

PRESENTATION OF  
 CARLITO P. CALIBOSO  
 CHAIRMAN, PUBLIC UTILITIES COMMISSION  
 DEPARTMENT OF BUDGET AND FINANCE  
 STATE OF HAWAII  
 TO THE  
 HOUSE COMMITTEE ON  
 ENERGY AND ENVIRONMENTAL PROTECTION  
 AND  
 SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

January 17, 2008

UPDATES ON PRIORITIES, PLANS AND PROGRAMS OF THE PUBLIC UTILITIES COMMISSION

<u>Reference</u>	<u>Docket</u>	<u>Description</u>	<u>Status and Update</u>
1. Chapter 269, HRS	03-0371 06-0497 06-0498	Investigation re Distributed Generation ("DG") to establish policies and principles for DG deployment and generation, and guidelines and requirements for DG.	<ul style="list-style-type: none"> <li>• Completed with Decision and Order No. 22248, January 2006, setting forth various DG policy and procedural matters, and with further details to be established by tariff.</li> <li>• After concerns and comments were generated by proposed standby service tariffs; the commission opened two new dockets: HECO (2006-0497) and KIUC (2006-0498).</li> <li>• Statewide public hearings were held in February 2007 for HECO (2006-0497) and KIUC (2006-0498).</li> <li>• Docket 2006-0497: Stipulating Parties' proposed Interconnection Tariff filed, September 2007. Hawaii Renewable Energy Alliance's (i.e., the Non-Stipulating Party) Statement of Position, September 2007. HECO Companies' Reply, October 2007. Comments to the Environmental Protection Agency's Observations, November 2007. Commission's decision and order pending.</li> <li>• Docket 2006-0497: Parties continuing their negotiations and discussions on the possible settlement on a Standby Service Tariff. Status conference, January 2008. Evidentiary hearing scheduled for February 2008.</li> <li>• Docket 2006-0498: Stipulating Parties' proposed Interconnection Tariff filed August 2007. HREA's Statement of Position, September 2007. KIUC's Reply, September 2007. Comments to the EPA's Observations,</li> </ul>

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			<p>November 2007. Commission's decision pending.</p> <ul style="list-style-type: none"> <li>• Docket 2007-0498: Procedural Order proposed by the Stipulating Parties, November 2007. Further briefing due. Oral argument, February 2008.</li> </ul>
2.	Chapter 269, HRS	03-0372 07-0331 07-0403	<p>Investigation into Competitive Bidding as a mechanism for acquiring or building new generation projects in effort to ensure new generation at least cost.</p> <ul style="list-style-type: none"> <li>• Completed with establishment of Competitive Bidding Framework in Decision and Order No. 23121, December 2006.</li> <li>• Commission approved: 1) list of Independent Observers for Competitive Bidding on June 22, 2007 (decision and Order 23503); 2) Code of Conduct on August 28, 2007 (decision and Order 23614); and 3) interconnection and upgrade tariffs on November 5, 2007 (Decision and Order 23799).</li> <li>• New docket opened (2007-0331) to receive filings, review approval requests and resolve disputes related to HECO's proposal to proceed with a competitive bidding process to acquire 100MW of non-firm renewable energy on Oahu.</li> <li>• New docket opened (2007-0403) to receive filings, review approval requests and resolve disputes related to MECO's proposal to proceed with a competitive bidding process to acquire two increments of 25MW of firm generating capacity on Maui.</li> </ul>
3.	Act 104, SLH 2005	06-0084	<p>Net Energy Metering Investigation: whether to increase: (1) max capacity of customer-generators to more than 50 kW; and (2) total capacity produced by customer-generators above 0.5% of utility's peak demand</p> <ul style="list-style-type: none"> <li>• Procedural Schedule adopted; discovery and technical meetings scheduled through August 2007, Evidentiary Hearing scheduled for September 2007.</li> <li>• HECO and KIUC reached separate settlements, filed in September 2007, with the Consumer Advocate, HREA, and HSEA</li> <li>• Parties waived evidentiary hearing and commission canceled hearing</li> <li>• HECO settlement contemplates increasing the cap for eligible customer generators from 50 kW to 100 kW, and increasing the overall system cap from 0.5% to 1.0% of system peak demand</li> </ul>

