

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----In the Matter of----)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to)
Investigate the Proposed Tariffs)
Filed by Kauai Island Utility)
Cooperative and Other Related)
Matters.)
_____)

DOCKET NO. 2006-0498

DECISION AND ORDER NO. 23563

Filed July 27, 2007
At 11 o'clock A.M.

Karen Higashi
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF HOME AFFAIRS AND
COMMUNITY AFFAIRS
STATE OF HAWAII

2007 JUL 30 A 9:32

RECEIVED

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

Karen Higashi

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
)
PUBLIC UTILITIES COMMISSION) Docket No. 2006-0498
)
Instituting a Proceeding to) Decision and Order No. 23563
Investigate the Proposed Tariffs)
Filed by Kauai Island Utility)
Cooperative and Other Related)
Matters.)
_____)

DECISION AND ORDER

By this Decision and Order,¹ the commission declines to adopt, at this time, the federal interconnection standards set forth in Section 2621(d)(15) of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended by the Energy Policy Act of 2005 ("EPACT") ("PURPA interconnection standards"), for KIUC.²

¹The Parties in this proceeding are KAUAI ISLAND UTILITY COOPERATIVE ("KIUC"); HAWAII RENEWABLE ENERGY ALLIANCE ("HREA"); the COUNTY OF KAUAI; CHAPEAU, INC., dba BLUEPOINT ENERGY ("BluePoint Energy", STARWOOD HOTELS AND RESORTS WORLDWIDE, INC. ("Starwood Resorts"), and the HAWAII HEALTH SYSTEMS CORPORATION ("HHSC") (collectively, the "BluePoint Energy Intervenors"); MARRIOTT HOTELS SERVICES, INC., on behalf of KAUAI MARRIOTT RESORT & BEACH CLUB ("Kauai Marriott"); and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"), an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

²This Decision and Order timely addresses the PURPA interconnection standards issue, as mandated by federal law. Commission action on the other remaining issues, i.e., whether KIUC's proposed interconnection and standby service tariffs are just and reasonable, is deferred to future decision-making. Presently, the Parties' deadline to submit their proposed stipulated procedural schedule on the interconnection and standby

I.

Background

KIUC is the franchised provider of electric utility service on the island of Kauai. KIUC's power system is a stand-alone system that is not interconnected with power systems on the other islands.

Sections 2621(d)(15) and 2622(b)(5) of PURPA, as amended by the EPACT, require the commission to: (1) commence consideration of the PURPA interconnection standards, no later than August 8, 2006; and (2) complete its consideration of the PURPA interconnection standards issue by August 7, 2007.³ The PURPA interconnection standards adopt by reference the Institute of Electrical and Electronics Engineers, Inc.'s ("IEEE") Standard 1547, Standard of Interconnecting Distributed Resources with Electric Power Systems ("Standard 1547"), "as they may be amended from time to time."⁴

A.

Docket No. 03-0371

By Decision and Order No. 22248, filed on January 27, 2006, in In re Public Util. Comm'n, Docket No. 03-0371, the commission's distributed generation investigative proceeding, the commission "set forth certain policies and principles for the

service tariffs is August 29, 2007, unless a settlement on the rates and provisions for one or both proposed tariffs is agreed-upon by the Parties.

³16 U.S.C. §§ 2621(d)(15) and 2622(b)(5).

⁴16 U.S.C. § 2621(d)(15).

deployment of distributed generation in Hawaii and certain guidelines and requirements for distributed generation, some of which will be further defined by tariff as approved by the commission."⁵

Decision and Order No. 22248 sets forth certain requirements for the electric utilities, including the requirement that the utilities file proposed interconnection and standby service tariffs for the commission's review and approval.⁶ With respect to the interconnection process, the commission held:

4. The commission requires that each utility establish reliability and safety requirements, by proposed tariff for approval by the commission, for distributed generation that is connected to the electric utility's distribution system.

