

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
PUBLIC UTILITIES COMMISSION)
Instituting a Proceeding to)
Investigate the Issues and)
Requirements Raised by, and)
Contained in, Hawaii's Public)
Benefits Fund, Part VII of)
Chapter 269, Hawaii Revised)
Statutes)

DOCKET NO. 2007-0323

ORDER TO INITIATE THE COLLECTION OF FUNDS FOR
THE THIRD PARTY ADMINISTRATOR OF ENERGY EFFICIENCY PROGRAMS

PUBLIC UTILITIES
COMMISSION

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FILED

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By this Order, the commission, among other things:

1) adopts HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"),¹ HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"),² and MAUI ELECTRIC COMPANY, LTD.'s ("MECO")³ (collectively, the "HECO Companies")

¹HECO is a Hawaii corporation and a public utility as defined by Hawaii Revised Statutes ("HRS") § 269-1. HECO was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891. HECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii.

²HELCO is a Hawaii corporation and a public utility as defined by HRS § 269-1. HELCO was initially organized under the laws of the Republic of Hawaii on or about December 5, 1894. HELCO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Hawaii in the State of Hawaii.

³MECO is a Hawaii corporation and a public utility as defined by HRS § 269-1. MECO was initially organized under the laws of the Territory of Hawaii on or about April 28, 1921. MECO is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Maui; the production, transmission, distribution, and sale of electricity on the

recommendation to expense approximately \$50,000 per quarter, beginning on July 1, 2008, to be utilized for the initial start-up costs associated with the third party administrator ("TPA") of energy efficiency programs; 2) establishes a six (6) month transition period from January 1, 2009 to June 30, 2009, to allow the HECO Companies to continue to offer their energy efficiency programs during the establishment of the TPA; and 3) adopts the HECO Companies' recommendation to file their respective Annual Measurements and Evaluation reports ("M&E reports") and evaluation reports for the Residential Customer Energy Awareness ("RCEA") pilot program by September 30, 2008.

I.

Background

By Decision and Order No. 23681, filed on September 26, 2007, in this docket ("Decision and Order No. 23681"), the commission initiated an investigation of the issues and requirements raised by and contained in, Part VII of Chapter 269, HRS. In particular, this proceeding is to select a TPA for Hawaii's energy efficiency programs and implement a new market structure for Demand-Side Management programs.

island of Molokai, and the production, distribution, and sale of electricity on the island of Lanai in the State of Hawaii.

By letter sent on May 6, 2008, the commission scheduled a status conference for the parties to this docket to discuss (1) establishing an initial means to collect approximately \$50,000 per quarter to support the initial start-up costs for the administration of energy efficiency programs under the TPA; and (2) a transition process that includes the continuation of current energy efficiency programs by the HECO Companies for up to six (6) months after January 1, 2009, the projected initiation date of the TPA.⁴

On May 11, 2008, Warren Bollmeier, II, of Hawaii Renewable Energy Alliance notified the commission that he would not be attending the status conference. On May 12, 2008, Carl Freedman of Haiku Design & Analysis also informed the commission that he would not be attending the status conference.

On May 12, 2008, the commission convened a status conference of the parties in this docket. The commission announced that a Contract Manager ("CM") and Fiscal Agent ("FA") would be selected prior to the TPA and envisions that initial monies will be required to fund these start-up costs. The HECO Companies stated that based on the small amount of monies proposed, rather than initiating a separate surcharge at this time, it would prefer a more efficient means of identifying the monies as an expense in the existing HECO Companies' DSM surcharges.⁵ Based on this proposal,

⁴Letter from the commission to the parties, dated May 6, 2008.

⁵HECO Companies' stated position at the May 12, 2008 status conference.

there will be no separate tariff and no separate line item on customers' bills. The HECO Companies propose that they be allowed to maintain the monies internally, and will provide monthly reports.⁶ They state that interest on the monies will accrue at a regular bank rate, rather than the rate of return. The collection will incur only minimal administrative costs which can be recovered in the HECO Companies' base rates.⁷

The HECO Companies estimate that the \$50,000 amount will be equivalent to one cent per month per residential customer based on average usage.⁸ The HECO Companies state that there may be a month's time-lag between when customers are billed, and when the monies are collected.⁹

The commission proposes that the HECO Companies continue their current DSM programs during the transition period to the TPA (except the load management and pilot programs, which shall remain with the HECO Companies). The commission sua sponte raised the issue of whether the HECO Companies' pilot projects, such as the SolarSaver Program ("SSP") and RCEA pilot program, should remain with the HECO Companies or transition to the TPA. The HECO Companies note that the RCEA program is scheduled to terminate on December 31, 2008. The HECO Companies state that

⁶HECO Companies' stated position at the May 12, 2008 status conference.

⁷HECO Companies' stated position at the May 12, 2008 status conference.

⁸HECO Companies' stated position at the May 12, 2008 status conference.

⁹HECO Companies' stated position at the May 12, 2008 status conference.

RCEA has been very useful and helpful, as evidenced by the Annual Program Accomplishments and Surcharge report, showing a successful 2007. The HECO Companies propose to submit the program evaluation report by September 30, 2008 in order to prevent any break in the RCEA program and possible loss of progress if its evaluation report is submitted on December 31, 2008, its current deadline. The HECO Companies note that the SSP program, a three-year pilot program, is scheduled to terminate in the year 2010.