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4.	Act 162, SLH 2006	05-0069	Energy Efficiency Docket to review HECO proposed Demand-Side Management ("DSM") Programs and to consider use of Public Benefits Fund to administer DSM programs.	<ul style="list-style-type: none"> <li>• KIUC settlement contemplates keeping the cap for eligible customer generators at 50 kW, and increasing the overall system cap from 0.5% to 1.0 %</li> <li>• Decision and Order on Parties' settlements target completion February 2008</li> <li>• Decision and Order No. 23258, February 13, 2007; Order No. 23448, May 21, 2007 (Order granting in part HECO Motion for Clarification and/or for Partial Reconsideration). <ul style="list-style-type: none"> <li>○ Approved most of HECO's proposed DSM programs.</li> <li>○ Ordered transfer of DSM and energy efficiency programs to third-party administrator by January 2009. Direct load control programs to remain with HECO.</li> </ul> </li> <li>• Opened dockets: (1) to develop RFP for third party administrator (Docket 2007-0341); and (2) for HECO to file for review Accomplishments and Surcharge reports, and Monitoring and Evaluation Reports, and to review any implementation flexibility requests (Docket 2007-0323).</li> <li>• Legislative Proposal: to make it explicitly clear that public benefits fees shall not be considered state or public moneys subject to legislative appropriation and shall not be required to be deposited into the state treasury.</li> </ul>
5.	Act 95, SLH 2004 Act 162, SLH 2006	07-0008 07-0416	Renewable Portfolio Standards ("RPS") Investigative Docket to implement RPS and incentive mechanism and structure.	<ul style="list-style-type: none"> <li>• Held informal workshops to receive range of comments and recommendations.</li> <li>• Opened formal Investigative Docket to complete investigation with changes made by Act 162, which allows for penalties if RPS not achieved.</li> <li>• Electric Utilities have exceeded RPS standards of 8%, as of December 2006 (HECO 10.3% (13.8% consolidated); MECO 19.3%; HELCO 31.3%; KIUC 13.9%).</li> <li>• Decision and Order No. 23912, filed in December 2007, adopted in part and denied in part a Stipulation and Joint RPS Framework filed by all Parties except Life of the Land; Commission</li> </ul>

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			<p>ordered supplemental briefing (due on January 31, 2008 and February 15, 2008) on 3 issues relating to penalties</p> <ul style="list-style-type: none"> <li>• Contemporaneously with Decision and Order No. 23912, the commission, by Order No. 23913, opened Docket No. 2007-0416 to examine HECO Companies' proposal for a Renewable Energy Infrastructure Program; No parties moved to intervene; Parties' stipulated procedural schedule due on February 4, 2008</li> </ul>
6.	Act 162, SLH 2006	05-0315	<p>Act 162 requires examination of certain factors before an automatic fuel rate adjustment clause may be approved by Commission, to be applied in HELCO Rate Case.</p> <ul style="list-style-type: none"> <li>• Review includes consideration of whether clause provides sufficient incentive to encourage greater use of renewable energy, among other considerations.</li> <li>• Proposed adjustment clause will be reviewed under the standards established by Act 162.</li> <li>• 05-0315: Final Settlement Letter signed by HELCO and CA filed May 15, 2007. Opening Briefs filed June 4, 2007; pending Commission determination.</li> <li>• 06-0386: Final Settlement Letter signed by HECO and CA filed on September 6, 2007. Pending Commission determination.</li> <li>• 06-0387: Final Settlement Letter signed by MECO and CA filed on December 12, 2007. Pending Commission determination.</li> </ul>
7.	Act 240, SLH 2006	06-0425	<p>Solar Water Heating Pay As You Save Program - Investigation to establish parameters of program.</p> <ul style="list-style-type: none"> <li>• Decision and Order No. 23531, June 29, 2007, approved HECO and KIUC proposed tariffs for pilot programs with modifications.</li> <li>• HECO tariffs filed July 9; KIUC tariffs filed July 11, 2007.</li> </ul>
8.	Chapter 269, HRS, Par. 2.3.g.2 Gen. Ord. No. 7	05-0145	<p>Application of HECO for Approval of Campbell Industrial Park generation plant; involves renewable energy and biofuels issues.</p> <ul style="list-style-type: none"> <li>• Decision and Order No. 23457, May 23, 2007, approved generation plant with use of 100% biofuels, along with a new 138kV transmission line.</li> <li>• Related HECO Community Benefits application Docket No. 05-0146, Decision and Order No. 23514, June 27, 2007, approved reverse osmosis water pipeline, environmental quality monitoring program, but denied request</li> </ul>

