



**EXECUTIVE CHAMBERS**

HONOLULU

LINDA LINGLE  
GOVERNOR

December 17, 2004

The Honorable Robert Bunda, President  
and Members of the State Senate  
Twenty-Third 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 Special Fund Report for fiscal year ending June 30, 2004, pursuant to Section 269-33(c), Hawaii Revised Statutes.

Pursuant to Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at [www.hawaii.gov/budget/LegReports/Reports.htm](http://www.hawaii.gov/budget/LegReports/Reports.htm).

With warmest personal regards,

Aloha,

/s/

LINDA LINGLE

Enclosures



**EXECUTIVE CHAMBERS**

HONOLULU

LINDA LINGLE  
GOVERNOR

December 17, 2004

The Honorable Calvin K.Y. Say, Speaker  
and Members of the House of Representatives  
Twenty-Third 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 Special Fund Report for fiscal year ending June 30, 2004, pursuant to Section 269-33(c), Hawaii Revised Statutes.

Pursuant to Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at [www.hawaii.gov/budget/LegReports/Reports.htm](http://www.hawaii.gov/budget/LegReports/Reports.htm).

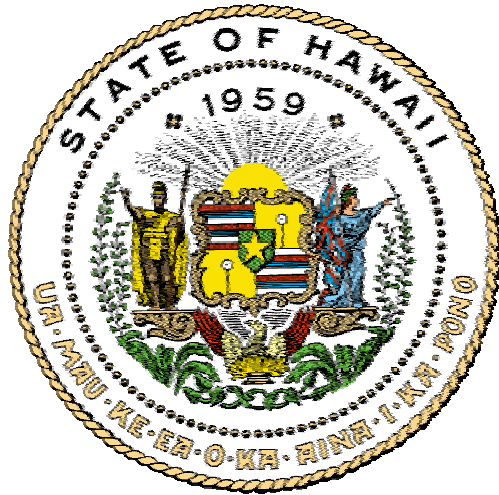
With warmest personal regards,

Aloha,

/s/

LINDA LINGLE

Enclosures



PUBLIC UTILITIES COMMISSION  
STATE OF HAWAII

SPECIAL FUND REPORT

FISCAL YEAR 2003-04

December 2004

Report on the  
Public Utilities Commission Special Fund  
Fiscal Year 2003-04 ("FY 2004")

Section 269-33, Hawaii Revised Statutes ("HRS"), establishes the Public Utilities Commission ("Commission" or "PUC") Special Fund ("Special Fund") to be used to pay for all the operating expenses of the Commission and the Division of the Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate"). This report on the Special Fund is provided to the legislature as required by Section 269-33(c), HRS. Act 226, Session Laws of Hawaii ("SLH") 1994, established the Special Fund and appropriated \$1 million in general funds for deposit into the Special Fund for FY 1994-95. This amount provided for initial startup costs for the Commission at the beginning of the fiscal year. Similarly, at the beginning of each subsequent fiscal year, the Commission's Special Fund starts with a \$1 million balance carried over from the prior year's fund balance. Pursuant to Section 269-33(d), HRS, 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.

All fees and other revenues collected by the Commission are deposited into its Special Fund. Public utilities are required to pay an annual fee of one-half of one per cent of the gross income of the public utility's previous year's business. The fee is paid semi-annually, in July and December, and is deposited into the Special Fund. Motor carriers pay annual fees of one-fourth of one per cent of their gross revenues of the previous year's business. Other Special Fund revenues include filing fees, document reproduction fees, and penalty fees. Motor carrier penalties are assessed for late

payment of annual fees. The Commission also may assess civil penalties, subject to providing the alleged violators with notice and opportunity to be heard in accordance with Chapter 91, HRS. For motor carriers, the Commission may impose civil penalties up to \$1,000 per violation of the Motor Carrier Law, Chapter 271, HRS, and its applicable rules, orders and regulations. For water carriers, the Commission may impose various civil penalties for violating the Water Carrier Law, Chapter 271G, HRS, and its applicable rules, orders and regulations. For any other public utility violating Chapter 269, HRS, and its applicable rules, orders and regulations, the Commission may impose various civil penalties not to exceed \$25,000 each day so long as such violation continues.

