

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----- In the Matter of ----- )  
 )  
MAUI ELECTRIC COMPANY, LIMITED) )  
 )  
Regarding Integrated Resource )  
Planning. )  
\_\_\_\_\_ )

DOCKET NO. 99-0004

ORDER NO. 20884

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STATE OF HAWAII  
DEPARTMENT OF PUBLIC UTILITIES  
COMMUNITY AFFAIRS  
SYSTEMS DIVISION

Filed April 7, 2004  
At 10:00 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  
OF THE STATE OF HAWAII

----- In the Matter of ----- )  
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MAUI ELECTRIC COMPANY, LIMITED) Docket No. 99-0004  
 )  
Regarding Integrated Resource ) Order No. 20884  
Planning. )  
\_\_\_\_\_ )

ORDER

I.

Background

On March 12, 1992, the commission established a framework for integrated resource planning ("IRP Framework"), and ordered HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC LIGHT COMPANY, INC., MAUI ELECTRIC COMPANY, LIMITED ("MECO"), KAUAI ISLAND UTILITY COOPERATIVE (fka, KAUAI ELECTRIC DIVISION OF CITIZENS COMMUNICATIONS COMPANY), and THE GAS COMPANY, LLC (fka, CITIZENS COMMUNICATIONS COMPANY, dba THE GAS COMPANY) ("TGC") to, among other things, submit their integrated resource plans and program implementation schedules for commission approval in accordance with the IRP Framework.<sup>1</sup>

On May 29, 1996, the commission approved MECO's 1<sup>st</sup> integrated resource plan ("IRP") and program implementation schedule ("Action Plans"). The commission also ordered MECO to

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<sup>1</sup>Decision and Order No. 11523, filed on March 12, 1992, in Docket No. 6617 (as amended by Decision and Order No. 11630, filed on May 22, 1992, in Docket No. 6617).

submit its revised or 2<sup>nd</sup> IRP by July 1, 1998.<sup>2</sup> By Order No. 16777, filed on January 7, 1999, and in accordance with the IRP Framework, the commission opened this docket to examine integrated resource planning by MECO, and directed MECO to submit its 2<sup>nd</sup> IRP for commission review and approval by September 1, 1999. The 2<sup>nd</sup> IRP filing deadline was eventually extended to May 31, 2000.<sup>3</sup>

B.

MECO's 2<sup>nd</sup> IRP and Action Plans

On May 31, 2000, MECO filed its 2<sup>nd</sup> IRP and Action Plans for commission approval. Besides MECO, the other parties in this proceeding consist of the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), LIFE OF THE LAND ("LOL") and HAWAII RENEWABLE ENERGY ALLIANCE ("HREA") (collectively, all parties hereinafter referred to as "Parties").<sup>4</sup>

On October 9, 2000, the commission issued Stipulated Prehearing Order No. 18129, setting forth, among other things, the procedural schedule for the above-referenced proceeding. In particular, the procedural schedule states that "[f]ollowing the

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<sup>2</sup>Decision and Order No. 14707, filed on May 29, 1996, in Docket No. 7258.

<sup>3</sup>See, Order No. 17861, filed on July 27, 2000.

<sup>4</sup>Pursuant to Hawaii Administrative Rules § 6-61-62, the Consumer Advocate is an ex officio party to this proceeding. On July 27, 2000, we granted LOL's, HREA's and MAUI TOMORROW's ("MT") respective motions to intervene, subject to limitations. Order No. 17861, filed on July 27, 2000. On September 6, 2000, we approved MT's withdrawal as an intervenor in this docket. Order No. 18011, filed on September 6, 2000.

[P]arties responses to Final Information Requests, the [P]arties will meet informally to attempt to reach a stipulation on issues where there is agreement, and/or establishment of additional procedural steps, as required." On June 29, 2001, the Parties filed their Responses to Final Information Requests.

On November 25, 2003, the commission held a status conference where the Parties orally agreed to confer or meet informally subsequent to the status conference to attempt to reach a stipulation on the issues where there is agreement and/or to establish additional procedural steps, as required, in this docket. Accordingly, the commission subsequently approved the agreements made at the November 25, 2003 status conference and directed the Parties to either file their stipulation for commission review and approval and/or a written report describing, among other things, the status of their negotiations by January 16, 2004.<sup>5</sup> The stipulation and/or written report deadline was subsequently extended to February 27, 2004.<sup>6</sup>

On February 27, 2004, the Parties filed their "Stipulation Regarding Hearing and Commission Approval"

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<sup>5</sup>Order No. 20699, filed on December 4, 2003.