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				for residential rate reduction program for residential ratepayers in the 96707 zip code area.
9.	Federal Energy Policy Act of 2005, amending PURPA	Various: 04-0046 04-0077 06-0084 06-0165 06-0497 06-0498 07-0084	Commission required to consider and make a determination on five (5) standards described in Energy Policy Act: <ul style="list-style-type: none"> <li>• Net Metering (by August 2008)</li> <li>• Fuel Diversity (by August 2008)</li> <li>• Fossil Fuel Generation Efficiency (by August 2008)</li> <li>• Time-Based Metering and Communications (by August 2007)</li> <li>• Interconnection (by August 2007)</li> </ul>	<ul style="list-style-type: none"> <li>• Net Metering: To be reviewed in Commission's Net Energy Metering Investigation (06-0084)</li> <li>• Fuel Diversity and Fossil Fuel Generation Efficiency: To be reviewed in Integrated Resource Planning ("IRP") dockets. HELCO (04-0046), MECO (04-0077), HECO (07-0084), KIUC (06-0165).</li> <li>• Time-Based Metering and Communications: declined to adopt standards for HELCO since, among other things, HELCO's time-of-use rates are generally consistent with federal standards (see Order No. 23586 issued August 2007 in Docket 05-0315).</li> <li>• Interconnection: declined to adopt the federal interconnection standards (Decision and Order No. 23562, July 2007, in Docket 2006-0497; Decision and Order No. 23563, July 2007, Docket 2006-0498)</li> </ul>
10.	Act 143, SLH 2006; Act 177 (SLH 2007)		Regulatory Reform: Report from Commission on re-structuring and resource needs; to enable it to more efficiently and effectively address day-to-day regulatory responsibilities and important policy issues.	<ul style="list-style-type: none"> <li>• Act 177 (SLH 2007) (HB1005 HD2 SD1 CD1), Relating to Public Utilities Commission, restructures Commission as recommended by PUC Act 143 Report. Currently processing required changes administratively.</li> <li>• Received strong Forum, Legislative, and Administrative support for measure.</li> </ul>
11.	Act 177 (SLH 2007)		To improve energy security, and to reduce dependence on foreign oil and benefit the environment, the Commission should be expressly allowed to consider the need for renewable energy in exercising its authority to regulate public utility companies.	<ul style="list-style-type: none"> <li>• Proposed new language: "\$269-A Consideration of renewable energy. The public utilities commission may consider the need for increased renewable energy use in exercising its authority and duties under this chapter."</li> <li>• Requested provision was included in Section 2 of Act 177.</li> </ul>
12.	Chapter 269, HRS, Integrated Resource	04-0046 04-0077 07-0084	HELCO MECO HECO	<ul style="list-style-type: none"> <li>• IRP Dockets are ongoing for each of the utilities.</li> <li>• MECO completed advisory group process and filed preferred IRP plan for</li> </ul>

	<u>Reference</u>	<u>Docket</u>	<u>Description</u>	<u>Status and Update</u>
	Planning ("IRP") Framework	06-0165	KIUC	<p>Commission consideration, April 2007. Stipulation between MECO and Consumer Advocate filed September 2007. Evidentiary hearing waived; Decision and Order for MECO IRP target filing January/February 2008.</p> <ul style="list-style-type: none"> <li>• HELCO completed advisory group process and filed preferred IRP plan for Commission consideration, May 2007. Stipulation between HELCO and Consumer Advocate filed November 2007. Evidentiary hearing held November 2007; Decision and Order for HELCO IRP target filing January 2008</li> <li>• KIUC is scheduled to file plan by December 2008.</li> <li>• HECO currently proceeding with advisory group process and scheduled to file its plan by June 2008.</li> </ul>
13.	Act 177, § 2 S.C.R. 180 Chapter 269, HRS	07-0176	Investigation re Intra-governmental Wheeling of Electricity	<ul style="list-style-type: none"> <li>• Investigation opened with Order No. 23530, June 2007. Fourteen parties and three participants are participating in this proceeding.</li> <li>• Proposed procedural schedules filed in January 2008.</li> </ul>
14.	Chapter 486H, HRS, Act 182 (SLH 2007)		Petroleum Industry Monitoring, Analysis and Reporting ("PIMAR")	<ul style="list-style-type: none"> <li>• Weekly PIMAR reporting forms completed after consultation with industry and other state agencies; first revised weekly reports were due August 2007.</li> <li>• Weekly Reports being published, improvements planned and ongoing.</li> <li>• Commission submitted PIMAR Program Report by ICF Consulting, dated November 7, 2008.</li> </ul>
15.	Climate Change – Green House Gas Emissions; Act 234 (SLH 2007)		Establishes policy goal of reducing GHG emissions to 1990 levels by 2020.	<ul style="list-style-type: none"> <li>• No particular proceeding opened; but will need to consider how to implement and achieve policy established by Act 234 in all relevant matters.</li> </ul>