5. The commission requires that each utility establish a non-discriminatory interconnection policy, by proposed tariff for approval by the commission, that entitles distributed generation to interconnect when it can be done safely, reliably, and economically. The commission also requires the utilities to develop a standardized interconnection agreement, by proposed tariff for approval by the commission, to streamline the distributed generation application review process and eliminate long lead times that may lead to cancellation of a beneficial project, as more particularly described above.

⁵Decision and Order No. 22248, filed on January 27, 2006, at 1. The parties in Docket No. 03-0371 are Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Ltd. (collectively, the "HECO Companies"), KIUC, the Consumer Advocate, Life of the Land, HREA, Hess Microgen, LLC, and the County of Maui. The County of Kauai is the sole participant.

⁶On April 6, 2006, the commission: (1) granted in part and denied in part the motion for clarification filed by the HECO Companies; and (2) denied the HECO Companies' motion for partial reconsideration. See Order No. 22375, filed on April 6, 2006. See Order No. 22375, filed on April 6, 2006.

.
11. To the extent any existing tariff or other regulatory provisions are applicable to any of the additional tariffs required to be developed by the commission in this Decision and Order, the utility shall be allowed to propose amendments to the same, as appropriate. The utility shall also be permitted to propose to the commission for its consideration other means that may be more efficient and appropriate, in lieu of a tariff, by which to accomplish the principles and policies established by the commission in this Decision and Order.

Decision and Order No. 22248, Ordering Paragraphs 4, 5, and 11, at 46 - 48.

On July 27, 2006, KIUC filed its proposed interconnection tariff. Comments on KIUC's proposed interconnection tariff were filed by HREA and the Consumer Advocate.⁷

On August 8, 2006, the commission solicited comments from the parties and participant on whether the commission should adopt, modify, or decline to adopt in whole or in part, the PURPA interconnection standards, including the extent to which the electric utilities have already met the PURPA interconnection standards. On September 8, 2006, KIUC and the Consumer Advocate filed their comments on the PURPA interconnection standards issue.

⁷On September 8, 2006, HREA commented on KIUC's proposed interconnection tariff. On November 9, 2006, the Consumer Advocate commented on KIUC's proposed interconnection tariff, and on November 21, 2006, KIUC responded to the Consumer Advocate's comments.

In its comments, KIUC stated:

1. The commission should adopt IEEE Standard 1547 in whole, but only as part of a more comprehensive minimum standard that all distributed generation owners must meet. IEEE Standard 1547, on its own, does not prescribe adequate protection and operating requirements for certain types and sizes of distributed generation units.

2. KIUC's proposed interconnection tariff already includes IEEE Standard 1547, as part of the required criteria to interconnect with KIUC's system, along with additional standards the interconnecting party may be required to conform to or comply with in order to be eligible to interconnect with KIUC's system.

3. IEEE Standard 1547, in conjunction with KIUC's proposed interconnection tariff, will address the issue of streamlining the interconnection process without compromising system reliability and safety concerns.

4. IEEE Standard 1547 is a minimum standard that should be considered along with other standards that may also apply, based on specific types and sizes of the distributed generation units and their potential effects on KIUC's system.

5. KIUC's proposed interconnection tariff meets the full intent of IEEE Standard 1547, i.e., "for the electric utility to develop a list of criteria that must be met in order for a distributed generator to interconnect to the electrical grid in a safe, reliable and efficient manner."⁸

⁸Docket No. 03-0371, KIUC's Comments, dated September 8, 2006, Attachment 1, at 2.

The Consumer Advocate stated that it was unable to offer specific recommendations as to what modifications should be made to adopt IEEE Standard 1547 to meet Hawaii's needs.

On November 27, 2006, KIUC filed its proposed revisions to its standby service tariff.⁹ On December 8, 2006, the County of Kauai commented on KIUC's proposed standby service tariff. In addition, the commission received unsolicited comments on KIUC's proposed revisions to its standby service tariff from third-persons who were not parties or participants to the proceeding. The non-parties, in general, requested hearings on the proposed standby service charges, and the opening of a new standby service docket so that all interested stakeholders would have the opportunity to participate.

