

EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

December 15, 2005

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, 2005, 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.

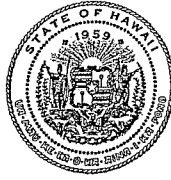
With warmest personal regards,

Aloha,

/s/

LINDA LINGLE

Enclosures



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

December 15, 2005

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, 2005, 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.

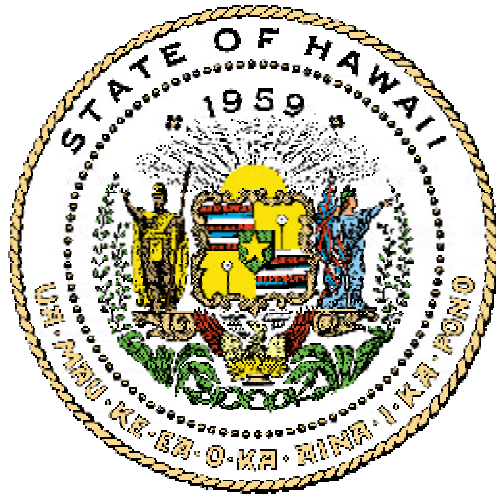
With warmest personal regards,

Aloha,

/s/

LINDA LINGLE

Enclosures



PUBLIC UTILITIES COMMISSION
STATE OF HAWAII

SPECIAL FUND REPORT

FISCAL YEAR 2004-05

November 2005

**Report on the
Public Utilities Commission Special Fund
Fiscal Year 2004-05 ("FY 2005")**

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 (1) 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 (1) 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.

In addition to the Act 41, SLH 2004 ("Act 41") appropriation for the Commission's FY 2005 operating expenses, the Commission received two (2) separate appropriations for FY 2005. Pursuant to Act 141, SLH 2004, ("Act 141") an appropriation of \$300,000 for FY 2005 from the Special Fund was provided for the establishment and operations of the One Call Center. Act 154, SLH 2004, ("Act 154") appropriated \$104,664 for FY 2005 from the Special Fund for two (2) permanent PUC positions, an Engineer IV and an Investigator IV. Moneys were transferred from the Special Fund to two (2) separate accounts in the amounts of \$300,000 and \$104,664 for the purposes of Act 141 and Act 154, respectively.

The Special Fund's revenues, expenditures, and transfers for FY 2003-04 ("FY 2004"), for comparative purposes, and for FY 2005 are shown in the table below.

| | <u>FY 2004*</u> | <u>FY 2005*</u> |
|-------------------------------|------------------|------------------|
| Beginning Balance | \$1,000,000 | \$1,000,000 |
| Revenues | 11,433,139 | 12,204,752 |
| Expenditures** | 6,230,399 | 6,588,390 |
| Transfers to General Fund:*** | | |
| Appn. Acct. S-XX-352-O | 5,202,740 | 5,248,970 |
| Appn. Acct. S-05-341-O | -0- | 300,000 |
| Appn. Acct. S-05-353-O | <u>-0-</u> | <u>67,392</u> |
| Total Transfers | <u>5,202,740</u> | <u>5,616,362</u> |
| Ending Balance | \$1,000,000 | \$1,000,000 |

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

**FY 2005 includes expenditures in Appropriation Accounts No. S-05-352-O and No. S-05-353-O.

***General fund transfers: Appn. Acct. S-05-352-O (Act 41), Appn. Acct. S-05-341-O (Act 141) and Appn. Acct. S-05-353-O (Act 154). Transfers of excess funds from prior year's accounts are not included. For example, the FY 2005 general fund transfer amount does not include transfer of the balance in the FY 2004 account.

