduits, and rights-of-way, as specified in the Commission's order.)

Carrier Certification and Merger Applications The Commission certificated 41 new telecommunications companies this fiscal year, including 5 providers of local exchange, wireless, mobile radio, and pay telephone services; 26 resellers of various intrastate cellular, calling card, and interexchange (long-distance) telecommunications services; and 10 providers/resellers of telecommunications services.

During the fiscal year, the Commission approved 8 applications for acquisitions and mergers involving certificated telecommunications companies that provide intrastate, paging, commercial mobile radio, and resold services.

Interconnection Agreements Approved The Federal Telecommunications Act of 1996 and Section 6-80-54, HAR, requires telecommunication service providers to submit to the Commission for review and approval any agreements for access, interconnection, unbundling, or network termination adopted by negotiation or arbitration.

During the fiscal year, the Commission approved the following interconnection agreements and amended agreements between telecommunications service providers and Verizon Hawaii.

AT&T Wireless Services, Inc. (AT&T Wireless) In September 2001, the Commission approved the amendment to the negotiated interconnection agreement between Verizon Hawaii and AT&T Wireless. The amendment changed provisions of the Commission-approved negotiated agreement regarding the distribution of directories to service subscribers.

1-800-Reconex, Inc. (1-800-Reconex) In September 2001, the Commission approved the negotiated interconnection agreement between Verizon Hawaii and 1-800-Reconex. 1-800-Reconex is a certificated provider of resold local exchange telecommunications services in the State.

Z-Tel Communications, Inc. (Z-Tel) In September 2001, the Commission approved the negotiated interconnection agreement between Verizon Hawaii and Z-Tel. Z-Tel is a certificated provider of resold local exchange telecommunications services in the State.

Sprint Communications Company L.P. (Sprint) In December 2001, the Commission approved the interconnection agreement between Verizon Hawaii and Sprint. Sprint adopted the terms of the interconnection agreement between Sprint and Verizon California, Inc. Sprint is a certificated provider of telecommunications services in the State.

Preferred Carrier Services, Inc., dba Phones for All and Telefonos Para Todos (Preferred Carrier) In December 2001, the Commission approved the interconnection agreement between Verizon Hawaii and Preferred Carrier. Preferred Carrier is a certificated provider of resold telecommunications services in the State.

Ciera Network Systems, Inc. (Ciera Network) In January 2002, the Commission approved the interconnection agreement between Verizon Hawaii and Ciera Network. Ciera Network is a certificated provider of resold telecommunications services in the State.

Sandwich Isles Communications, Inc. (Sandwich Isles) In February 2002, the Commission approved the amendment to the negotiated interconnection agreement between Verizon Hawaii and Sandwich Isles. The amendment includes procedures for providing long-term number portability. Sandwich Isles is a certificated provider of telecommunications services in the State.

VoiceStream Wireless Corporation (VoiceStream), fka Western Wireless Corporation In March 2002, the Commission approved the amendment to the existing interconnection agreement between Verizon Hawaii and VoiceStream. The amendment incorporates: (1) the optional reciprocal compensation rate plan set forth in the Federal Communications Commission's ISP Traffic Order; and (2) the corresponding new rates for transport and termination. VoiceStream is a certificated provider of commercial mobile radio services in the State.

VarTec Telecom, Inc. (VarTec) In March 2002, the Commission approved the negotiated interconnection agreement between Verizon Hawaii and VarTec. VarTec is a certificated provider of resold and facilities-based telecommunications services in the State.

Premiere Network Services, Inc. (Premiere Network) In May 2002, the Commission approved the interconnection agreement between Verizon Hawaii and Premiere Network. Premiere Network is a certificated provider of facilities-based and resold telecommunications services in the State.

QuantumShift Communications, Inc. (QuantumShift) In May 2002, the Commission approved the interconnection agreement between Verizon Hawaii and QuantumShift. QuantumShift is a certificated provider of resold telecommunications services in the State.

Ameritech Mobile Communications LLC (AMC), fka Ameritech Mobile Communications, Inc., dba Cingular Wireless In May 2002, the Commission approved the amendment to the interconnection agreement between Verizon and AMC. The amendment sets forth new reciprocal compensation rates for the transport and termination of calls. AMC is a certificated provider of cellular services in the State.