B.

Docket No. 2006-0498

As a result of the concerns raised by the interested, non-party stakeholders in Docket No. 03-0371, the commission, on December 28, 2006, opened this investigative proceeding to review and address: (1) the proposed interconnection and standby service tariffs filed by KIUC in Docket No. 03-0371; and (2) the PURPA interconnection standards issue.¹⁰ The commission named KIUC and

⁹KIUC presently has a [Standby] Rider S. See Decision and Order No. 22248, at 41 - 42 n.64.

¹⁰Order No. 23172, filed on December 28, 2006. Docket No. 2006-0498, in effect, supersedes Docket No. 03-0371.

the Consumer Advocate as parties to this docket, and invited interested persons to timely move to intervene or participate.

On March 1, 2007, KIUC filed its revised proposed interconnection tariff, which incorporated revisions to KIUC's proposed interconnection tariff jointly developed and agreed-upon between KIUC and the Consumer Advocate ("proposed interconnection tariff"). Thereafter, following public notice and the completion of a public hearing on the island of Kauai,¹¹ the commission, on May 8, 2007, granted intervention to HREA, the County of Kauai, the BluePoint Energy Intervenors, and Kauai Marriott.¹²

By letter dated June 28, 2007, the Parties: (1) waived their right to a hearing on the PURPA interconnection standards issue; and (2) recommended that the commission decline to adopt

The issues identified by the commission in Order No. 23172 include:

.

2. Whether KIUC's proposed interconnection tariff is just and reasonable and consistent in principle with the guidelines and requirements set forth in Decision and Order No. 22248, filed in Docket No. 03-0371, as clarified by Order No. 22375, filed in the same docket.

3. Whether the commission should adopt, modify, or decline to adopt in whole or in part, the PURPA interconnection standards, including the extent to which KIUC has already met the PURPA interconnection standards.

Order No. 23172, at 9 (emphasis added).

¹¹The notice of public hearing was published in The Garden Island, Hawaii Tribune-Herald, Honolulu Star-Bulletin, The Maui News, and West Hawaii Today.

¹²Order No. 23422, filed on May 8, 2007.

the PURPA interconnection standards.¹³ On July 2, 2007, the commission: (1) approved the Parties' waiver of hearing on the PURPA interconnection standards issue; and (2) instructed the Parties to jointly file, by July 13, 2007, a statement outlining the reasons in support of their recommendation that the commission decline to adopt the PURPA interconnection standards.¹⁴

C.

Parties' Joint PURPA Statement

On July 13, 2007, KIUC, on behalf of the Parties, filed the Parties' joint statement, in compliance with the commission's directive.¹⁵ The Parties in this proceeding (including KIUC), as a result of their discussions and exchanging of information to date, jointly recommend that the commission decline to adopt the PURPA interconnection standards:

1. KIUC's March 1, 2007 Revised Proposed Interconnection Tariff (Exhibit 1) that is the subject for review in this proceeding, and for which a public hearing was held on February 27, 2007, already includes IEEE Standard 1547 as part of the required criteria to interconnect to KIUC's system. However, Attachments 3 and 4 of Exhibit 1 also list additional standards or certifications to which the interconnecting party may be required to conform to or comply with in order to be eligible to interconnect. These other standards or certifications address other state, federal, or vendor standards or certifications that may be required to insure safe and

¹³KIUC's letter, dated June 28, 2007, filed on behalf of the Parties.

¹⁴Order No. 23533, filed on July 2, 2007.

¹⁵KIUC's letter, dated July 13, 2007, filed on behalf of the Parties.

reliable interconnection and operation of distributed generation units. Specifically, IEEE Standard 1547, on its own, may not prescribe adequate protection and operating requirements for certain types and sizes of distributed generation units. These issues are currently under discussion in the technical meetings, and all parties reserve the right to address these issues, as well as any proposed future revisions, consistent with the established procedural schedule and/or the Commission's rules and regulations.

