Division of Consumer Advocacy's Presentation for the

Informational Briefing of the House Committee on Energy and Environmental Protection and Senate Committee on Energy and Environment

Thursday, January 22, 2008, 1:00 p.m.

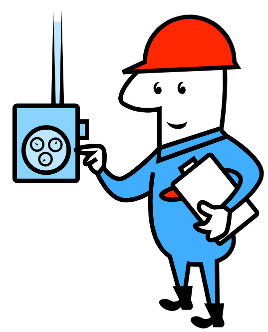
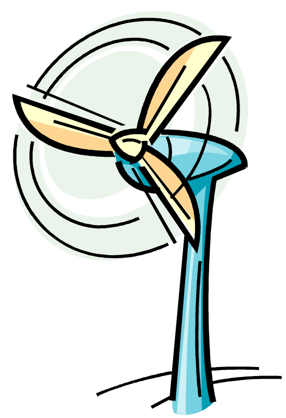
Department of Commerce & Consumer Affairs
Division of Consumer Advocacy

- The Division of Consumer Advocacy (“DCA”), part of the state Department of Commerce & Consumer Affairs, represents, protects, and advances consumer interests before the Hawaii Public Utilities Commission (“PUC”) and other state and federal agencies.
- The DCA assists and represents utility customers as a whole, statewide, as opposed to a single customer or select group.
- The DCA is also commonly referred to as the Consumer Advocate (“CA”) or CA’s Office.
- The DCA is <u>ex officio</u> a party to every PUC proceeding, pursuant to HRS § 269-51 and HAR § 6-61-62.

About the Division of Consumer Advocacy

So how does the DCA play a part in the electric utilities' plans?

- In Hawaii, utility companies require PUC approval for rate increases, major capitol improvement projects, certificates of authority to operate, company buyouts and mergers, financing, and to implement special programs, among other things.


About the Division of Consumer Advocacy

- The DCA carefully reviews different aspects of a utility company's request to regulators to determine whether it is reasonable and in the public interest, and then makes recommendations to the PUC or other regulators on behalf of consumers.

About the Division of Consumer Advocacy

- The DCA focuses its primary review on applications filed or proceedings opened relating to electric, telecommunications, water & wastewater, synthetic natural gas, and some transportation services.

DCA's participation in proceedings before the PUC

- Pursuant to State law, the Consumer Advocate must consider the long-term benefits of renewable energy resources in its role as Consumer Advocate.

Hawaii Clean Energy Initiative – Regulatory Energy Agreement with the HECO Companies, DBEDT

- On October 20, 2008, Governor Linda Lingle, the Department of Business, Economic Development, and Tourism, the HECO Companies, and the Division of Consumer Advocacy signed an energy agreement to move the State more irreversibly away from fossil fuel use and increasingly towards locally produced renewable energy and energy efficiency.
- The U.S. Department of Energy, DBEDT, and the Consumer Advocate will soon engage in discussions with KIUC to determine whether similar agreements can be customized and reached with the cooperative.

Hawaii Clean Energy Initiative – Regulatory Energy Agreement with the HECO Companies, DBEDT

Renewable Portfolio Standard

- The parties agreed that an RPS is an effective structure for the Hawaiian Electric companies' obligation to add renewable energy. Therefore, the parties agreed to seek legislative changes to the existing RPS as follows:
  - RPS goals will be increased to 25% (from 20%) by 2020 and 40% by 2030. However, through 2015 no more than one-third of the companies' total RPS may come from imported biofuels used in utility-owned units. All grid-connected renewable energy generation, both central-station and distributed, shall count towards the RPS goal.
  - Energy savings from energy efficiency, demand response, and renewable displacement shall NOT count toward RPS goals after 2014 but shall be fully counted toward achievement of HCEI goals.

Hawaii Clean Energy Initiative – Regulatory Energy Agreement with the HECO Companies, DBEDT

Energy Efficiency Portfolio Standard

- The parties agreed to support the development of an EEPS for the State of Hawaii. The parties also agreed to support the achievement of the goals established in the EEPS.

Hawaii Clean Energy Initiative – Regulatory Energy Agreement with the HECO Companies, DBEDT

Renewable Energy Commitments

- The parties committed to accelerate the addition of new, clean energy resources on all islands. Specifically, the Hawaiian Electric companies committed to pursue and integrate as much as an additional 1,000 MW of renewable energy resources on Oahu including approximately 400 MW of wind power from Lanai or Molokai; 60 MW on the Island of Hawaii; and 50 MW on Maui. The Consumer Advocate, among other things, will prioritize the review of applications for PUC approval of power purchase agreements.

Hawaii Clean Energy Initiative – Regulatory Energy Agreement with the HECO Companies, DBEDT

Decoupling revenues from sales

- The parties agreed that transition to Hawaii's clean energy future requires that the Hawaiian Electric companies should no longer be compensated under a model which inherently encourages increased electricity usage. Decoupling is a regulatory mechanism that de-links the utilities' revenues and profits from electricity sales. This decoupling of revenues from sales will remove barriers for the utilities to pursue aggressive demand-response, load management and customer-owned or third-party owned renewable energy systems while giving the utilities an opportunity to achieve fair rates of return.
- The PUC initiated a proceeding to review the decoupling of Hawaiian Electric's revenues from sales. At the end of January, the HECO Companies and the Consumer Advocate will file proposals for the docket parties to consider.

Hawaii Clean Energy Initiative – Regulatory Energy Agreement with the HECO Companies, DBEDT

Feed-in tariffs

- The parties agreed that feed-in tariffs will encourage development of renewable energy, and requested that the PUC adopt feed-in tariffs by July 2009.
- A feed-in-tariff is set of standardized, published purchased power rates, including terms and conditions, which the utility will pay for each type of renewable energy resource based on project size fed to the grid. This provides developers with certainty of the amount of payment and how much renewable energy the utility will acquire.
- The PUC initiated a docket, and a straw proposal was filed on December 23, 2008 for the PUC's and other docket parties' consideration. Clearly, more work needs to be done before the tariffs can be approved by the PUC.

Thank you.