Conduit Occupancy Agreement Approved In October 2001, the Commission approved the negotiated conduit occupancy agreement between Verizon Hawaii and GST Telecom Hawaii, Inc. (GST Hawaii). The agreement allows GST Hawaii and its assignees to occupy, place, and maintain communications facilities within Verizon Hawaii's conduit(s) for the provision of telecommunications services. (In February 2002, the Commission granted GST Hawaii's request to surrender its CPCN after it approved the sale of GST Hawaii's assets to Oceanic and the remaining assets to Pacific LightNet, Inc.)

Reclassification of IntraLATA Toll Service Granted In October 2001, the Commission granted Verizon Hawaii's request to reclassify intraLATA or inter-island toll service from a partially competitive service to a fully competitive service, subject to further order of the Commission. Pursuant to Section 6-80-25, HAR, a telecommunications service is fully competitive, if: (1) there are multiple providers of the service who can enter and exit the market with ease, with none of the providers being dominant in terms of sales; (2) all customers for the service have access to information about prices and service quality; and (3) all customers have the ability and incentive to obtain service from the most efficient provider at a price equal to the economic cost of the service. The Commission ordered Verizon Hawaii to file annual intraLATA toll reports for calendar years 2001, 2002, and 2003.

Tariff Changes During the fiscal year, the Commission approved the following tariff changes for Verizon Hawaii.

Telecommunications Relay Service (TRS) Surcharge In January 2002, the Commission approved a tariff revision proposed by Verizon Hawaii to increase the TRS surcharge from $0.07 to $0.17 per access line per month. TRS provides a means for persons with hearing and speech disabilities to communicate over standard telephones.

SoundDeal Package (nka Local and Toll Package) In February 2002, the Commission approved Verizon Hawaii's SoundDeal tariff, offering a package of services for residential customers statewide. As part of a combined, single package, SoundDeal offers, at a discounted rate, fully competitive (i.e., inter-island toll), noncompetitive (i.e., residential (R1), touch calling, custom calling features), and non-regulated (i.e., basic voicemail) services. Verizon Hawaii will offer the SoundDeal package at a flat monthly rate of $39.95. The Commission also ordered Verizon Hawaii to incorporate into its SoundDeal tariff: (1) the cap placed on the monthly minutes of use for inter-island toll service; and (2) the requirements of Section 6-80-106 (e), HAR, which provides that basic service to residences (R1) may not be discontinued for nonpayment of fully competitive services. In April 2002, the Commission modified its prior decision by approving Verizon Hawaii's request to offer its

SoundDeal package as a promotional program for a twelve-month period, without a cap placed on the monthly inter-island toll usage.

Local Package Standard and Local Package In April 2002, the Commission approved Verizon Hawaii's proposed tariff that amended its Local Package Standard and Local Package by including unlimited directory assistance service as part of its Local Package Standard and allowing the packages to be offered for a one-year promotional period. Verizon Hawaii's Local Package bundled services include certain services in combination with residential service.

Capital Expenditures Approved During the fiscal year, Verizon Hawaii received approval to expend $2.1 million for the inter-island facility relief project and $1.0 million to relocate existing aerial facilities to a new underground system for the Kakaako Community Development District.

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.

During this fiscal year, the Commission expedited the disposition of rate proceedings for private water and sewage utilities, in the interest of both the utility and its ratepayers, by utilizing status conferences and other informal processes to resolve such proceedings through stipulations in lieu of holding evidentiary hearings. To support inter-agency cooperation, the Commission conferred with other agencies that have jurisdiction over certain regulatory aspects of these utilities.

Rate Increases Approved During the fiscal year, the Commission approved rate increases for the following sewage utilities.

Keauhou Community Services, Inc. (KCSI) Interim and Final Rate Increases Approved KCSI owns, administers, and operates a wastewater collection and treatment system at Keauhou on the island of Hawaii. In July 2001, the Commission approved the parties' interim relief stipulation and granted KCSI an interim rate increase of $526,509 in additional revenues. In September 2001, the Commission approved the parties' final stipulation and granted KCSI a final rate increase of $526,509 in additional revenues. Upon its review, the Commission found the agreements and conditions set forth in the parties' stipulation to be reasonable and in the public interest.