2. IEEE Standard 1547 is limited to only distributed generation units that are 10 megawatts ("MW") or below as compared to standards proposed in KIUC's Revised Proposed Interconnection Tariff, which instead utilizes a threshold of 20 MW.
3. Section 111(a) of PURPA does not prohibit the Commission from making any determination that it is not appropriate to implement the PURPA interconnection standards and Section 117(b) of PURPA also does not prohibit the Commission from modifying any standard, adopting additional standards, or adopting more or less stringent standards, or adopting only some of the standards.

Based on the foregoing reasons, the parties believe that the Commission should decline to adopt the specific PURPA interconnection standards referenced herein. Of course, this does not preclude the parties from recommending that the Commission incorporate standards that are similar to the PURPA standards into the standards ultimately approved by the Commission in this proceeding.

Consistent with their statement in their June 28, 2007 recommendation, the parties in this proceeding concur that KIUC's proposed interconnection tariff ultimately approved by the Commission as a result of this proceeding will address interconnection matters specific to Hawaii in a comprehensive manner and allow the Commission to be in compliance with the PURPA interconnection standards. As a result of the above, the parties hereby request that the Commission issue a decision and order declining to adopt the PURPA interconnection standards

KIUC's letter, dated July 13, 2007, at 2 - 3 (footnote and text therein omitted) (emphasis added); see also KIUC's letter, dated June 28, 2007, at 2 n.3.

II.

Discussion

Section 2612(a) of PURPA states:

§ 2612. Coverage

(a) Volume of total retail sales

This chapter [chapter 46, Public Utility Regulatory Policies] applies to each electric utility in any calendar year, and to each proceeding relating to each electric utility in such year, if the total sales of electric energy by such utility for purposes other than resale exceeded 500 million kilowatt-hours during any calendar year beginning after December 31, 1975, and before the immediately preceding calendar year.

16 U.S.C. § 2612(a).

Sections 2621, 2622, and 2627(b) of PURPA, as amended by the EPACT, state in relevant part:

§ 2621. Consideration and determination respecting certain ratemaking standards

(a) Consideration and determination

Each state regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated electric utility shall consider each standard established by subsection (d) of this section and make a determination concerning whether or not it is appropriate to implement such standard to carry out the purposes of this chapter. For purposes of such consideration and determination in accordance with subsections (b) and (c) of this section, and for purposes of any review of such consideration and determination in any court in accordance with section 2633 of this title, the purposes of this chapter supplement otherwise applicable State law. Nothing in this subsection prohibits any State

regulatory authority or nonregulated electric utility from making any determination that it is not appropriate to implement any such standard, pursuant to its authority under otherwise applicable State law.

(b) Procedural requirements for consideration and determination

(1) The consideration referred to in subsection (a) of this section shall be made after public notice and hearing. The determination referred to in subsection (a) of this section shall be -

(A) in writing,

(B) based upon findings included in such determination and upon the evidence presented at the hearing, and

(C) available to the public.

(2) Except as otherwise provided in paragraph (1), in the second sentence of section 2622(a) of this title, and in sections 2631 and 2632 of this title, the procedures for the consideration and determination referred to in subsection (a) of this section shall be those established by the State regulatory authority or the nonregulated electric utility.

(c) Implementation

(1) The State regulatory authority (with respect to each electric utility for which it has ratemaking authority) or nonregulated electric utility may, to the extent consistent with otherwise applicable State law -

(A) implement any such standard determined under subsection (a) of this section to be appropriate to carry out the purposes of this chapter, or

(B) decline to implement any such standard.

(2) If a State regulatory authority (with respect to each electric utility for which it has ratemaking authority) or nonregulated electric utility declines to implement any standard established by subsection (d) of this section which is determined under subsection (a) of this section to be appropriate to carry out the

purposes of this chapter, such authority or nonregulated electric utility shall state in writing the reasons therefor. Such statement of reasons shall be available to the public.