The Special Fund's revenues, expenditures, and transfers for FY 2002-03 ("FY 2003"), for comparative purposes, and FY 2004 are shown in the table below.

|                            | <u>FY 2003*</u> | <u>FY 2004*</u>             |
|----------------------------|-----------------|-----------------------------|
| Beginning Balance          | \$1,000,000     | \$1,000,000                 |
| Revenues                   | 12,778,421      | 11,433,139                  |
| Expenditures               | 5,369,390       | 6,230,399                   |
| Transfer to General Fund** | 7,159,031       | 5,202,740                   |
| Transfer to DBEDT***       | <u>250,000</u>  | <u>                    </u> |
| Ending Balance             | \$1,000,000     | \$1,000,000                 |

\*Appropriation Account No. S-XX-352-O

\*\*This amount does not include transfers of excess funds from prior year's accounts. For example, the FY 2003 general fund transfer amount does not include the transfer of a remaining balance in the FY 2002 account.

\*\*\*This amount was transferred to the general fund for the Department of Business, Economic Development, and Tourism's ("DBEDT") contract services, pursuant to Act 77, SLH 2002.

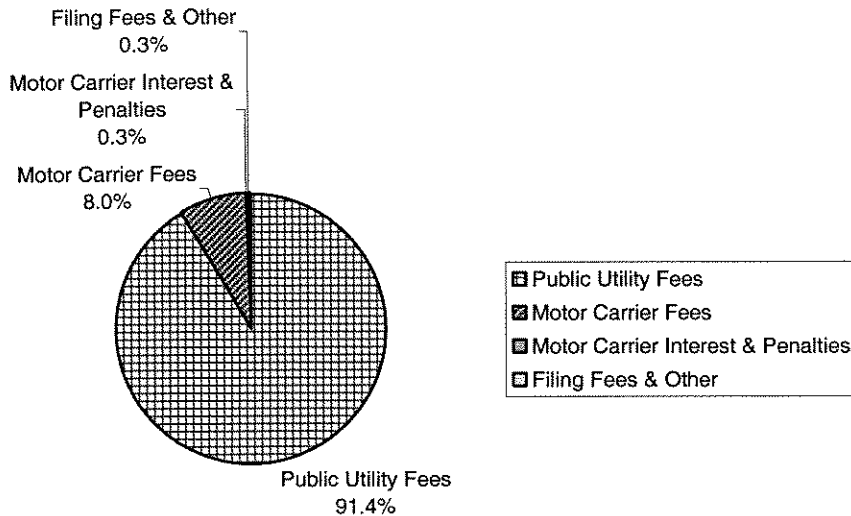
Total FY 2004 Special Fund revenues of \$11,433,139 reflect a decrease of 10.5 per cent compared to FY 2003 revenues (see Attachment). The Commission collected \$10.5 million in public utility fees for FY 2004 or 10.8 per cent less than FY 2003 public utility fees. Motor carrier fees of \$0.9 million collected in FY 2004 were 1.9 per cent over the fees collected in FY 2003. The revenues derived from each source of income are shown below:

| <u>Description of Revenues</u>     | <u>FY 2003</u> | <u>FY 2004</u>              |
|------------------------------------|----------------|-----------------------------|
| Public Utility Fees                | \$11,717,267   | \$10,450,287                |
| Motor Carrier Fees                 | 899,408        | 916,283                     |
| Motor Carrier Interest/Penalties   | 72,737         | 25,442                      |
| Hawaii Motor Carrier Act Penalties | 40,415         | 12,050                      |
| Filing Fees & Other                | 46,884         | 29,076                      |
| Transfers*                         | <u>1,710</u>   | <u>                    </u> |
| Total                              | \$12,778,421   | \$11,433,139                |

\*FY 2003 transfers include transfers of unused cash balance from the Department of Accounting and General Services ("DAGS") for the Commission's office renovation project.  
 (Note: Revenues are rounded to the nearest dollar.)

Figure 1 shows a breakdown of the Special Fund revenues for FY 2004, including public utility fees, motor carrier fees, motor carrier interest and penalties (includes motor carrier interest/penalties and motor carrier act penalties), and filing fees and other.

**Figure 1**  
**Public Utilities Commission Special Fund**  
**Fiscal Year 2003-04**  
**Revenues**



| <u>Description of Revenues</u>     | <u>FY 2004</u> |
|------------------------------------|----------------|
| Public Utility Fees                | 10,450,287     |
| Motor Carrier Fees                 | 916,283        |
| Motor Carrier Interest & Penalties | 37,492         |
| Filing Fees & Other                | <u>29,076</u>  |
| Total Revenues                     | 11,433,139     |

As shown in the table below, expenditures for FY 2004 totaling \$6,230,399 included approximately \$2.0 million and \$4.2 million for personnel and other current expenses, respectively.