<sup>6</sup>On January 22, 2004, the commission approved MECO's January 16, 2004 request for an extension of time until January 30, 2004 to submit the stipulation and/or written report ("deadline"). See commission letter, dated January 22, 2004. On February 12, 2004, the commission issued Stipulated Procedural Order No. 20799, which further extended the deadline from January 30, 2004 to February 13, 2004. On February 20, 2004, the commission issued Stipulated Procedural Order No. 20809, which further extended the deadline from February 13, 2004 to February 27, 2004.

("February 27, 2004 Stipulation") for commission review and approval.

II.

February 27, 2004 Stipulation

The February 27, 2004 Stipulation provides, among other things, the following agreements and conditions:

1. The Parties do not request additional procedural steps or an evidentiary hearing in this proceeding, and request that the docket be closed;
2. The Parties agree that the concerns raised by the Parties with respect to supply-side resources (generation, transmission, distribution) will be addressed in MECO's upcoming 3<sup>rd</sup> IRP cycle;
3. The Parties agree that concerns raised by the Parties with respect to demand-side management ("DSM") resources and/or MECO's DSM Action Plan will be addressed in MECO's upcoming 3<sup>rd</sup> IRP cycle and/or at the conclusion of MECO's DSM Temporary Continuation Period approved in Order No. 19093, filed on November 30, 2001, in Docket Nos. 95-0139, 95-0140, 95-0141 and 95-0142 (consolidated);
4. The Parties agree that concerns raised with respect to the Hawaii Externalities Workbook, filed on July 22, 1997 ("Externalities Workbook"), will be addressed in MECO's upcoming 3<sup>rd</sup> IRP cycle;
5. The Parties agree that MECO's 3<sup>rd</sup> IRP (aka, IRP-3) objectives will have quantitative and/or qualitative benchmarks, developed in conjunction with the MECO IRP Advisory Group process, in order to help assess the attainment of the IRP Plan components' intended outcomes;

6. MECO and the Consumer Advocate agree that MECO's 2<sup>nd</sup> IRP and Action Plans are sufficient to meet MECO's responsibilities under Sections II.C.1. and II.C.2. of the IRP Framework;
7. LOL and HREA disagree as to whether MECO's 2<sup>nd</sup> IRP and Action Plans are sufficient to meet MECO's responsibilities under Sections II.C.1. and II.C.2. of the IRP Framework;
8. The Parties agree, however, that the commission may accept this February 27, 2004 Stipulation and it is not necessary under the circumstances for the commission to issue a final decision and order under Section II.D.2. of the IRP Framework that resolves the Parties' differences;
9. If the commission does not formally approve MECO's 2<sup>nd</sup> IRP and Action Plans, the Parties agree that MECO's 2<sup>nd</sup> IRP and Action Plans will have the status of plans filed with, but not approved by, the commission;
10. The Consumer Advocate agrees, and LOL and HREA disagree, that (a) MECO has sufficiently complied with the requirement that it submit its externalities findings and recommendations to the commission by submitting its Externalities Workbook, (b) the Externalities Workbook may be used by MECO in subsequent IRP filings, and (c) nothing herein shall be construed to prohibit MECO or another party from presenting or using other qualitative or quantitative externality values and/or methodologies in future IRP proceedings;
11. Pursuant to Section III.D.3. of the IRP Framework, MECO will submit two (2) evaluation reports of its HECO's 2<sup>nd</sup> IRP and Action Plans - the first to be submitted no later than April 30, 2004 (although MECO will target to file its first evaluation report by March 31, 2004) and the second to be submitted no later than April 29, 2005, respectively -- unless the commission sets or approves different dates for such

submissions. After the first evaluation report is filed, MECO will convene a meeting of its Advisory Group (since LOL and HREA are currently not members of MECO's Advisory Group, MECO will invite LOL and HREA to attend the meeting and become members for its 3<sup>rd</sup> IRP) to review the findings of the evaluation report, and will solicit written comments from the Advisory Group, LOL and HREA with respect to the findings included in the evaluation report that MECO will take into consideration, to the extent practicable, in its second evaluation report to be filed by April 29, 2005, and/or in MECO's upcoming 3<sup>rd</sup> IRP cycle; and

12. Pursuant to Section III. B.2. of the IRP Framework, MECO will submit a revised 3<sup>rd</sup> IRP and Action Plans no later than October 31, 2006, unless the commission sets or approves a different date for such submission.