Waikoloa Sanitary Sewer Company, Inc., dba West Hawaii Sewer Company (WHSC) Interim and Final Rate Increases Approved WHSC provides wastewater collection/treatment service at Waikoloa Village on the island of Hawaii. In November 2001, the Commission approved the parties' stipulation and granted WHSC an interim rate increase of $103,944 in additional revenues. In February 2002, the Commission granted WHSC a final rate increase of $139,965 in additional revenues since it determined that the stipulated rate of return was reasonable.

Financing for WHSC Approved In September 2001, the Commission approved, "after-the-fact," three promissory notes issued by WHSC for: (1) $2,000,000, used for the purchase of capital improvements to WHSC'S sewage treatment system; (2) $300,000, used to cover unexpected costs related to the plant expansion; and (3) $600,000, used to make payments on the other notes and to cover additional costs related to plant expansion.

American Water Works Company, Inc. (AWWC) Sale of Stock Approved HAWC provides wastewater collection, treatment, and disposal services in the State. In April 2002, the Commission approved Hawaii-American Water Company, Inc.'s (HAWC) application requesting Thames Water Aqua Holdings GmbH's proposed stock purchase of AWWC, HAWC's parent company.

TRANSPORTATION CARRIERS

Motor Carriers

The Commission regulates passenger and property motor 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 either to 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.

In accordance with its statutory requirements, the Commission performs the following functions in the regulation of motor carriers: (1) certification and licensing; (2) ratemaking; and (3) business regulation. The Commission's efforts are primarily spent on the licensing and ratemaking functions. During this fiscal year, the Commission's key proceedings include rate cases for passenger and property motor carriers.

Carrier Certification The Commission regulates 527 passenger carriers and 373 property carriers in the State. The number of motor carriers increased from a total of 861 motor carriers in last fiscal year to 900 in FY 2002. During this fiscal year, new certificates or permits were issued to 81 motor carriers--45 passenger carriers and 36 property carriers. The Commission also revoked or terminated 42 certificates--26 for non-compliance with financial reporting requirements and 16 voluntarily surrendered.

Rate Increases for Motor Carriers Approved The Commission approved the following rate increases for property and passenger motor carriers.

WMTB Property Carriers of Household Goods In March 2000, WMTB filed two notices seeking rate increases for the intrastate movement of household goods, statewide. In July 2001, the Commission approved an overall weighted increase in rates of 6.46 per cent for the intrastate movement of household goods, effective July 20, 2001.

WMTB Property Carriers of General Commodities and Break Bulk and Delivery In December 2000, WMTB filed two rate notices requesting rate increases for its County of Hawaii carriers operating in the general commodities and break bulk and delivery classifications. In August 2001, the Commission approved increases of 7.63 per cent for general commodities, and 7.05 per cent for break bulk and delivery, respectively, effective August 28, 2001.

WMTB Passenger Carriers In June 2001, WMTB filed a rate notice requesting: (1) a rate increase, statewide, for its passenger carriers; and (2) the elimination of the fuel surcharge. In September 2001, the Commission approved an 8 per cent rate increase for passenger carriers, and the elimination of the fuel surcharge, both to take effect on January 1, 2002.

Water Carriers

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

In its key water carrier proceeding, the Commission approved a request for rate flexibility within a reasonable zone to allow Young Brothers to be more responsive to its customers needs, to eliminate regulatory lags and to reduce costs. In accomplishing these objectives, the Commission approved the following:

Young Brothers Rate Flexibility Practice Approved In October 2001, Young Brothers filed an application to establish a practice of rate flexibility within a reasonable zone as an alternative to a general rate increase. In its application, Young Brothers proposed to establish the zone which would allow it to increase rates by an annual maximum of 7.5 per cent and decrease rates by an annual maximum of 10 per cent, without a rate case proceeding, provided that Young Brothers does not exceed its authorized rate of return on its average depreciated rate base.

In December 2001, the Commission approved the parties' stipulation, subject to modification and clarification by the Commission. The stipulation provides the following terms and conditions: (1) the zone of reasonableness allows the maximum annual increase threshold of 5.5 per cent, in lieu of Young Brothers' proposed 7.5 per cent, over a 12-month period and the maximum annual decrease of 10 per cent over a 12-month period; (2) the range of the zone of reasonableness and the continuation of the program will be evaluated and re-determined at the end of a three-year pilot program; and (3) Young Brothers will provide 45 days' notice of any proposed rate change, in compliance with Section 271-G-17 (b), HRS. In June 2002, Young Brothers filed its cost of service study, in compliance with the terms of stipulation, for Commission review and approval.