| <u>Description of Expenditures</u> | <u>FY 2003</u>   | <u>FY 2004</u>   |
|------------------------------------|------------------|------------------|
| Personnel Expenses                 | \$2,090,781      | \$1,965,480      |
| Other Current Expenses             |                  |                  |
| Commission                         | 810,900          | 1,774,286        |
| Consumer Advocate                  | <u>2,453,275</u> | <u>2,445,969</u> |
| Total Other                        | 3,264,175        | 4,220,255        |
| Equipment                          | <u>14,434</u>    | <u>44,664</u>    |
| Total                              | \$5,369,390      | \$6,230,399      |

Special Fund expenditures for FY 2004 increased 16.0 per cent over FY 2003 expenditures (see Attachment). The increase in other current expenses is primarily due to expenditures for consultant services in FY 2004.

For FY 2004, the Special Fund's other current expenses totaling \$4,220,255 (including encumbrances) consisted of \$2,445,969 for the operations of the Consumer Advocate, \$571,875 for central services assessments, and \$1,202,411 for direct expenses of the Commission. Pursuant to Section 269-33, HRS, the Commission is required to make quarterly allocations to the Consumer Advocate of not more than 30 per cent of the proceeds of the Special Fund after the deduction for central services assessments. For FY 2004, the major direct expenses of the Commission included charges for consultant services, public notices, dues, and subscriptions totaling \$1,092,646.

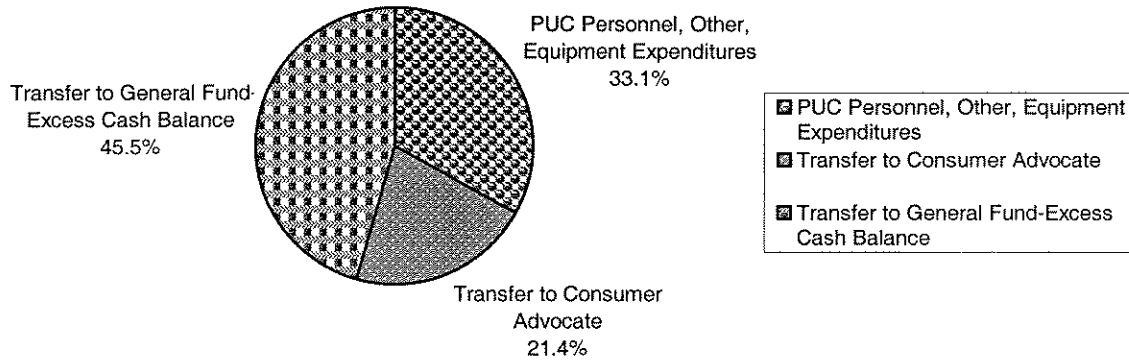
Pursuant to Section 269-33, HRS, in FY 2004, the Commission transferred the Special Fund's excess balance of \$5,202,740 to the general fund. Total general fund transfers of \$5,774,615 for FY 2004 included excess Special Fund balances plus assessments



for the central services expense. This transfer amount decreased 25.9 per cent from FY 2003 total general fund transfers of \$7,797,930 (see Attachment).

The breakdown of all Commission expenditures and funds transferred out of the Special Fund is shown in Figure 2 below.

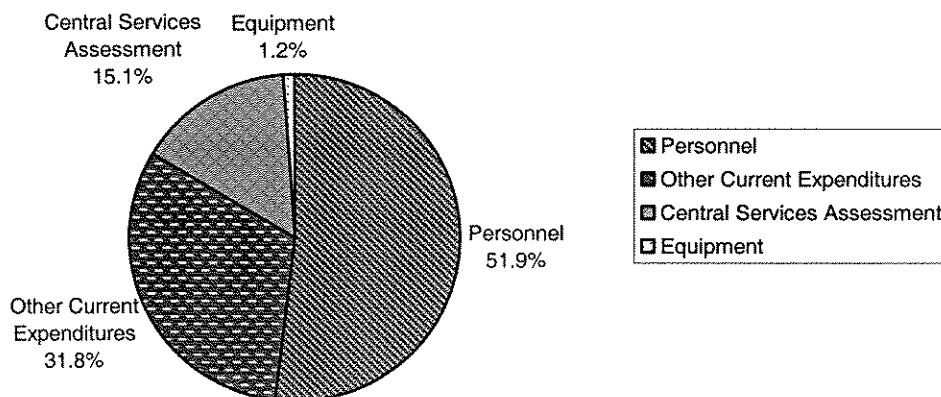
**Figure 2  
Public Utilities Commission Special Fund  
Fiscal Year 2003-04  
Total Expenditures**



|  | <u>FY 2004</u>    |
|--|-------------------|
| PUC Personnel, Other, Equipment Expenditures | 3,784,430         |
| Transfer to Consumer Advocate                | 2,445,969         |
| Transfer to General Fund-Excess Cash Balance | <u>5,202,740</u>  |
| <b>Total Expenditures (Incl. Transfers)</b>  | <b>11,433,139</b> |

Figure 3 shows a breakdown of the Commission's expenditures of \$3,784,430 for FY 2004, including personnel, other current, central services assessments, and equipment expenses.