.

(d) Establishment

The following Federal standards are hereby established:

.

(15) Interconnection

Each electric utility shall make available, upon request, interconnection service to any electric consumer that the electric utility serves. For purposes of this paragraph, the term "interconnection service" means service to an electric consumer under which an on-site generating facility on the consumer's premises shall be connected to the local distribution facilities. Interconnection services shall be offered based upon the standards developed by the Institute of Electrical and Electronics Engineers: IEEE Standard 1547 for Interconnecting Distributed Resources with Electric Power Systems, as they may be amended from time to time. In addition, agreements and procedures shall be established whereby the services are offered shall promote current best practices of interconnection for distributed generation, including but not limited to practices stipulated in model codes adopted by associations of state regulatory agencies. All such agreements and procedures shall be just and reasonable, and not unduly discriminatory or preferential.

§ 2622. Obligations to consider and determine

.

(b) Time limitations

(5)(A) Not later than 1 year after August 8, 2005, each State regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated utility shall commence the consideration referred to in section

2621 of this title, or set a hearing date for consideration, with respect to the standard established by paragraph (15) of section 2621(d) of this title .

(B) Not later than two years after August 8, 2005, each State regulatory authority (with respect to each electric utility for which it has ratemaking authority), and each nonregulated electric utility, shall complete the consideration, and shall make the determination, referred to in section 2621 of this title with respect to each standard established by paragraph (15) of section 2621(d) of this title.

§2627. Relationship to State law

. . . .

(b) State authority

Nothing in this chapter prohibits any State regulatory authority or nonregulated electric utility from adopting, pursuant to State law, any standard or rule affecting electric utilities which is different from any standard established by this subchapter.

. . . .

16 U.S.C. §§ 2621, 2622, and 2627(b) (boldface in original) (emphasis added).

KIUC confirms that its total annual sales of electrical energy do not exceed 500 million kilowatt-hours.¹⁶ Thus, Sections 2621 and 2622 of PURPA, as amended by the EPACT, do not appear to apply to KIUC, pursuant to Section 2612(a) of PURPA.¹⁷ While the commission recognized that KIUC did not meet

¹⁶Docket No. 03-0371, KIUC's letter, dated September 8, 2006, Attachment 1, at 1 n.1.

¹⁷See Kenneth Rose & Karl Meeusen, Reference Manual and Procedures for Implementation of the "PURPA Standards" in the Energy Policy Act of 2005, Mar. 22, 2006 ("2006 Reference Manual"), sub-section 1.2, Background and Summary of the

the minimum criteria set forth in Section 2612(a) of PURPA, "given the nature of the docket and the public policy considerations at issue," the commission nonetheless expressed its intent to review whether KIUC should be required to adopt the PURPA interconnection standards.¹⁸

IEEE Standard 1547 consists of sections identified as Overview (Section 1), References (Section 2), Definitions and acronyms (Section 3), Interconnection technical specifications and requirements (Section 4), and Interconnection test specifications and requirements (Section 5).¹⁹

In general, IEEE Standard 1547: (1) establishes criteria and requirements governing the interconnection of distributed resources with electric power systems; and (2) provides a uniform standard for the interconnection of distributed resources with electric power systems.²⁰ As described in the preamble to IEEE Standard 1547:

Federal PURPA Standards, at 7 - 9, and sub-section 2.3, Definitions and application, at 16 - 19 (the PURPA requirements only apply to electric utilities with total annual retail sales of greater than 500 million kilowatt-hours, and the baseline year for the calculation is two years before the year when the standards are being considered).

The 2006 Reference Manual is sponsored by the American Public Power Association, Edison Electric Institute, National Association of Regulatory Utility Commissioners, and the National Rural Electric Cooperative Association.

¹⁸Docket No. 03-0371, Commission's letter, dated August 8, 2006, at 1 n.1.

