

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
PUBLIC UTILITIES COMMISSION)
Instituting a Proceeding to Review)
Hawaiian Electric Company, Inc.,)
Hawaii Electric Light Company, Inc.)
and Maui Electric Company, Ltd.'s)
Demand-Side Management Reports and)
Requests for Program Modifications)
_____)

DOCKET NO. 2007-0341

ORDER NO. 24032

Filed February 11, 2008
At 2 o'clock P.M.

for *Mark A. D.*
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF PUBLIC UTILITIES
COMM. AFFAIRS
STATE OF HAWAII

2008 FEB 12 A 8:42

RECEIVED

ATTEST: A True Copy

for KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.

Elaine R. Suinasopa

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of-----)
PUBLIC UTILITIES COMMISSION)
Instituting a Proceeding to Review)
Hawaiian Electric Company, Inc.,)
Hawaii Electric Light Company, Inc.)
and Maui Electric Company, Ltd.'s)
Demand-Side Management Reports and)
Requests for Program Modifications)
_____)

Docket No. 2007-0341

Order No. 24032

ORDER

By this Order, the commission suspends the approval process for HAWAIIAN ELECTRIC COMPANY, INC.'s ("HECO")¹ request for program modification, filed on December 28, 2007, to increase the 2007 budget for its Energy Solutions for the Home ("ESH") Program by \$506,730, from \$1,173,676 to \$1,680,406.

I.

Background

The ESH Program encourages residential customers to reduce their electricity consumption by adopting a variety of energy efficient end-uses in the home, including compact fluorescent lamps ("CFLs"), and Energy Star™ lighting, cooling, and other appliances.

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.

By Decision and Order No. 23258, filed on February 13, 2007, in Docket No. 05-0069 ("Decision and Order No. 23258"), the commission approved HECO's requests for approval of several demand-side management ("DSM") programs, including the ESH Program. Collectively, the DSM programs are designed to achieve energy-efficiency goals, be implemented in a cost-effective manner, and provide HECO with additional megawatts of peak demand savings to help reduce its reserve capacity shortfall.² Significantly, in Decision and Order No. 23258, the commission did not approve any particular program costs, but reserved such decisions for the existing cost recovery process.³ The commission also denied HECO's flexibility requests with respect to its DSM programs, but permitted HECO to seek modifications by letter request, pending the opening of this docket.

By Decision and Order No. 23448, filed on May 21, 2007, in Docket No. 05-0069 ("Decision and Order No. 23448"), the commission, based on HECO's filings, estimated HECO's goals for the ESH Program as 24,938 megawatt-hours ("MWh") of energy savings for the year 2007, 32,080 MWh for 2008, 5.866 megawatts ("MW") of gross demand reduction for 2007, and 8.021 MW for 2008.⁴

On August 29, 2007, HECO filed a letter ("HECO's August 29, 2007 Letter") requesting commission approval to increase the 2007 budget for the ESH Program by \$970,000, from

²See Decision and Order No. 23258, at 108-109.

³See Decision and Order No. 23258, at 110.

⁴See Decision and Order No. 23448, at 13.

\$995,371 to \$1,965,371 in response to higher than forecasted customer participation in the program. On October 18, 2007, the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate")⁵ submitted a letter to the commission stating that it did not object to the commission's approval of the budget increase.⁶

By Decision and Order No. 23792, filed on October 30, 2007, in Docket No. 05-0069 ("Decision and Order No. 23792"), the commission approved HECO's request to increase the 2007 budget for the ESH Program, however, limited said increase to \$160,000 more than the amount which HECO had incurred through July 2007 for incentives and labor expenses. The \$995,371 total budget was therefore, increased to \$1,173,676.

On December 28, 2007, HECO filed a letter ("HECO's December 28, 2007 Letter") requesting commission approval to increase the ESH Program's 2007 budget by \$506,730, from \$1,173,676 to \$1,680,406. HECO states that, like the first, this second budget increase request is due to "higher than forecasted customer participation in the program."⁷ HECO claims that the requested budget increase "will provide additional funding for customer incentives to allow HECO to continue to encourage the installation of energy efficient [CFLs] and Energy Star™

⁵The Consumer Advocate is an ex officio party to all proceedings before the commission pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62.

⁶See Consumer Advocate's October 18, 2007 Letter, at 1.

⁷HECO's December 28, 2007 Letter, at 1.

appliances without disrupting the progress achieved in the program."⁸

HECO "requests [c]ommission approval to recover the estimated cost of additional customer incentives of \$847,067 through the DSM surcharge component of the IRP Cost Recovery Provision."⁹ Under this request, the categories of the budget being increased are incentives (\$847,067 increase) and "outside services implementation" (\$2,569 increase).¹⁰ The other significant modification is the proposed decrease in "outside services evaluation" (\$152,204 decrease).¹¹

II.

Discussion

HECO seeks approval for a second substantial increase in the ESH Program's 2007 budget. If approved, the total program budget will increase from \$1,173,676 to \$1,680,406, which amounts to 43%.¹² Moreover, it would constitute a 69% increase overall from its original budget prior to the first increase request.¹³

Regarding the ESH Program's year 2007 incentives, HECO seeks to increase the initial budget from \$378,305 to

⁸HECO's December 28, 2007 Letter, at 1.

⁹HECO's December 28, 2007 Letter, at 1.

¹⁰HECO's December 28, 2007 Letter, at Exhibit A.

¹¹HECO's December 28, 2007 Letter, at Exhibit A.

¹²HECO's December 28, 2007 Letter, at Exhibit A.

¹³The ESH Program's total budget was \$995,371 prior to the first increase request.