**Figure 3  
Public Utilities Commission Special Fund  
Fiscal Year 2003-04  
PUC Expenditures**



| <u>Description of PUC Expenditures</u>           | <u>FY 2004</u> |
|--|----------------|
| Personnel  | 1,965,480      |
| Other Current Expenditures                       | 1,202,411      |
| Central Services Assessment                      | 571,875        |
| Equipment  | <u>44,664</u>  |
| Total Expenditures (excluding Consumer Advocate) | 3,784,430      |

PUBLIC UTILITIES COMMISSION SPECIAL FUND  
 Fiscal Years 2003 & 2004  
 Appn. Accts. S-03-352-O & S-04-352-O

|                          | <u>FY 2003</u>   | <u>FY 2004</u> | <u>% Change</u> |
|--------------------------|------------------|----------------|-----------------|
| Beginning Balance        | 1,000,000        | 1,000,000      |                 |
| Revenues (1)             | 12,778,421       | 11,433,139     | -10.5%          |
| Expenditures             | 5,369,390        | 6,230,399      | 16.0%           |
| Transfer to General Fund |                  |                |                 |
| Excess Cash Balance (2)  | (7,159,031)      | (5,202,740)    | -27.3%          |
| Transfer to DBEDT (3)    | <u>(250,000)</u> | <u>-0-</u>     | n/a             |
| Ending Balance           | 1,000,000        | 1,000,000      |                 |

## REVENUES:

| <u>Description</u>                 | <u>FY 2003</u> | <u>FY 2004</u> | <u>% Change</u> |
|------------------------------------|----------------|----------------|-----------------|
| Public Utility Fees                | 11,717,267     | 10,450,287     | -10.8%          |
| Motor Carrier Fees                 | 899,408        | 916,283        | 1.9%            |
| Motor Carrier Interest/Penalties   | 72,737         | 25,442         | -65.0%          |
| Hawaii Motor Carrier Act Penalties | 40,415         | 12,050         | -70.2%          |
| Filing Fees & Other                | 46,884         | 29,076         | -38.0%          |
| Transfers from DAGS (1)            | <u>1,710</u>   | <u>-0-</u>     | n/a             |
| Total Revenues                     | 12,778,421     | 11,433,139     | -10.5%          |

## EXPENDITURES (INCLUDING ENCUMBRANCES):

| <u>Description</u>            | <u>FY 2003</u>   | <u>FY 2004</u>   | <u>% Change</u> |
|-------------------------------|------------------|------------------|-----------------|
| Personnel                     | 2,090,781        | 1,965,480        | -6.0%           |
| Other Current Expenses:       |                  |                  |                 |
| Commission Other Expenditures | 810,900          | 1,774,286        | 118.8%          |
| Transfer to Consumer Advocate | <u>2,453,275</u> | <u>2,445,969</u> | -0.3%           |
| Total Other Current Expenses  | 3,264,175        | 4,220,255        | 29.3%           |
| Equipment                     | <u>14,434</u>    | <u>44,664</u>    | 209.4%          |
| Total Expenditures            | 5,369,390        | 6,230,399        | 16.0%           |

## TRANSFERS TO THE GENERAL FUND:

|                               | <u>FY 2003</u> | <u>FY 2004</u> | <u>Total</u>     |
|-------------------------------|----------------|----------------|------------------|
| Transfer of excess moneys (2) | 7,159,031      | 5,202,740      | 12,361,771       |
| Central services amount       | <u>638,899</u> | <u>571,875</u> | <u>1,210,774</u> |
| Total Transfers               | 7,797,930      | 5,774,615      | 13,572,545       |
| % Change                      |                | -25.9%         |                  |

(1) FY 2003 revenues include transfers of unused cash balance returned from DAGS for PUC office renovation project.

(2) Does not include transfers from prior year's accounts.

(3) Transfer made to DBEDT for contract services pursuant to Act 77, SLH 2002.

Note: Any differences in calculations are due to the effect of rounding to the nearest dollar.