

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
For Approval of a Rider I Contract)
for Grace Pacific Corporation.)
_____)

DOCKET NO. 03-0226

DECISION AND ORDER NO. 20907

Filed April 15, 2004
At 10:00 o'clock A.M.

Karen Higashida
Chief Clerk of the Commission

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PUBLIC UTILITIES COMMISSION

II. Application

A. Parties

HECO is a corporation that was 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.

Grace Pacific is an employee-owned Hawaii corporation whose primary businesses are asphalt paving and supplying basalt and limestone aggregates throughout the State of Hawaii. The company owns and operates quarries at Makakilo, Barbers Point, and on Molokai. Grace Pacific also recently acquired a local safety products firm, Sun Industries, Inc.

B. Background

HECO and Grace Pacific negotiated an interruptible service ("Rider I") contract that will permit HECO to interrupt Grace Pacific's 12,470 volt, 3-phase service with or without notice under the conditions specified in the contract. Grace Pacific's interruptible load for each billing period is defined as Grace Pacific's measured maximum kilowatt ("kW") demand. In return, HECO agreed to reduce Grace Pacific's monthly billing kW demand by

thirty (30) per cent of the interruptible load.¹ The Rider I 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.

HECO estimates that Grace Pacific's annual savings under the Rider I contract will approximate \$49,314. HECO states that the proposed Rider I contract will benefit HECO by allowing it to exclude Grace Pacific's one hundred (100) per cent interruptible load from peak load planning. HECO suggests that a reduction in its expected peak load planned for can contribute to the deferral of the need for new generation capacity and the need to finance new generation capacity, and can create a future rate savings for all customers, including Grace Pacific.

C. Consumer Advocate

After its review, the Consumer Advocate determined that the proposed thirty (30) per cent reduction in billing kW demand is reasonable, since the percentage is consistent with the discounts authorized by the commission to other customers under similar Rider I service contracts. However, the Consumer Advocate expressed concern that HECO was unable to provide documentation

¹The thirty (30) per cent reduction in billing kW demand and early termination conditions specified in the contract are consistent with HECO's Rider I contracts with GASPRO (Docket No. 7570), US Cold Storage of Hawaii, Ltd. (Docket No. 96-0467), and MATSON Terminals, Inc. (Docket No. 98-0336). HECO has a fourth Rider I contract with Hawaii Metal Recycling Company (Docket No. 6790), who receives a forty (40) per cent discount because an additional provision in the contract allows HECO to interrupt Hawaii Metal Recycling Company's load from 7:00 A.M. to 9 P.M. every Monday, when HECO's system is generally heavier.

illustrating how the thirty (30) per cent adjustment factor was determined. As a result, the Consumer Advocate suggested that the commission require HECO to either find or develop workpapers that support the discount offered to Rider I customers. In addition, the Consumer Advocate suggested that HECO should be required to support the benefits of the Rider I contracts in HECO's third Integrated Resource Plan ("IRP"), and should have the workpapers available to review in the analysis of HECO's third IRP that will be addressed in Docket No. 03-0253 or HECO's next application for approval of a Rider I contract, whichever comes first.

D. Discussion

The commission finds that HECO's request to approve the Rider I contract between HECO and Grace Pacific is reasonable and consistent with the public interest. Accordingly, the commission concludes that HECO's request for approval of the Rider I contract should be approved.

However, the commission agrees with the Consumer Advocate that adequate documentation supporting the calculation of the thirty (30) per cent adjustment factor should be retained by HECO. Therefore, we conclude that HECO should be required to develop the requisite documents or workpapers necessary to support the reasonableness of the proposed discount, and should include such documents or workpapers in a report to be submitted in the analysis of its next IRP that will be addressed in Docket No. 03-0253 or its next application for approval of a Rider I contract, whichever occurs first.

In addition to a demonstration of the basis for calculating the amount of discount offered through Rider I contracts, HECO's support documents or workpapers should include a section that addresses the following issues:

1. HECO's goals for the Rider I contracts, including an analysis of how much the Rider I contracts may or may not contribute to deferring future electric generation;

2. A description of how HECO selects the customers who participate in the Rider I contracts; and

3. A calculation demonstrating the impact that Rider I contracts have, if any, upon the non-participating ratepayers.

III. Orders


THE COMMISSION ORDERS:

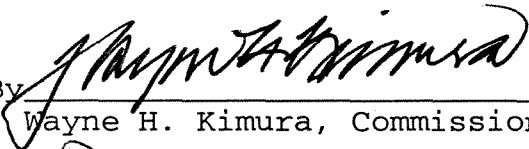
1. The Rider I contract by and between HECO and Grace Pacific and filed with the commission on August 19, 2003, is approved.

2. HECO shall: (a) develop the requisite documents or workpapers necessary to support the reasonableness of the proposed thirty (30) per cent adjustment rate for its Rider I contracts and address the issues outlined in this order; and (b) submit its analysis in the form of a report with its next IRP that will be addressed in Docket No. 03-0253 or its next application for approval of a Rider I contract, whichever occurs first.

DONE at Honolulu, Hawaii this 15th day of April, 2004.

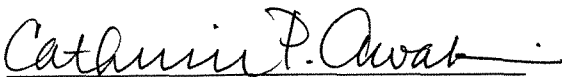
PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
Wayne H. Kimura, Commissioner

By 
Janet E. Kawelo, Commissioner

APPROVED AS TO FORM:


Catherine P. Awakuni
Commission Counsel

03-0226.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 20907 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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Karen Higashi

DATED: April 15, 2004