Young Brothers Rate Increase Approved As part of the stipulation approved by the Commission in the rate flexibility proceeding, Young Brothers agreed to continue to comply with Section 271-G-17 (b), HRS, which requires at least 45 days notice of any proposed rate change. In May 2002, Young Brothers filed an application requesting approval of changes to its tariff to reflect a rate increase of 3.0 per cent for non-containerized rates. In June 2002, the Commission approved Young Brothers' application requesting a rate increase of 3.0 per cent for non-containerized commodity rates. The proposed tariff changes were within the zone of reasonableness of a maximum annual rate increase threshold of 5.5 per cent and results in a rate of return that is below Young Brothers' authorized 11.06 per cent rate of return on its average depreciated rate base. The tariff changes, filed on May 6, 2002, became effective June 20, 2002.

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. These enforcement activities are critical in ensuring that customers of the regulated companies receive adequate and efficient services.

COMPLAINT RESOLUTION

The Commission's role in protecting the public is carried out through its investigation and resolution of complaints. The Commission collects and compiles consumer complaints to track trends and patterns in the utility and transportation industries. The Commission accepts verbal and written complaints against any public utility, water carrier, motor carrier, or others subject to the Commission's jurisdiction. Verbal complaints are received by telephone, or in person at the Commission's office. There are two kinds of written complaints -- formal and informal.

The Commission's rules of practice and procedure, Chapter 6-61, HAR provide the requirements for formal and informal complaints. Formal complaints should: (1) be in writing; (2) comply with filing and other requirements set forth in Sections 6-61-15 to 6-61-21, HAR; (3) state the full name and address of each complainant and of each respondent; (4) set forth fully and clearly the specific act complained of; (5) advise the respondent and the Commission completely of the facts constituting the grounds of the complaint, the injury complained of, and the exact relief desired. If the Commission accepts a formal complaint for adjudication, it assigns a docket number and institutes an investigation of the issues. During the fiscal year, no formal complaints were docketed for adjudication.

Written Informal complaints should: (1) state the name of the respondent, the date and approximate time of the alleged act, and set forth fully and clearly the facts of the act complained of; (2) advise the respondent and the Commission in what respects the provisions of the law or rules have been or are being violated or will be violated and should provide the facts claimed to constitute the violation; and (3) specify the relief sought or desired. The Commission assigns a number to each written informal complaint filed with the Commission.

Informal and Verbal Complaints

As shown in the table below, the Commission received a total of 605 informal and verbal complaints in calendar year 2001 (complaints data compiled for each calendar year period January 1 to December 31, not for each fiscal year period, July 1 to June 30 of the following year) against regulated and unregulated utilities and transportation companies. Complaints on Oahu amounted to 265 out of 605 complaints statewide, or 44 per cent of the total complaints.

For all islands, the Commission received 277 complaints involving telecommunications providers. The majority of telecommunications complaints (115) related to cellular and paging companies. These complaints mainly involved billing problems (billing errors and service contracts) with the companies. Verizon Hawaii received 98 complaints, mostly relating to service (availability and interruptions/repairs) problems and billing practices. Most of the 64 complaints filed against other telecommunications providers, including interstate and unregulated communications equipment and service companies, were related to billing problems and long distance carriers.

The electric utilities received 94 complaints, mostly relating to tariffs (service termination and restoration) and billing practices on the island of Hawaii. The complaints relating to gas utilities (18), and water and sewer facilities (17) were primarily over tariffs and billing practices. The complaints against water carriers (10) involved primarily damages and claims processing by property water carriers. Most of the 189 complaints against motor carriers were related to vehicle markings, classifications, and operating without CPCNs.

Informal and Verbal Complaints
Filed in Calendar Year 2001

	Oahu	Hawaii	Maui	Kauai	2001 Total	2000 Total
Telecommunications:						
Verizon Hawaii	36	39	18	5	98	100
Cellular and Paging	57	40	16	2	115	14
Other Providers	32	21	8	3	64	101
Total Telecom	125	100	42	10	277	215
Electricity	18	51	7	18	94	101
Gas	8	3	6	1	18	10
Water/Sewer	5	4	3	5	17	9
Water Carrier	1	5	4	0	10	6
Motor Carrier	108	31	34	16	189	297
Total Other	140	94	54	40	328	423
Total Complaints	265	194	96	50	605	638

FINANCIAL REPORTING

The Commission's administrative rules require the annual submittal of financial reports and payment of revenue fees by all regulated utilities and transportation carriers. For this fiscal year, the regulated utilities and transportation carriers paid $11,126,621 in public utility fees and $856,067 in motor carrier fees.