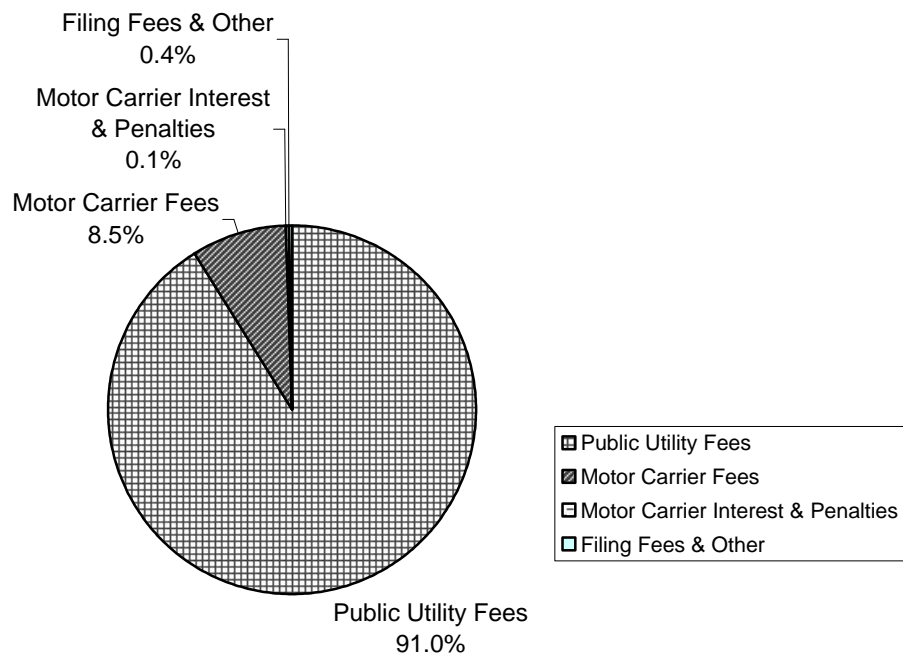
Total FY 2005 Special Fund revenues of \$12,204,752 reflect an increase of 6.7 per cent compared to FY 2004 revenues (see Attachment). The Commission collected \$11.1 million in public utility fees for FY 2005 or 6.3 per cent more than FY 2004 public utility fees. Motor carrier fees of \$1.0 million collected in FY 2005 were 12.9 per cent over the fees collected in FY 2004. The revenues derived from each source of income are shown below:

| <u>Description of Revenues</u> | <u>FY 2004</u> | <u>FY 2005</u> |
|------------------------------------|----------------|----------------|
| Public Utility Fees | \$10,450,287 | \$11,112,105 |
| Motor Carrier Fees | 916,283 | 1,034,797 |
| Motor Carrier Interest/Penalties | 25,442 | 6,463 |
| Hawaii Motor Carrier Act Penalties | 12,050 | 6,700 |
| Filing Fees & Other | <u>29,076</u> | <u>44,687</u> |
| Total Revenues | \$11,433,139 | \$12,204,752 |

(Note: Revenues are rounded to the nearest dollar.)

Figure 1 shows a breakdown of the Special Fund revenues for FY 2005, 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 2004-05
Revenues



| <u>Description of Revenues</u> | <u>FY 2005</u> |
|------------------------------------|----------------|
| Public Utility Fees | \$11,112,105 |
| Motor Carrier Fees | 1,034,797 |
| Motor Carrier Interest & Penalties | 13,163 |
| Filing Fees & Other | 44,687 |
| Total Revenues | \$12,204,752 |

As shown in the table below, expenditures for FY 2005 totaling \$ 6,588,390 included approximately \$2,306,256 million and \$4,270,153 million for personnel and other current expenses, respectively. Personnel expenses include those authorized pursuant to Act 41 and Act 154. The Commission did not have any One Call Center expenses authorized pursuant to Act 141.

| <u>Description of Expenditures</u> | <u>FY 2004</u> | <u>FY 2005</u> |
|------------------------------------|------------------|------------------|
| Personnel Expenses* | \$1,965,480 | \$2,306,256 |
| Other Current Expenses: | | |
| Commission | 1,774,286 | 1,796,316 |
| Consumer Advocate | <u>2,445,969</u> | <u>2,473,837</u> |
| Total Other | 4,220,255 | 4,270,153 |
| Equipment | <u>4,664</u> | <u>11,981</u> |
| Total Expenditures | \$6,230,399 | \$6,588,390 |

**FY 2005 personnel expenses include \$2,268,984 in Appropriation Account No. S-05-352-O and \$37,272 in Appropriation Account No. S-05-353-O.*

Total Special Fund expenditures for FY 2005 increased 5.7 per cent over FY 2004 expenditures (see Attachment). This increase is primarily due to personnel expenditures increasing by 17.3 per cent in FY 2005, as a result of vacant positions being filled.

