

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application Of)
HAWAIIAN ELECTRIC COMPANY, INC.)
Application for Approval of a)
Combined Heat and Power Agreement)
With Pacific Allied Products,)
Limited, and Approval to Include)
the Combined Heat and Power System)
Fuel Costs in Hawaiian Electric)
Company, Inc.'s Energy Cost)
Adjustment Clause.)

DOCKET NO. 04-0314

ORDER NO. 21555

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

2005 JAN 24 A 8:31

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Filed January 21, 2005
At 10 o'clock A .M.

for [Signature] K. Kane
Chief Clerk of the Commission

ATTEST: A True Copy
for [Signature] KAREN HIGASHI
Chief Clerk, Public Utilities
Commission, State of Hawaii.
[Signature] K. Kane

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Company, Inc.'s Energy Cost)
Adjustment Clause.)
_____)

Docket No. 04-0314
Order No. **21555**

ORDER

By this order, the commission suspends Hawaiian Electric Company, Inc. ("HECO")'s application requesting the commission to approve a combined heat and power ("CHP") agreement with Pacific Allied Products, Limited, and to include the combined heat and power system fuel costs in HECO's Energy Cost Adjustment Clause ("ECAC"), as further described herein.

I.

Introduction

On October 28, 2004, HECO filed an Application requesting the commission to: (1) approve its Combined Heat and Power Agreement ("CHP Agreement") with Pacific Allied Products, Limited ("Pacific Allied"), dated September 8, 2004; (2) approve the inclusion of the CHP system fuel costs, ground transportation and related taxes in HECO's ECAC to the extent that the costs are

not recovered in HECO's base rates; (3) approve modification of HECO's ECAC to facilitate the recovery of the incurred Pacific Allied CHP system fuel costs, ground transportation and related taxes; (4) approve the modification to HECO's quarterly filed avoided energy cost rates related to the modification of HECO's ECAC; and (5) grant HECO such other relief and further relief as may be just and equitable in the premises.

On October 28, 2004, HECO also served copies of its Application on the Division of Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate").

II.

Discussion

On October 21, 2003, the commission opened a generic investigative docket on distributed generation which also includes issues relating to CHP.¹ The purpose of Docket No. 03-0371 is to investigate and examine the potential

¹On October 21, 2003, the commission instituted an investigation to examine the potential benefits and impacts of distributed generation on Hawaii's electric distribution systems and market. Through this docket, the commission intends to address the generic distributed generation issues affecting the electric industry in Hawaii. These issues include, but are not limited to: (1) addressing interconnection matters; (2) determining who should own and operate distributed generation projects; (3) identifying what impacts, if any, distributed generation will have on Hawaii's electric distribution systems and market; (4) defining the role of regulated electric utility distribution companies and the commission in the deployment of distributed generation in Hawaii; (5) identifying the rate design and cost allocation issues associated with the deployment of distributed generation facilities; and (6) developing the necessary revisions to the integrated resource planning process, if necessary. See Order No. 20582, filed on October 21, 2003, in Docket No. 03-0371.

benefits and impacts on distributed generation on Hawaii's electric distribution system and market. The commission held hearings on Docket No. 03-0371 on December 8-10, 2004.² The commission intends that the policies and framework developed in Docket No. 03-0371 will form the basis for rules and regulations deemed necessary to govern participation into Hawaii's electricity market through distributed generation. Further, the commission believes that issues related to CHP should not be examined in a vacuum and that the commission must consider the dynamic interactions of CHP with other sources of generation, as well as the demand and load created by the end users.

Upon review and based on the above, we find it appropriate and prudent at this juncture to suspend HECO'S Application in this docket until, at the minimum, the matters in Docket No. 03-0371 have been adequately addressed.

Upon reopening the matter, the commission intends to entertain any request for leave by HECO to update or amend its Application due to any changes in circumstances such as the commission's decision in Docket No. 03-0371.

²Post hearing briefs are due four (4) weeks from the date the transcripts of the hearing are filed with the commission. Reply post hearing briefs are due three (3) weeks from the date the post hearing briefs are due.

III.


Orders

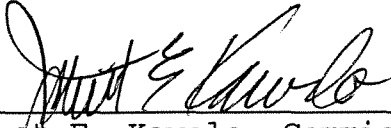
THE COMMISSION ORDERS that HECO's Application, filed on October 28, 2004, is suspended until further order of the commission.

DONE at Honolulu, Hawaii JAN 21 2005.


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:


Kevin M. Katsura
Commission Counsel

04-0314.eh

CERTIFICATE OF SERVICE


I hereby certify that I have this date served a copy of the foregoing Order No. 21555 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
DIVISION OF CONSUMER ADVOCACY
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Karen Higashi

DATED: JAN 21 2005