

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

In the Matter of the Application of)
)
 HAWAIIAN ELECTRIC COMPANY, INC.)
)
 For Approval of a 25 kW Minimum)
 Billing Demand for Schedule U)
 Service to Mid Pacific Institute.)
 _____)

DOCKET NO. 03-0237

DECISION AND ORDER NO. 20578

Filed Oct. 14, 2003
At 10:00 o'clock A.M.

Karen Higashi.
Chief Clerk of the Commission

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

K. Higashi.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.) Docket No. 03-0237
For Approval of a 25 kW Minimum) Decision and Order No. 20578
Billing Demand for Schedule U)
Service to Mid Pacific Institute.)

DECISION AND ORDER

I. Introduction

On August 22, 2003, HAWAIIAN ELECTRIC COMPANY, INC. ("HECO") filed an application requesting approval of a Schedule U contract with Mid Pacific Institute ("MPI"), a Hawaii corporation, 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 September 12, 2003, the Consumer Advocate filed its statement of position with the commission, and stated that it does not object to the commission's approval of the instant application.

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.

II. Background

A. Parties

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.

MPI is a private educational institution, offering secondary education - middle and high school - located in Manoa Valley in Honolulu, Hawaii.

B. Application Background

HECO and MPI 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.

MPI began operating its Thermal Energy Storage ("TES") system² in March 2003. MPI'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

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.

(i.e., during HECO's on-peak hours) rather than using the facility's electric chillers. The TES system reduces MPI's cooling costs with the use of off-peak electricity.

HECO estimates that MPI will reduce its kW demand by about 270 kW during HECO's on-peak period (including the 5:00 p.m. to 9:00 p.m. priority peak hours) as a result of installing the TES system. Since MPI'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 MPI to install the TES system, since the proposed Schedule U contract will lower MPI's energy cost. Under the existing HECO Schedule U tariff and based on MPI's load and energy consumption provided by MPI's consultant, HECO estimates that MPI's monthly bill would be \$8,230. Under Schedule J with Rider T (Time of Day Rider), MPI's monthly bill would be \$3,710. Under the proposed Schedule U contract, MPI's monthly bill would be \$3,581. Thus, HECO estimates that under the proposed Schedule U contract, MPI's bill will be lower than the best available alternative by \$129 per month, or approximately \$1,548 per year.

C. Consumer Advocate

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 MPI would reduce its demand by approximately 270 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 HECO and general ratepayers."

D. Finding

The commission finds that HECO's request to approve the Schedule U contract between HECO and MPI 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.

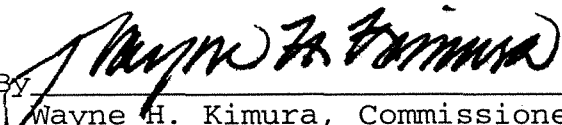
III. Order

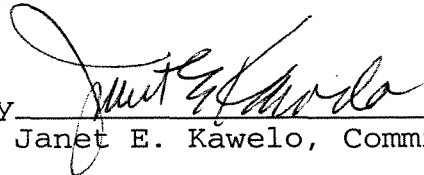
THE COMMISSION ORDERS that the Schedule U contract by and between HECO and MPI is approved.

DONE at Honolulu, Hawaii this 14th day of October,
2003.

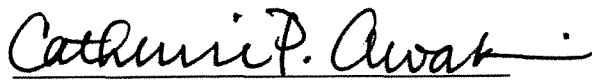
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

03-0237.eh

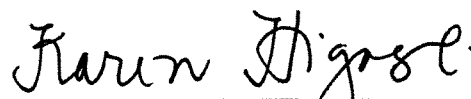
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20578 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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Karen Higashi

DATED: October 14, 2003