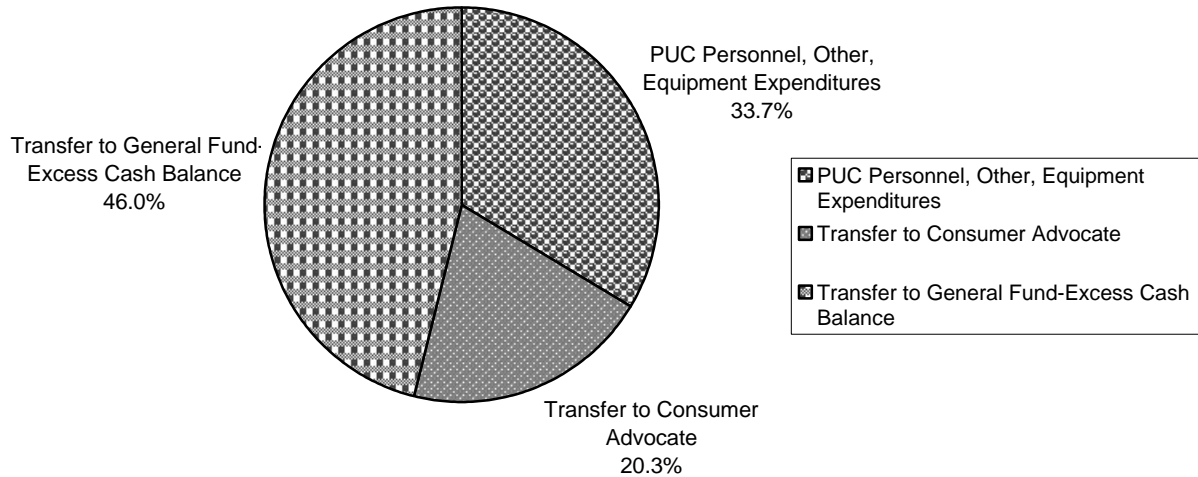
For FY 2005, the Special Fund's other current expenses totaling \$4,270,153 (including encumbrances) consisted of \$2,473,837 for the operations of the Consumer Advocate, \$615,904 for central services assessments, and \$1,180,411 for direct expenses of the Commission. Pursuant to Section 269-33, HRS, 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 2005, the major direct expenses of the Commission included charges for consultant services, public notices, and training fees totaling \$999,853.

Pursuant to Section 269-33, HRS, in FY 2005, the Commission transferred the Special Fund's excess balance of \$5,616,362 to the general fund. This amount is the total of excess balances of \$5,248,970, \$300,000 and \$67,392 in three (3) special fund accounts established pursuant to Acts 41, 141 and 154, respectively. In addition to the transfer of excess funds, expenses for central services assessments are also transferred to the general fund resulting in total general fund transfers of \$6,232,266 for FY 2005. This transfer amount increased by 7.9 per cent from FY 2004's total general fund transfers of \$5,774,615 (see Attachment).

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

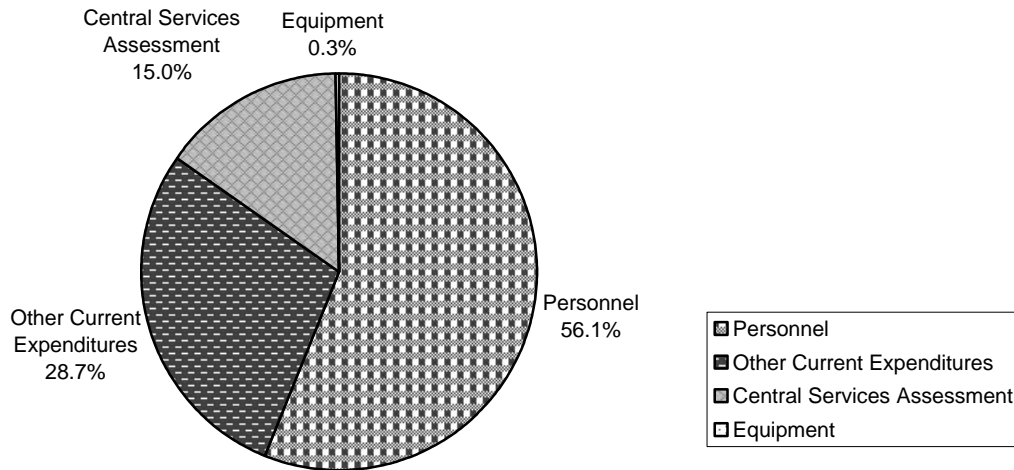
Figure 2
Public Utilities Commission Special Fund
Fiscal Year 2004-05
Total Expenditures



| | <u>FY 2005</u> |
|--|------------------|
| PUC Personnel, Other, Equipment Expenditures | \$4,114,553 |
| Transfer to Consumer Advocate | 2,473,837 |
| Transfer to General Fund-Excess Cash Balance | <u>5,616,362</u> |
| Total Expenditures (Incl. Transfers) | \$12,204,752 |

Figure 3 shows a breakdown of the Commission's expenditures of \$4,114,553 for FY 2005, including personnel, other current, central services assessments, and equipment expenses.