\$1,225,372;¹⁴ a 224% increase.¹⁵ Significantly, only \$652,073 in incentives was expended in the first nine months of 2007, yet, HECO proposes that \$573,299 more will be expended in the last three months of 2007.¹⁶

In the order approving the prior request for the ESH Program's budget increase, the commission clearly pointed out HECO's lack of basis for forecasting incentives:

HECO explains that previously, it estimated approximately 80,000 CFLs and no Energy Star™ appliances for the ESH Program. However, in the first seven months of 2007, 286,364 CFLs and 542 Energy Star™ appliances were purchased under the ESH Program. HECO now forecasts 740,489 CFLs and 9,178 Energy Star™ appliances in 2007. **HECO, however, provides no support for the numbers contained in its revised forecast; specifically, HECO does not state the basis for assuming that 740,489 CFLs and 9,178 Energy Star™ appliances will be purchased in 2007. As such, the commission has no basis for determining whether the revised forecast is reasonable.** Based on the data for the period from January to July 2007, 40,909 CFLs and 77 Energy Star™ appliances qualified per month. Thus, a reasonable annual forecast for 2007 is 490,908 CFLs and 924 Energy Star™ appliances.

HECO previously expected 1.09 MW of gross demand reduction and 5,887 MWh of energy savings. It now forecasts a substantial increase of 12 MW of reduction and 58,326 MWh of energy savings for 2007. Again, HECO did not provide any evidence with which to adjust this figure.

¹⁴See HECO's December 28, 2007 Letter to the commission, at Exhibit A.

¹⁵When compared to the \$200,000 incentives budget prior to the first increase request, this constitutes a 513% increase.

¹⁶See HECO's December 28, 2007 Letter to the commission, at Exhibit A.

Decision and Order No. 23792, at 5-6 (emphasis added) (footnotes and text therein omitted). Ultimately, the commission granted an increase in the total budget. In doing so, the commission stated, "[s]hould HECO require additional monies for incentives and labor, HECO may file another budget increase request. Any additional request should include sufficient support to justify the request."¹⁷

Here, HECO's December 28, 2007 filing provides no support for its revised forecast. It does not provide any data to support its estimation that 766,555 CFLs and 8,897 Energy Star™ appliances will be purchased in 2007.¹⁸ As such, the commission has no basis for determining whether the revised forecast and accompanying budget increase is reasonable. HECO should provide recorded figures for these amounts.

Regarding estimated impacts, in its August 29, 2007 filing, HECO stated that it would obtain 12 MW of gross demand reduction and 58,326 MWh of energy savings.¹⁹ It now forecasts 11 MW of gross demand reduction and 59,763 MWh of energy savings for 2007.²⁰ HECO, however, did not provide any evidence to support these figures. HECO should provide recorded figures for

¹⁷Decision and Order No. 23792, at 7.

¹⁸See HECO's December 28, 2007 Letter, at Exhibit A.

¹⁹See HECO's August 29, 2007 Letter to the commission, at 2.

²⁰See HECO's December 28, 2007 Letter to the commission, at 2.

these amounts. In addition, HECO has not provided any basis to support its revised estimated benefit-to-cost ratios for 2007.²¹

Based upon a review of the record, the commission suspends the approval process for said request.

III.

Orders

THE COMMISSION ORDERS:

1. The approval process for HECO's proposed budget increase for the ESH program, filed on December 28, 2007, is suspended.

2. HECO shall supplement its previously-submitted data pertaining to the 2007 ESH Program budget and provide the commission and the Consumer Advocate with the following additional information within thirty ("30") days of this Order:

- a) a month-by-month breakdown of the ESH Program's actual expenses;
- b) a month-by-month breakdown of the ESH Program's actual participation levels;
- c) worksheets showing HECO's determination of the program's estimated impacts (gross generation level) in megawatt and megawatt-hour(s) increments;
- d) worksheets showing HECO's determination of estimated benefit-to-cost ratios; and
- e) a recalculation of the benefit-to-cost ratios for 2007, including the utility incentives.

If HECO is unable to provide any, or all of the above, it should request an extension of time, or explain why compliance is not possible, within the time limit provided.

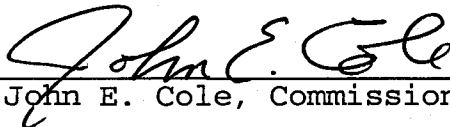
²¹HECO's December 28, 2007 Letter to the commission, at Exhibit A.


3. The Consumer Advocate shall file a statement of position on this matter within twenty ("20") days of HECO's filing.

DONE at Honolulu, Hawaii FEB 11 2008.

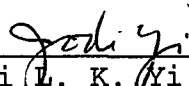
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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

2007-0341.sl

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 24032 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

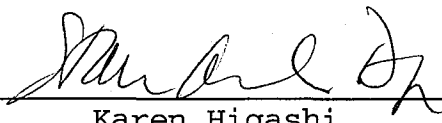
CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

WILLIAM A. BONNET, P.E.
VICE PRESIDENT
GOVERNMENT AND COMMUNITY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P.O. Box 2750
Honolulu, HI 96840-0001

DEAN MATSUURA
DIRECTOR, REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P.O. Box 2750
Honolulu, HI 96840-0001

THOMAS W. WILLIAMS, JR., ESQ.
PETER Y. KIKUTA, ESQ.
GOODSILL, ANDERSON, QUINN & STIFEL
Alii Place, Suite 1800
1099 Alakea Street
Honolulu, HI 96813

Counsel for HECO



for Karen Higashi

DATED: FEB 11 2008