Division of Consumer Advocacy

Consumer Spotlight

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Public Utility News You Can Use

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Public Utilities Commission (PUC)
465 South King St., Rm. 103
Honolulu, HI 96813
Phone: (808) 586-2020
Fax: (808) 586-2066
E-mail: Hawaii.PUC@hawaii.gov
Web Address:
www.hawaii.gov/budget/puc

Federal Communications Commission (FCC)
445 12th St. , SW
Washington, DC 20554
Toll-Free: 1-888-225-5322
E-mail: fccinfo@fcc.gov
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www.fcc.gov/consumers

Federal Energy Regulatory Commission (FERC)
888 First St., NE
Washington, DC 20426
Toll-Free: 1-866-208-3372
E-mail: customer@ferc.gov
Web Address: www.ferc.gov

Executive Director's Message By Jeffrey Ono

As I mentioned in previous editions of our division's newsletter, I enjoy and appreciate meeting with members of the community whenever possible. After speaking with many concerned residents on Hawaii Island, it became clear that action needed to be taken to provide customers with some relief to make ends meet. Our office worked hard to negotiate a settlement with the Hawaiian Electric Companies, which you can read more about below. The terms are still subject to approval by the Public Utilities Commission. Other action is ongoing to fast forward more renewable energy projects in Hawaii and help offset rising electricity costs primarily due to the state's dependence on fossil fuel. We look forward to ensuring such projects get underway provided they serve in the best interest of consumers. As always, please do not hesitate to contact our office with any questions or concerns.

DCA Enters into Settlement Agreement with HECO

The Division of Consumer Advocacy (DCA) negotiated a settlement with Hawaiian Electric Co. (HECO) that will reduce the investment that the utility seeks to recover from ratepayers by about $40 million and result in the withdrawal of the 2013 Hawaii Island Light Company (HELCO) rate case. The settlement agreement is subject to approval by the Public Utilities Commission (PUC). Under the settlement terms, HECO will write off $40 million it planned to collect from customers to help cover the cost of the new biofuel plant at Campbell Industrial Park (CIP CT-1) and their new Customer Information System (CIS). HECO has been recovering part of the cost of CIP CT-1, which went online in 2010 and cost about $195 million, as a result of a 2010 rate case, but the PUC deferred part of the utility's request because of cost overruns.

SEE DCA Settlement Agreement with HECO Page 3

Fast-Tracking Oahu Renewables

On February 25, HECO announced that it is immediately seeking low-cost, near-term renewable energy projects to help lower electric bills for its customers. To offset volatile fuel prices, the utility is looking for qualified renewable energy projects larger than 5 megawatts (MW) that developers can establish quickly and at a low cost per kilowatt-hour. If the project or projects meet their needs, HECO will work with the developer to seek a waiver from the Public Utilities Commission (PUC) competitive bidding framework. The Consumer Advocate views this as a positive step toward getting renewable energy projects that are priced significantly lower than current power purchase agreements (PPAs).

SEE Fast-Tracking Oahu Renewables Page 3

OPEN INFO

The influx of new renewable energy project proposals has raised regulatory concerns for the Consumer Advocate. Within the current regulatory processes, the Consumer Advocate does not have access to actual cost data to determine the reasonableness of the renewable energy developers' costs and pricing. Thus, there is no opportunity to confirm if such pricing is in the consumers' best interest. Developers do provide pro forma information representing assumptions and projections, but are not required to disclose actual cost. This information is critical to determine why Hawaii's prices for wind and solar energy has not tracked the recent decline in prices across the nation. House Bill 813 and Senate Bill 1043 would authorize the Public Utilities Commission to examine all documents and other financial information deemed necessary for the review of utility power purchase agreements. The Consumer Advocate strongly supports this legislation that will enable the Public Utilities Commission and the Consumer Advocate to review actual cost data and determine the reasonableness of pricing.

Electric Companies:

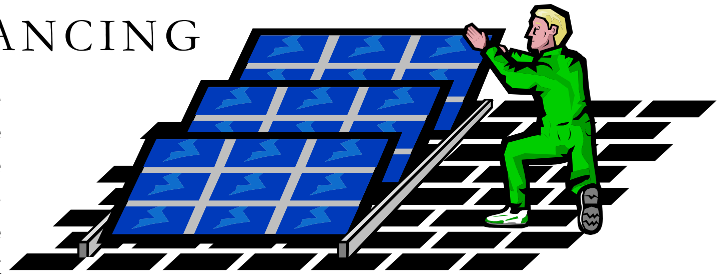
Hawaiian Electric Co. (HECO)
Phone: (808) 548-7311
www.heco.com