¹⁹The preamble to the IEEE Standard 1547 includes an abstract and disclaimer. See IEEE Standard 1547, at ii - iii.

²⁰IEEE Standard 1547, Section 1 and sub-sections 1.1 and 1.2, at 1.

Abstract: This standard is the first in the 1547 series of interconnection standards and is a benchmark milestone demonstrating the open consensus process for standards development. Traditionally, utility electric power systems (EPS - grid or utility grid) were not designed to accommodate active generation and storage at the distribution level. As a result, there are major issues and obstacles to an orderly transition to using and integrating distributed power resources with the grid. The lack of uniform national interconnection standards and tests for interconnection operation and certification, as well as the lack of uniform national building, electrical, and safety codes, are understood. IEEE Std 1547 and its development demonstrate a model for ongoing success in establishing additional interconnection agreements, rules, and standards, on a national, regional, and state level. IEEE Std 1547 has the potential to be used in federal legislation and rule making and state public utilities commission (PUC) deliberations, and by over 3000 utilities in formulating technical requirements for interconnection agreements for distributed generators powering the electric grid.

This standard focuses on the technical specifications for, and testing of, the interconnection itself. It provides requirements relevant to the performance, operation, testing, safety considerations, and maintenance of the interconnection. It includes general requirements, response to abnormal conditions, power quality, islanding, and test specifications and requirements for design, production, installation evaluation, commissioning, and periodic tests. The stated requirements are universally needed for interconnection of distributed resources (DR), including synchronous machines, induction machines, or power inverters/converters and will be sufficient for most installations. The criteria and requirements are applicable to all DR technologies, with aggregate capacity of 10 [megavolt amperes] or less at the point of common coupling, interconnected to electric power systems at typical primary and/or secondary distribution voltages. Installation of DR on radial primary and secondary distribution systems is the main emphasis of this document, although installation of DR on primary and secondary network distribution systems is considered. This standard

is written considering that the DR is a 60 [hertz] source.

IEEE Standard 1547, at ii (emphasis added).

The commission recognizes that IEEE Standard 1547 represents a uniform standard for interconnecting distributed resources with electric power systems. Nonetheless, the use of an IEEE Standard, including Standard 1547, is voluntary.²¹

In this regard:

PURPA state[s] that "each state regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated electric utility shall consider each standard" and then "make a determination concerning whether or not it is appropriate to implement such a standard" (PURPA section 111(a)). PURPA also states that "nothing in this subsection prohibits any state regulatory authority or nonregulated electric utility from making any determination that it is not appropriate to implement any such standard" (PURPA section 111(a)).

From this language it is clear that while state commissions and unregulated utilities are required to consider the standards, they are not required to adopt them. PURPA also states that state commissions and utilities may implement any standard, decline to implement any standard, or adopt different or modified standards from those described in the statute (PURPA section 117(b)). However, if they decline, they are required to state in writing the reason for their decision and make that statement available to the public (PURPA section 111(c)). State commissions and utilities may also take into account prior determination on the standards if it complies with the requirement of Title I of PURPA (PURPA section 112(a)).

²¹IEEE Standard 1547, at iii. Moreover, "[t]he existence of an IEEE Standard does not imply that there are no other ways to produce, test, measure, purchase, market, or provide other goods and services related to the scope of the IEEE Standard. Furthermore, the viewpoint expressed at the time a standard is approved and issued is subject to change brought about through developments in the state of the art and comments received from users of the standard." Id.

2006 Reference Manual, at 8 (footnote and text therein omitted) (emphasis added).²²

In In re Public Util. Comm'n, Docket No. 2006-0497, the commission declined to adopt, at this time, the PURPA interconnection standards for the HECO Companies. Similarly, the commission, in this proceeding, accepts the Parties' recommendation and declines to adopt, at this time, the PURPA interconnection standards for KIUC.²³

Here, while the Parties note that KIUC's proposed interconnection tariff, filed on March 1, 2007, in Docket No. 2006-0498, already includes IEEE Standard 1547 as part of the required criteria to interconnect with KIUC's system, they further note that IEEE Standard 1547, on its own, may not prescribe adequate protection and operating requirements for certain types and sizes of distributed generation units. Moreover, the Parties recognize that the application of IEEE Standard 1547 is limited to distributed generation units of 10 MW or less. Conversely, KIUC's proposed interconnection tariff utilizes a threshold of 20 MW.