During the fiscal year, the Commission issued 47 show cause orders to motor carriers and 39 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 $36,001. The CPCNs of 26 motor carriers and certificates of authority of 22 telecommunications providers were revoked for lack of compliance with financial reporting requirements.

MOTOR CARRIER CITATIONS

The Commission issues civil citations to motor carriers for violations of the Motor Carrier Law, Chapter 271, HRS. The citations impose a civil penalty, typically $500 or $1,000 per violation. At the request of the Commission, the State Department of Transportation (DOT) is authorized to assign the department's motor vehicle safety officer to assist the Commission in assessing civil penalties. The DOT motor vehicle safety office assists the Commission's enforcement officers to issue motor carrier citations.

The Commission has been successful in its efforts to enforce the law by issuing citations to discourage illegal motor carrier activities on Oahu and the neighbor islands. For this fiscal year, civil penalties collected through motor carrier citations totaled $34,350. The Commission enforcement officers issued 87 motor carrier citations on the following islands -- 41 on Oahu, 28 on Maui, 16 on Hawaii, and 2 on Kauai. In this fiscal year, DOT's motor vehicle safety office did not issue motor carrier citations.

III.

LEGISLATION

The 2002 Hawaii State Legislature enacted the following measures relating to the Public Utilities Commission:

> **Seed Corn Transporter Deregulation Becomes Permanent** Act 28, SLH 2002, repeals the June 30, 2002 sunset date of Act 120, SLH 1997, which exempts transporters of seed corn to processing facilities from regulation by the Commission under Chapter 271, HRS.
>
> **Gasoline Price Caps; Energy Efficiency in State Facilities** Act 77, SLH 2002, amends Chapter 486H, HRS, by prohibiting the wholesale and retail sale of regular unleaded gasoline at a price above the maximum pre-tax wholesale price and the maximum pre-tax retail price of regular unleaded gasoline (wholesale and retail gasoline price caps). Beginning July 1, 2004, the Commission is required to determine the wholesale and retail gasoline price caps on a weekly basis. For Oahu, the wholesale gasoline price cap is based on the baseline price for regular unleaded gasoline (equal to the average of gasoline prices for three major west coast markets), plus the location adjustment factor, and the marketing margin factor. For the neighbor islands, the wholesale gasoline price cap is based on the Oahu wholesale gasoline price cap and the neighbor island wholesale adjustment factor. The retail gasoline price cap is based on the maximum pre-tax wholesale gasoline price and a retail marketing margin factor. The Commission is also required to publish both the wholesale and retail gasoline price cap.

Act 77 requires the Department of Business, Economic Development, and Tourism (DBEDT) to: (1) review and analyze the documents in the State's settled gasoline antitrust litigation; (2) determine whether the Oil Price Information Service index or other benchmarks are applicable to Hawaii's markets; and (3) review options available to the legislature, including wholesale and retail gasoline price caps and the potential effects of imposing price caps. Act 77 appropriates $250,000 from the Public Utilities Commission Special Fund for fiscal year 2002-03 to be deposited into the State general fund to be expended by the Commission for the purposes of Act 77. DBEDT is required to report its findings and recommendations to the legislature no later than twenty days before the convening of the 2003 regular session.

Act 77 amends Chapter 196, HRS, by encouraging state government to improve their energy management in state facilities by: (1) establishing goals that state agencies are required to meet in reducing greenhouse gas emissions and energy consumption; (2) encouraging the use of renewable energy in state facilities; (3) requiring the reduction of the use of petroleum generated energy and water consumption and associated energy use; and (4) requiring the selection of energy efficient products.

Sourcing of Mobile Telecommunications Services Act 209, SLH 2002, amends Chapter 239, HRS, to conform to the federal Mobile Telecommunications Sourcing Act. Act 209 establishes the method to determine the sources of gross income received from providing mobile telecommunications services to be taxed. For home services providers of mobile telecommunications services, gross income includes charges for mobile telecommunications services provided to a customer with a place of primary use within the State. The customer's place of primary use refers to the customer's residential or primary business street address. Act 209 defines charges for mobile telecommunications services as charges that are billed by or for the customer's home service provider regardless of whether individual transmissions originate or terminate within the licensed service area of the service provider.