Hawaii Electric Light Co. (HELCO)
Hilo: (808) 969-6999
Kona: (808) 329-3584
Waimea: (808) 885-4605
www.heco.com/portal/site/helco/

Maui Electric Co. (MECO)
Phone: (808) 871-9777
Molokai & Lanai: 1-877-871-8461
www.mauielectric.com

Kauai Island Utility Cooperative (KIUC)
Phone: (808) 246-4300
www.kiuc.coop

GREEN FINANCING



The Consumer Advocate strongly supports the "Green Infrastructure Financing" bills in the State House, H.B. 856, and State Senate, S.B. 1087, that would help realize low-cost financing for green infrastructure equipment such as solar water heaters and photovoltaic systems, which can be difficult for low to moderate income families to purchase because of the high upfront costs.

If passed into law, the proposed legislation would enable the Department of Business, Economic Development and Tourism (DBEDT) to create a securitization process to obtain low-cost financing to fund the purchase and installation of various clean and efficient energy devices. Customers would pay for those devices through their monthly electric bills. With Hawaii paying the highest electric rates in the country, consumers need access to energy efficient devices that offer real cost savings. Low to moderate income homeowners and renters have generally been excluded from benefiting from these devices because of the inability to cover the upfront cash to purchase these clean or efficient energy devices.

The Consumer Advocate believes that clean energy and energy efficiency should not be entitled to only the wealthy. Hard-working families that pay their bills on time but struggle to make the extra money to finance a solar water heater or solar pv system should not be shut out of the market. On-bill financing not only would make energy cost savings available to a greater number of Hawaii's consumers, but also reduce the burning of fossil fuels for every kilowatt-hour of energy being conserved or replaced by clean energy.

The proposed financing program has been discussed for some time now. Some may recall the "On-Bill Financing" investigative docket before the Public Utilities Commission discussed in a previous edition of *Consumer Spotlight* (Financing Going Green, October 2011). In February, the PUC stated in Decision and Order No. 30974 that "an on-bill financing program can be viable and should be established." Several parties, including the Consumer Advocate, will work together in developing the program and minimizing financial risk to general ratepayers as well as participants.

HAWAII REFINERY TASK FORCE

Gov. Neil Abercrombie established the Hawaii Refinery Task Force with Executive Order No. 13-01. The Consumer Advocate is one of 29 members of this task force, which will assess the impacts caused by the potential closure of Hawaii's refineries.

Tesoro announced in January that it would close its refinery in Kapolei in April. The current plan is to convert the facility into an import, storage, and distribution terminal. Tesoro informed the state that it expects to lay off 210 refinery workers because of the closure.

In addition to examining the effect of the Tesoro refinery closure, the task force will consider the potential for Chevron also shutting down its refinery, which would leave Hawaii with no in-state refinery.

PUC Docket Numbers corresponding to topics discussed are included for your convenience so that you can read deeper into the subjects. PUC public filings are accessible online via the PUC's Document Management System (DMS). Visit: http://dms.puc.hawaii.gov/dms

DCA Settlement Agreement with HECO

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The second major component of the settlement agreement includes HELCO withdrawing its 2013 test year rate case once the PUC approves the deal. HELCO previously filed to seek a 4.2 percent rate increase, amounting to about $19.8 million. DCA really wanted to help Big Island residents facing the threat of yet another rate hike, with customers there already paying more for electricity than the other islands served by the Hawaiian Electric companies, and also experiencing greater impact from the economic recession. HELCO also agreed not to file another rate case until 2015. If approved, the settlement would also save time, money and resources by eliminating the work that is involved in lengthy rate cases. HECO also agreed to briefly delay the filing of its next rate case, from July 2013, to no earlier than January 2014. The settlement filing is accessible online.

Docket No. 2008-0083

Fast-Tracking Oahu Renewables

CONTINUED FROM PAGE 1

It will also give the DCA and the PUC the ability to review actual financial cost data from the independent power producer (IPP). As part of the application process, the developer would need to open their project's financial books to the utility, PUC, and Consumer Advocate. Developers must also be able to begin commercial operation by the end of 2015, and have a demonstrated record of developing and operating a successful renewable energy project. Their proposed project should also not exceed a levelized cost of 17 cents per kilowatt-hour. Projects with neutral bill impacts or increase customer bills will not be considered. By comparison, a recent approved PPA involving the city's HPOWER waste-to-energy plant is priced at an average of about 22.4 cents per kilowatt-hour. Increasing its renewable energy portfolio will help the electric utilities stabilize pricing with no one able to predict how high oil prices may rise in the future. Supporters of the fast-tracking hope it will draw in developers that are able to deliver energy at decreasing prices as is the trend on the mainland. HECO is accepting project proposals for waiver consideration until March 22, 2013. For more information you can visit:

www.heco.com/waiverprojects

Molokai Wind Farm Talks End

In February, Molokai Properties, Ltd. announced that it ended negotiations to lease thousands of acres of land at Molokai Ranch to Molokai Renewables for a proposed wind farm. Molokai Renewables was a joint venture between Pattern Energy Group and Bio-Logical Capital, and had plans to build a 200MW wind project. The energy generated was to be delivered to Oahu via an undersea cable, which would need to be built as well. On Pattern Energy's website, Molokai Renewables expressed disappointment, but respected Molokai Properties' decision. Molokai Renewables stated, "While we were still many years away from potentially building a wind farm, our initial research indicated that Moloka'i's residents would benefit from the kind of sustainable wind project we were proposing—one with unique benefits commitments to restore and conserve the land, preserve Moloka'i's rich culture and way of life, and enhance the ocean resources and local food supply that Moloka'i depends on."

Pattern Energy and Bio-Logical Capital state that they will continue to pursue other sustainable energy projects that promote environmental stewardship in Hawaii.

The end of negotiations does not completely rule out the possibility of a wind farm on Molokai down the line, but Hawaiian Electric is still working on its large scale energy project to deliver energy to Oahu following an order from the Public Utilities Commission in July 2011, which also required the utility to look at locations outside of Molokai and other renewable resources aside from wind.

Read more from Pattern Energy at www.patternenergy.com/molokairenewables/

Docket No. 2009-0327

BROADBAND BOOST

Although the Public Utilities Commission does not regulate Hawaii's internet service, competition is proving to help consumers. Oceanic Time Warner Cable recently upgraded their download speed for standard and turbo road runner customers on Oahu at no additional cost. After rebooting their cable modem, standard customers should see an increase from up to 10 megabits (Mbps) per second to up to 15 Mbps, and up to 15 Mbps to up to 20 Mbps for turbo customers. Those speeds would be the current equivalent to Hawaiian Telcom's premium and extreme subscribers, respectively. Comparing prices can be tricky with both providers offering discounts for bundling internet with other services, including phone and television service. The best thing to do is to compare pricing and offerings from both providers and see what works best for you.

Landline Telecommunication Companies:

Hawaiian Telcom
Phone: (808) 643-3456
www.hawaiiantel.com

TW Telcom
Phone: (808) 441-8500
www.twtelecom.com

Sandwich Isles Communications
Phone: (808) 540-5754
Toll-Free: 1-888-995-7274
www.sandwichisles.com

2013 Lifeline Income Level

Each year the income eligibility amounts change for the Lifeline program, which offers discounted phone service through eligible telecommunications carriers. Unfortunately the eligibility income level dropped for 2013, so it may be tougher to qualify. See the new guidelines below.

2013 Federal Poverty Guidelines - 135%

Household Size	Income Eligibility for Hawaii	Changed from (2012)
1	$13,230	$17,361
2	$17,850	$23,504
3	$22,470	$29,646
4	$27,090	$35,789
5	$31,710	$41,931
6	$36,330	$48,074
7	$40,950	$54,216
8	$45,570	$60,359
Each Additional Person, Add	$4,620	$6,142

SOURCE: Federal Register, Vol. 78, No. 16, January 24, 2013, pp. 5182-5183

Freight Rate Adjustment

On February 11, Young Brothers, Ltd. (YB) filed an application with the Public Utilities Commission (PUC) to approve an Annual Freight Rate Adjustment (AFRA) pilot program. The proposed three-year program would allow the company to utilize a fast-tracked application process to adjust the company's rates in the first two years, starting this July, followed by a general rate case application in the third year. Any adjustment in YB's rates in the first two years of the pilot would be capped at a maximum 5.5 percent increase or decrease. The adjustment in rates would be determined by an analysis of YB's revenues and an application of inflation and labor increase indices. YB would also be required to make certain reports to the Commission as part of this program. While YB contends that this program is reasonable, the application still needs to go through a complete review by the Consumer Advocate and PUC to determine if it is in the best interest of consumers. In 2011, the PUC terminated YB's Zone of Reasonableness Program partly because the company's representations that no rate increases would be necessary from 2011 to 2015 did not hold true. YB's Zone of Reasonableness Program was a similar type of pilot program that allowed YB to utilize an expedited process to adjust rates with a maximum increase of 5.5 percent or a maximum decrease of 10 percent.

Docket No. 2013-0032 (AFRA) Docket No. 01-0255 (Zone of Reasonableness)

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