Thus, the Parties intend to continue to discuss these matters in technical meetings, in their attempt to reach consensus on an interconnection tariff that complies with the

²²The 2006 Reference Manual affirmatively takes no position on whether or not to adopt the PURPA interconnection standards. See 2006 Reference Manual, Preface, at 2, and Section 7, Interconnection, at 94 - 99.

²³Consistent with Section 2621(d)(15) of PURPA, as amended by the EPACT, the commission is not precluded from adopting, in the future, a later edition of IEEE Standard 1547, "as they may be amended from time to time." See 16 U.S.C. § 2621(d)(15).

applicable guidelines and requirements set forth in Decision and Order No. 22248, filed in Docket No. 03-0371, as clarified by Order No. 22375.²⁴ In this regard, the Parties "acknowledge that progress has been made in possibly resolving and/or simplifying the interconnection issues in this proceeding."²⁵ This approach, the commission notes, involves the collaborative efforts of a broad cross-section of interested stakeholders. Specifically, KIUC, the Consumer Advocate, potential and current distributed generation customers (HHSC, Kauai Marriott, and Starwood Resorts), including the local government entity (County of Kauai), a vendor of distributed generation systems (BluePoint Energy), and a local non-profit, renewable energy organization (HREA).

As recognized by the interested stakeholders, PURPA "does not prohibit the Commission from modifying any standard, adopting additional standards, or adopting more or less stringent standards, or adopting only some of the standards."²⁶ Thus, the interested stakeholders concur that the interconnection tariff "ultimately approved by the Commission as a result of

²⁴See KIUC's letters, dated June 1, 2007, June 28, 2007, July 5, 2007, and July 13, 2007. To date, the Parties have: (1) informally exchanged comments and proposals; and (2) participated in a technical meeting. One or more technical meetings are also scheduled.

As articulated by the commission in Docket No. 03-0371, the "standardized [interconnection] agreements should incorporate specific interconnection standards adopted by [IEEE] or other recognized standard-setting groups[.]" Decision and Order No. 22248, at 36 (emphasis added).

²⁵KIUC's letter, dated June 28, 2007, at 2.

²⁶KIUC's letter, dated July 13, 2007, at 3 (citing to 16 U.S.C. § 2627(b)).

this proceeding will address interconnection matters specific to Hawaii in a comprehensive manner and allow the Commission to be in compliance with the PURPA interconnection standards."²⁷

In sum, based on the Parties' continuing efforts in developing an agreed-upon interconnection tariff, the commission declines to adopt, at this time, the PURPA interconnection standards for KIUC.²⁸ Concomitantly, this decision "does not preclude the parties from recommending that the Commission incorporate standards that are similar to the PURPA standards into the standards ultimately approved by the Commission in this proceeding."²⁹

III.

Order

THE COMMISSION DECLINES to adopt, at this time, the federal interconnection standards set forth in Section 2621(d)(15) of PURPA, as amended by the EPACT, for KIUC.

²⁷KIUC's letter, dated July 13, 2007, at 3 (emphasis added); see also KIUC's letter, dated June 28, 2007, at 2 n.3.

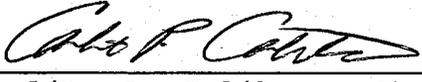
²⁸The commission's action of declining to adopt a PURPA standard is not without precedent. See, e.g., In re Public Util. Comm'n, Docket No. 94-0203, Decision and Order No. 14454, filed on January 12, 1996 (the commission declined to adopt any of the standards set forth in section 111 of PURPA, as amended by the Energy Policy Act of 1992, finding that the IRP Framework already incorporated the energy efficiency standards set forth in section 111 of PURPA, as amended); and In re Public Util. Comm'n, Docket No. 94-0204, Decision and Order No. 13632, filed on November 2, 1994 (the commission declined to adopt the gas efficiency standards set forth in section 303(b) of PURPA, as established by section 115 of the Energy Policy Act of 1992, finding that the IRP Framework already incorporated the new federal gas standards).