IV.

DOCKET STATISTICS

During FY 2002, a total of 714 dockets were before the Commission for review and consideration, 294 pending dockets were carried over from prior years and 420 new dockets were opened during the fiscal year. Of the 714 dockets, 410 or approximately 57 per cent of the dockets were completed by June 30, 2002.

At the end of the fiscal period, 304 dockets were pending, including 132 dockets opened prior to FY 2002 and 172 dockets opened during the fiscal year.

Dockets Completed and Pending at June 30, 2002

	Pending Dockets at 7/1/02	New Dockets Opened in FY 2002	Completed Dockets at 6/30/02	Pending Dockets at 6/30/02
Utilities				
Electric	39	26	26	39
Gas	4	3	3	4
Telecommunications	59	144	128	75
Private Water/Sewage	8	6	7	7
Subtotal	110	179	164	125
Transportation				
Motor Carriers	183	238	243	178
Water Carriers	1	3	3	1
Subtotal	184	241	246	179
Total	294	420	410	304

V.

FISCAL INFORMATION

The Public Utilities Commission Special Fund (special fund) is used to cover the expenses of the Commission and the Division of the Consumer Advocacy, Department of Commerce and Consumer Affairs (Consumer Advocate). The special fund's sources of income include public utility fees, motor carrier fees, penalties and interest, application and intervention filing fees, and duplication fees. The expenses of the Commission include personnel costs, transfers to fund the Consumer Advocate, and other current expenses of the Commission.

For fiscal year 2001-02, the Commission received an appropriation of $5,837,420 for personal and other current expenses as shown in the table below. Allotments for personal expenses, including collective bargaining expenses and restrictions, were $2,600,834. The Commission has 44 authorized permanent positions. The program's restriction $58,374 was covered through turnover savings from vacant positions. The Commission was allotted $3,301,377 for its other current expenses. This amount includes $2,355,529 for the operations of the Consumer Advocate.

	FY 2002 Appropriation	Allotment*
Personal Services	$2,536,043	$2,600,834
Other Current Expenses	3,301,377	3,301,377
Total	$5,837,420	$5,902,211

*Allotment for personal services includes collective bargaining amount ($123,165) and restrictions ($58,374).

For FY 2002, the special fund's revenues totaled of $12,194,467. The revenues include $11,126,621 of public utility fees, $856,067 of motor carrier fees, and $211,779 of penalty fees, filing and duplication fees, vacation earned credits, and transfers from the Department of Accounting and General Services (DAGS). The transfers from DAGS were unused cash balance returned for the Commission's office renovation project.

Expenditures, totaling $5,084,451 (includes encumbrances), include $1,879,631 for personnel, $3,161,115 for other current expenses, and $43,705 for equipment as shown in the table below. Pursuant to Section 269-33, HRS, the Commission is required to allocate funds to the Consumer Advocate in accordance with legislative appropriations. In accordance with legislative appropriations, the special fund's other current expenses include a transfer of $2,355,529 to the Consumer Advocate for its operations. The balance of other current expenses includes $792,516 for direct expenses of the Commission and $13,070, transferred to the Department of Accounting and General Services, for the Commission's office renovation project expenses.

Description of Expenditure*	FY 2002
Personal Services	$1,879,631
Other Current Expenses	3,161,115
Equipment	43,705
Total Expenditures	5,084,451

*Expenditures include actual expenses and encumbrances.

Pursuant to Section 269-33, HRS, all special fund moneys in excess of $1 million remaining in the fund at the end of each fiscal year are required to lapse to the general fund. Accordingly, the Commission transferred to the general fund excess moneys of $7,110,016 for FY 2002 as shown in table below.

	FY 2002
Beginning Balance	$1,000,000
Revenues	12,194,467
Expenditures	5,084,451
Transfer to the General Fund	7,110,016
Ending Balance	$1,000,000

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.

IntraLATA - telecommunications services that originate and end in the same Local Access and Transport Area, the geographical area within which a local phone company can provide communications services.

Intrastate - within the state; inter-island.

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, or rules and regulations governing the Commission's activities.