

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.) Docket No. 02-0379
For Approval of a 25 kW Minimum) Decision and Order No. 20076
Billing Demand for Schedule U)
Service to Kapiolani Medical Center)
For Women and Children, Account)
No. 0200-2496-001.)
_____)

DECISION AND ORDER

I.

By an application filed on October 18, 2002, HAWAIIAN ELECTRIC COMPANY, INC. (HECO) requests approval of a Schedule U contract with Kapiolani Medical Center for Women and Children, a Hawaii corporation (Kapiolani Medical), Account No. 0200-2496-001, in accordance with Sheet No. 1 of HECO's tariff.¹

HECO served copies of the application on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs (Consumer Advocate). On November 22, 2002, the Consumer Advocate issued information requests to HECO, to which HECO responded on December 12, 2002. By position statement filed on January 21,

¹Sheet No. 1 of HECO's tariff states:

The rules and rate schedules set forth herein have been fixed by order of the Public Utilities Commission of the State of Hawaii and may not be abandoned, changed, modified or departed from without the prior approval of the Commission.

2003, the Consumer Advocate stated that it does not object to the commission's approval of the instant application.

II.

A.

HECO is a corporation duly organized under the laws of the Kingdom of Hawaii on or about October 13, 1891, and now exists under and by virtue of the laws of the State of Hawaii. HECO is an operating public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu.

Kapiolani Medical is a corporation organized under the laws of the State of Hawaii, providing medical and health services, specializing in maternity and infant care.

B.

HECO and Kapiolani Medical negotiated a Time-of-Use Service (Schedule U) contract that requires a minimum billing demand of 25 kilowatts (kW), which differs from the minimum billing demand of 300 kW provided under the tariff Schedule U. The Schedule U contract further provides for a five-year term, which may be extended from year-to-year until terminated by a 30-day written notice by either party.

Kapiolani Medical installed a Thermal Energy Storage (TES) system² on or about May 24, 2002. Kapiolani Medical's TES system makes and stores "cold energy" in the form of ice during HECO's off-peak period, and then uses the stored ice to cool the facility during the day (i.e., during HECO's on-peak hours) rather than using the facility's electric chillers. The TES system reduces Kapiolani Medical's cooling costs with the use of off-peak electricity.

HECO estimates that Kapiolani Medical will reduce its kW demand by between 500 kW and 600 kW during HECO's on-peak period, in particular, during the 5:00 p.m. to 9:00 p.m. priority peak hours, as a result of installing the TES system. Since Kapiolani Medical's TES system is designed to run entirely during HECO's off-peak period, HECO asserts that it will be benefited by a reduction in its system peak load.

HECO contends that the proposed Schedule U contract makes it more economically viable for Kapiolani Medical to install the TES system, since the proposed Schedule U contract will lower Kapiolani Medical's energy cost. Under the existing HECO Schedule J tariff and based on Kapiolani Medical's load and energy consumption for the July 28 to September 7, 2002 period, HECO estimates that Kapiolani Medical's bill would be \$15,584.50. Under Schedule J with Rider T (Time of Day Rider),

²Thermal energy storage for space cooling, also known as cool storage, is a technology that is used to reduce energy costs by allowing energy-intensive, electronically driven cooling equipment to be operated during HECO's off-peak hours when electricity costs are lower.

Kapiolani Medical's bill would be \$6,705.09. Under the existing Schedule U, Kapiolani Medical's bill would be \$11,042.26. Under the proposed Schedule U contract, Kapiolani Medical's monthly bill would be \$6,390.64. Thus, HECO estimates that under the proposed Schedule U contract, Kapiolani Medical's bill will be lower than the best available alternative by \$314.45 per month, or approximately \$4,000 per year.

C.

After its review the Consumer Advocate determined that HECO's request to set the minimum billing demand of 25 kW is reasonable, since the requested minimum of 25 kW is consistent with the lowest demand for HECO's business demand-service customers. Furthermore, the Consumer Advocate notes that HECO and the general ratepayer would benefit from the proposed change since Kapiolani Medical would reduce its demand by approximately 500 to 600 kW during HECO's on-peak period, reducing HECO's system peak load. The Consumer Advocate suggests that this reduction would delay the need for additional capacity and rate increase requests.

In addition, the Consumer Advocate determined that the continuation of the Schedule U contract after the five-year period does not appear to "have an adverse impact on the [HECO] and general ratepayers."

D.

Upon careful review, the commission finds that HECO's request to approve the Schedule U contract between HECO and

Kapiolani Medical for Kapiolani Medical's Account No. 0200-2496-001 is reasonable and consistent with the public interest. Accordingly, the commission concludes that HECO's request for approval of the Schedule U contract should be approved.


III.

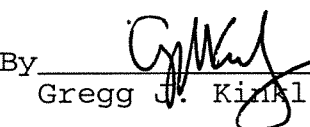
THE COMMISSION ORDERS that the Schedule U contract by and between HECO and Kapiolani Medical for Account No. 0200-2496-001 is approved.

DONE at Honolulu, Hawaii this 12th day of March, 2003.

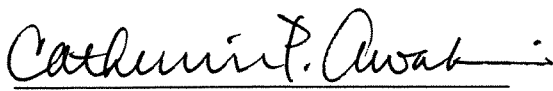
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Wayne H. Kimura, Chairman

By 
Janet E. Kawelo, Commissioner

By 
Gregg J. Kinkley, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20076 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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DATED: March 12, 2003