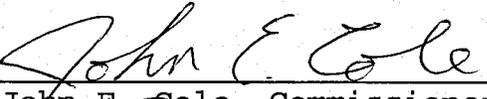
²⁹KIUC's letter, dated July 13, 2007, at 3.

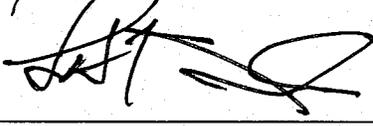
DONE at Honolulu, Hawaii

JUL 27 2007

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Michael Azama
Commission Counsel

2006-0498.ah

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 23563 upon the following persons, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such person.

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

RANDALL J. HEE, P.E.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street, Suite 1
Lihue, HI 96766-2000

TIMOTHY BLUME
MICHAEL YAMANE
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street, Suite 1
Lihue, HI 96766-2000

KENT D. MORIHARA, ESQ.
KRIS N. NAKAGAWA, ESQ.
RHONDA L. CHING, ESQ.
MORIHARA LAU & FONG LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813

Counsel for KIUC

WARREN S. BOLLMEIER II
PRESIDENT
HAWAII RENEWABLE ENERGY ALLIANCE
46-040 Konane Place, #3816
Kaneohe, HI 96744

Certificate of Service

Page 2

GLENN SATO, ENERGY COORDINATOR
OFFICE OF ECONOMIC DEVELOPMENT
COUNTY OF KAUAI
4444 Rice Street, Suite 220
Lihue, HI 96766

CHRISTIANE L. NAKEA-TRESLER, ESQ.
JAMES K. TAGUPA, ESQ.
OFFICE OF THE COUNTY ATTORNEY
COUNTY OF KAUAI
4444 Rice Street, Suite 220
Lihue, HI 96766-1300

Counsel for the COUNTY OF KAUAI

RENE MCWADE
HAWAII HEALTH SYSTEMS CORPORATION
3675 Kilauea Avenue
Honolulu, HI 96816

WILLIAM W. MILKS, ESQ.
LAW OFFICE OF WILLIAM W. MILKS
American Savings Bank Tower
Suite 977, 1001 Bishop Street
Honolulu, HI 96813

Counsel for CHAPEAU, INC., dba BLUEPOINT ENERGY; STARWOOD
HOTELS AND RESORTS WORLDWIDE, INC.; and HAWAII HEALTH
SYSTEMS CORPORATION

BEN DAVIDIAN, ESQ.
LAW OFFICES OF BEN DAVIDIAN
P. O. Box 2642
Fair Oaks, CA 95628

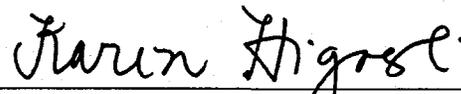
Counsel for CHAPEAU, INC., dba BLUEPOINT ENERGY; STARWOOD
HOTELS AND RESORTS WORLDWIDE, INC.; and HAWAII HEALTH
SYSTEMS CORPORATION

JOE ROBILLARD
DIRECTOR OF ENGINEERING
KAUAI MARRIOTT RESORT & BEACH CLUB
3610 Rice Street
Lihue, HI 96766

Certificate of Service
Page 3

THOMAS C. GORAK, ESQ.
GORAK & BAY, L.L.C.
1161 Ikena Circle
Honolulu, HI 96821

Counsel for MARRIOTT HOTEL SERVICES, INC., on behalf of
KAUAI MARRIOTT RESORT & BEACH CLUB



Karen Higashi

DATED: JUL 27 2007