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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of HAWAIIAN ELECTRIC COMPANY, INC. For Approval of a 25 kW Minimum Billing Demand for Schedule U Service to St. Francis Medical Center - Liliha and St. Francis Medical Center - West.	)	DOCKET NO. 03-0244

DECISION AND ORDER NO. 20732

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DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

Filed Jan. 6, 2004
At 8:00 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

ATTEST: A True Copy
KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.
K. Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION

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In the Matter of the Application of)) HAWAIIAN ELECTRIC COMPANY, INC.)) For Approval of a 25 kW Minimum) Billing Demand for Schedule U) Service to St. Francis Medical) Center - Liliha and St. Francis) Medical Center - West.))	Docket No. 03-0244 Decision and Order No. 20732

DECISION AND ORDER

I.

Introduction

On August 29, 2003,[1] HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") requested approval of Schedule U contracts with St. Francis Medical Center - Liliha ("SFMC Liliha") and St. Francis Medical Center - West ("SFMC West"), in accordance with Sheet No. 1 of HECO's tariff.[2]

HECO served copies of the application on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate"). On September 18, 2003, the Consumer Advocate submitted its Preliminary Statement of Position, in which

[1]HECO filed Attachment 3, pages 1-2, which were sealed pursuant to Protective Order No. 20419, on September 10, 2003.

[2]Sheet No. 1 of HECO's tariff states:

The rules and rate schedules set forth herein have been fixed by order of the Public Utilities Commission of the State of Hawaii and may not be abandoned, changed, it indicated that it will participate in this docket and will state its position upon completion of its investigation. On September 23, 2003, the Consumer Advocate issued information requests to HECO, to which HECO responded on October 8, 2003. By position statement filed on October 28, 2003, the Consumer Advocate stated that it does not object to the commission's approval of the instant application.

II.

Background

A.

Parties

HECO is a corporation that was duly organized under the laws of the Kingdom of Hawaii on or about October 13, 1891, and now exists under and by virtue of the laws of the State of Hawaii. HECO is an operating public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu.

SFMC Liliha and SFMC West are part of the St. Francis Healthcare System of Hawaii (SFMC Liliha and SFMC West are collectively called the "SFMC Facilities"). SFMC Liliha is a comprehensive 308-bed healthcare facility providing tertiary care located in Honolulu. SFMC Liliha's services include a complete range of general, acute, and medical and surgical services. In

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modified or departed from without the prior approval of the Commission.

addition, SFMC Liliha offers diagnostic support services such as magnetic resonance imaging ("MRI"), radiologic services, mammography, ultrasound, nuclear medicine, and angiography. SFMC West serves the growing need for quality healthcare in West Oahu. The 24-acre campus features an acute-care medical center, office plaza, Clinical Service Center, satellite renal dialysis center, and a 24-bed hospice.

B.

Time-of-Use Service Contract

HECO and the SFMC Facilities negotiated Time-of-Use Service ("Schedule U") contracts that require a minimum billing demand of 25 kilowatts ("kW"), which differs from the minimum billing demand of 300 kW provided under the tariff Schedule U. The proposed Schedule U contracts further provide for a five-year term, which may be extended from year-to-year until terminated by a 30-day written notice by either party.

The SFMC Facilities each installed a Thermal Energy Storage ("TES") system[3] in June 2003. The SFMC Facilities' TES systems make and store "cold energy" in the form of ice during HECO's off-peak period, and then use the stored ice to cool the facilities during the day (i.e., during HECO's on-peak hours) rather than using each facility's electric chillers. The TES

[3]Thermal energy storage for space cooling, also known as cool storage, is a technology that is used to reduce energy costs by allowing energy-intensive, electronically driven cooling equipment to be operated during HECO's off-peak hours when electricity costs are lower.

systems reduce the SFMC facilities' cooling costs with the use of off-peak electricity.

HECO estimates that SFMC Liliha and SFMC West will reduce their kW demand by approximately 330 and 550 kW, respectively, during HECO's on-peak period, in particular, during the 5:00 p.m. to 9:00 p.m. priority peak hours, as a result of installing the TES systems. Since the SFMC Facilities' TES systems are designed to run entirely during HECO's off-peak period, HECO asserts that it will be benefited by a reduction in its system peak load.

HECO contends that the proposed Schedule U contracts make it more economically viable for the SFMC Facilities to install the TES systems, since the proposed Schedule U contracts will lower each facility's respective energy cost. Under the existing HECO Schedule J tariff and based on the SFMC Facilities' load and energy consumption, HECO estimates that the SFMC Facilities' monthly bills would be $25,608 and $26,783 for SFMC Liliha and SFMC West, respectively. Under Schedule J with Rider T ("Time of Day Rider"), SFMC Liliha and SFMC West's monthly bills would be $18,204 and $16,266, respectively. Under the existing Schedule U, the SFMC Facilities' monthly bills would be $19,905 and $19,075 for SFMC Liliha and SFMC West, respectively. Under the proposed Schedule U contract, SFMC Liliha's monthly bill would be $18,066 and SFMC West's monthly bill would be $15,728. Thus, HECO estimates that under the proposed Schedule U contract, SFMC Liliha's monthly bill will be lower than the best available alternative by $138 per month, or approximately $1,661 per year. HECO estimates SFMC West's monthly bill will be lower than the best available alternative by $538 per month, or approximately $6,458 per year, under the proposed Schedule U contract.

C.

Consumer Advocate's Position

After its review the Consumer Advocate determined that HECO's request to set the minimum billing demand of 25 kW is reasonable, since the requested minimum of 25 kW is consistent with the lowest demand for HECO's business demand-service customers. Furthermore, the Consumer Advocate notes that HECO and the general ratepayer would benefit from the proposed change since SFMC Liliha and SFMC West would reduce their demand by approximately 330 and 550 kW, respectively, during HECO's on-peak period, reducing HECO's system peak load. The Consumer Advocate suggests that this reduction would delay the need for additional capacity and rate increase requests.

In addition, the Consumer Advocate determined that the continuation of the Schedule U contract after the five-year period does not appear to "have an adverse impact on HECO or the Company's general ratepayers."

D.

Discussion

The commission finds that HECO's request to approve the Schedule U contracts between HECO and each of the SFMC Facilities is reasonable and consistent with the public interest.

Accordingly, the commission concludes that HECO's request for approval of the Schedule U contracts should be approved.

III.

Orders

THE COMMISSION ORDERS that the Schedule U contracts by and between HECO and SFMC Liliha and HECO and SFMC West are approved.

DONE at Honolulu, Hawaii this 6th day of January, 2004.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By ______________________
Carlito P. Caliboso, Chairman

By ______________________
Wayne H. Kimura, Commissioner

By ______________________
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:

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Catherine P. Awakuni
Commission Counsel
02-0244.oc

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20732 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

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DATED: January 6, 2004