Figure 3
Public Utilities Commission Special Fund
Fiscal Year 2004-05
PUC Expenditures



| <u>Description of PUC Expenditures</u> | <u>FY 2005</u> |
|--|----------------|
| Personnel | \$2,306,256 |
| Other Current Expenditures | 1,180,411 |
| Central Services Assessment | 615,904 |
| Equipment | <u>11,981</u> |
| Total Expenditures (excluding Consumer Advocate) | \$4,114,553 |

(Note: Differences in calculations are due to the effect of rounding to the nearest dollar.)

PUBLIC UTILITIES COMMISSION SPECIAL FUND

Fiscal Years 2004 & 2005

Appn. Accts. S-04-352-O, S-05-352-O, S-05-341-O, S-05-353-O

| | <u>FY 2004</u> | <u>FY 2005</u> | <u>% Change</u> |
|-------------------------------|--------------------|--------------------|-----------------|
| Beginning Balance | 1,000,000 | 1,000,000 | |
| Revenues | 11,433,139 | 12,204,752 | 6.7% |
| Expenditures (1) | 6,230,399 | 6,588,390 | 5.7% |
| Transfers to General Fund (2) | | | |
| Appn. Acct. S-XX-352-O | (5,202,740) | (5,248,970) | 0.9% |
| Appn. Acct. S-05-341-O | -0- | (300,000) | n/a |
| Appn. Acct. S-05-353-O | <u>-0-</u> | <u>(67,392)</u> | n/a |
| Total Transfers | <u>(5,202,740)</u> | <u>(5,616,362)</u> | 8.0% |
| Ending Balance | 1,000,000 | 1,000,000 | |

REVENUES:

| <u>Description</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>% Change</u> |
|------------------------------------|----------------|----------------|-----------------|
| Public Utility Fees | 10,450,287 | 11,112,105 | 6.3% |
| Motor Carrier Fees | 916,283 | 1,034,797 | 12.9% |
| Motor Carrier Interest/Penalties | 25,442 | 6,463 | -74.6% |
| Hawaii Motor Carrier Act Penalties | 12,050 | 6,700 | -44.4% |
| Filing Fees & Other | <u>29,076</u> | <u>44,687</u> | 53.7% |
| Total Revenues | 11,433,139 | 12,204,752 | 6.7% |

EXPENDITURES (INCLUDING ENCUMBRANCES):

| <u>Description</u> | <u>FY 2004</u> | <u>FY 2005</u> | <u>% Change</u> |
|-------------------------------|------------------|------------------|-----------------|
| Personnel (1) | 1,965,480 | 2,306,256 | 17.3% |
| Other Current Expenses: | | | |
| Commission Other Expenditures | 1,774,286 | 1,796,316 | 1.2% |
| Transfer to Consumer Advocate | <u>2,445,969</u> | <u>2,473,837</u> | 1.1% |
| Total Other Current Expenses | 4,220,255 | 4,270,153 | 1.2% |
| Equipment | <u>44,664</u> | <u>11,981</u> | -73.2% |
| Total Expenditures | 6,230,399 | 6,588,390 | 5.7% |

TRANSFERS TO THE GENERAL FUND:

| | <u>FY 2004</u> | <u>FY 2005</u> | <u>Total</u> |
|-------------------------------|----------------|----------------|------------------|
| Transfer of excess moneys (2) | 5,202,740 | 5,616,362 | 10,819,102 |
| Central services amount | <u>571,875</u> | <u>615,904</u> | <u>1,187,779</u> |
| Total Transfers | 5,774,615 | 6,232,266 | 12,006,881 |
| % Change | | 7.9% | |

(1) FY 2005 includes expenditures in Appn. Acct. S-05-352-O and Appn. Acct. S-05-353-O.

(2) FY 2005 transfers include moneys appropriated from the Special Fund through separate legislative acts: Appn. Acct. S-05-352-O (Act 41, SLH 2004), Appn. Acct. S-05-341-O (Act 141, SLH 2004), and Appn. Acct. S-05-353-O (Act 154, SLH 2004). Does not include transfers from prior year's accounts.

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