Upon our review of the February 27, 2004 Stipulation, we find that the agreements and conditions proposed above by the Parties are reasonable and will expedite and facilitate IRP planning and development in the State of Hawaii, which will ultimately benefit the electric power consumer or ratepayers affected by this proceeding. We agree with the Parties that "the review in an IRP proceeding is intended to be forward looking, with the focus on a determination of the overall reasonableness of a utility's 20-year IRP Plan, and the specific actions, resources and programs included in the five-year program implementation schedule (i.e., the Supply-Side and Demand-Side Action Plans)[.]" Because the five-year period (2000-2004) covered by MECO's Action Plans filed with HELCO's 2<sup>nd</sup> IRP Plan will soon conclude, we also agree with the Parties that it would be more appropriate for MECO to

begin a new IRP cycle than to continue to review MECO's 2<sup>nd</sup> IRP Plan in this proceeding in accordance with the IRP Framework. We also recognize that since the filing of MECO's 2<sup>nd</sup> IRP Plan in 2000, there have been a number of recent developments and changes (i.e., the opening of investigative dockets relating to distributed generation in Hawaii, Docket No. 03-0371, and competitive bidding for new generating capacity in Hawaii, Docket No. 03-0372) that may or will have a significant impact on MECO's IRP and the existing IRP Framework. Consequently, notwithstanding the three-year cycle filing requirement<sup>7</sup> set forth in the IRP Framework, we will allow MECO to file its 3<sup>rd</sup> IRP and Action Plans by October 31, 2006. However, should circumstances change pertaining to, among other things, MECO's supply-side resources and load and sales forecast, we expect MECO to immediately report in writing such change in circumstances and reasons thereof to the commission and the Parties in this docket.

Accordingly, we conclude that the proposed agreements and conditions set forth in the Parties' February 27, 2004 Stipulation should be approved in its entirety and made a part of this order, as described further below in section III. Furthermore, in light of our approval of the proposed agreement and conditions set forth

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<sup>7</sup>Section III.B.2. of the IRP Framework states that "each utility shall conduct a major review, resulting in the submission to the commission of a new integrated resource plan and implementation schedule on the same day every three years."

in the February 27, 2004 Stipulation, we conclude that this docket should be thereafter closed.<sup>8</sup>

### III.

#### Orders

##### THE COMMISSION ORDERS:

1. The February 27, 2004 Stipulation is approved in its entirety and shall be made part of this order.

2. Pursuant to Section III.D.3. of the IRP Framework, HELCO shall submit its first annual evaluation report of its 2<sup>nd</sup> IRP and Action Plans no later than April 30, 2004. Subsequent to the filing of its first annual evaluation report, MECO shall submit its second annual evaluation report of its 2<sup>nd</sup> IRP and Action Plans no later than April 29, 2005. MECO's first and second annual evaluation reports shall be submitted consistent with the agreements and conditions of the February 27, 2004 Stipulation.

3. Pursuant to Section III.B.2. of the IRP Framework, MECO shall continue to conduct a major review of its IRP by adopting a new 20-year planning horizon, repeating the planning process cycle, and fully re-analyzing its resource programs, consistent with the terms of this order. MECO shall submit its revised or 3<sup>rd</sup> IRP and Action Plans no later than October 31, 2006. MECO shall immediately report in writing any change in circumstances pertaining to, among other things, MECO's supply-side

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<sup>8</sup>By separate order to be issued immediately after the instant order, a new docket will be opened to commence the next IRP cycle for MECO in accordance with Section III.C.1. of the IRP Framework.

resources and load and sales forecast and the reasons thereof, to the commission and the Parties in this docket.

5. This docket is closed.

DONE at Honolulu, Hawaii this 7th day of April, 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:

  
Kris N. Nakagawa  
Commission Counsel

99-004.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 20884 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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Certificate of Service

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Karen Higashi

DATED: April 7, 2004