The HECO Companies also propose to file their 2008 M&E reports by September 30, 2008 (as opposed to the typical November deadline) to assist the TPA's understanding of the HECO Companies' DSM programs. The HECO Companies request budget flexibility to achieve more energy savings and propose to submit an annual budget for 2009. The HECO Companies state that their greatest concern is whether they will be permitted to be subcontractors to the TPA.

The DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate")¹⁰ states that it has no objection to the proposals, but will appreciate receiving reports documenting the transactions.¹¹

¹⁰The Consumer Advocate is an ex officio to this docket pursuant to HRS § 269-51, and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

¹¹Consumer Advocate's stated position, at the May 12, 2008 status conference.

II.

Discussion

A.

Initiating a Process to Collect Monies

The commission determined that during the transition period from the HECO Companies to a TPA, an amount of \$50,000 per quarter should be made available beginning July 1, 2008, such that \$50,000 will be available for disbursement as of October 1, 2008. The commission agrees with the HECO Companies that at this preliminary stage, a separate surcharge is not required and the monies may be expensed in the current DSM surcharges. Therefore, the expenses to the HECO Companies' DSM surcharges should be adjusted as necessary to set aside \$50,000, including additional amounts for revenue taxes and other costs, such that the amount of \$50,000 will be available to support the CM, FA, and ultimately, the TPA as well.

The commission will permit the HECO Companies to maintain the monies in an internal account at this time, for efficiency purposes. The HECO Companies shall file, in this docket, monthly reports including the amounts collected, amounts disbursed, and the amount within the account. Interest on the monies shall be accrued at a regular bank rate, rather than the rate of return.

Disbursement of the monies shall begin, at the earliest, on October 1, 2008, and continue thereafter, monthly, unless and until the commission orders otherwise. Therefore,

as of October 1, 2008, \$50,000 shall be made available by the HECO Companies.

B.

Pilot Programs

The commission sua sponte considers whether HECO's SSP and RCEA pilot projects shall remain with the HECO Companies or possibly transition to the TPA. The RCEA program is scheduled to terminate on December 31, 2008 unless otherwise ordered by the commission (the ending date of the two-year pilot period). The commission will review and analyze the program and decide whether to extend it. The HECO Companies will provide their evaluation reports by September 30, 2008 to assist the commission's review. The SSP program, a three-year pilot, will terminate in 2010, unless ordered otherwise by the commission.

C.

Program Transition Period

The HECO Companies agree to continue their current DSM programs, during the transition period from January 1, 2009 through June 30, 2009, as the new TPA completes its commission-approved transition plan.

With regard to the HECO Companies' request to be permitted to subcontract the programs, the commission, in Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069 ("Decision and Order No. 23258"), stated:

As it may be beneficial for the HECO Companies to be allowed to compete for implementation of

the Energy Efficiency DSM Programs and the RCEA Program, the commission does not foreclose such possibility at this time. However, because the third-party administrator has yet to be selected, and the bidding process for program implementation has yet to be developed, the commission makes no determination at this time as to any of the parameters of the HECO Companies' eligibility or the selection criteria that will be used in awarding program implementation.

Decision and Order No. 23258, at 40. After careful consideration, the commission approves the HECO Companies' request and permits them to compete to perform the programs as a subcontractor to the TPA.

D.

HECO Companies' 2008 M&E Report

The HECO Companies agree to file their M&E reports by September 30, 2008 (as opposed to the usual November) to assist the TPA's understanding of the HECO Companies' DSM programs.

III.

Orders

THE COMMISSION ORDERS:

1. The HECO Companies are permitted to expense the DSM surcharge such that by October 1, 2008, \$50,000 will be available, as well as \$50,000 per quarter thereafter, to support the initial start-up costs associated with the third party administrator of energy efficiency programs, until ordered otherwise by the commission. Monthly reports regarding the amounts collected and distributed shall be filed in this docket.

2. The load management and pilot programs shall remain with the HECO Companies and shall not be transitioned to the TPA. The HECO Companies shall continue to operate all programs through June 30, 2009 and shall assist the TPA during the transition period. After the transition period, the HECO Companies may compete for implementation of programs as a subcontractor to the TPA.

3. The HECO Companies' 2008 M&E and RCEA evaluation reports shall be filed by September 30, 2008.

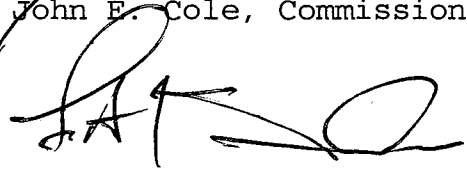
4. All other proposals, not explicitly adopted herein, are denied.

DONE at Honolulu, Hawaii JUL - 2 2008.

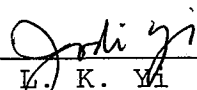
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By: 
Carlito P. Caliboso, Chairman

By: 
John E. Cole, Commissioner

By: 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Jodi L. K. Yi
Commission Counsel

2007-0323.laa

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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Certificate of Service

Page 2

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